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SHAPING THE NEXT WAVE OF GLOBALIZATION: USING CURRENT TRENDS TO RECONNECT WITH MARKETS AND CREATE VALUE

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N. Delener, Ph.D.
Christina Schweikert, Ph.D.

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HIGH-END ENCROACHMENT: THE AFFORDABILITY EFFECT ON DISRUPTIVE INNOVATION

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ABSTRACT

Prior studies illustrate only two strategic ways in which a disruptive innovation can emerge. In low-end markets, disruptive innovation provides substitutes for existing products with lower performance resulting in improvements. . On the other hand, in new markets, disruptive innovation provides completely different products but with initial lower performance. These improve over time and then emerge in mainstream markets. This research evaluates the type of disruptive innovation that emerges in the high-end market. The fundamental acumen to recognize high-end disruption is that innovation escalates either performance or affordability. While disruption in low-end markets materializes through improved performance, disruption in the higher end markets can manifest through improved affordability. In both scenarios, incumbents ignore disruptive innovation and instead chase profit margins at the expense of low-end disruption. They also overlook market volume at the cost of high-end disruption. Initially, in both cases, incumbents react by driving profitability through sustained innovations.

Keywords: Disruptive Innovation, Low-End and High-End Disruption, Affordability, and Incumbents.

INTRODUCTION

Over the last two decades, the term 'disruptive innovation' has developed a reputation and has been the focus of attention not only from scholars amongst practitioners as well (Christensen, 1997; Hang, Chen and Yu, 2011; Berkun, 2010; Isaacson, 2014). Disruptive innovation has been studied in several research disciplines comprising education (Skiba, 2012; Thompson, 2016), technology (Hardman et. al., 2013), law (Curtis and Schulman, 2006) and the health industry (Arora et al., 2010). Leaving aside of the distinctiveness of these disciplines, the concept of disruptive innovation is fixed across various business contexts and from this perspective it can be studied as an increasingly objectively recognized concept.

Researchers have studied disruptive innovation in a number of contrasting industry contexts. These include healthcare (Arora et al., 2010; Ramdorai and Herstatt, 2015), computing (Lyytinen and Rose, 2003; Akar and Mardiyan, 2016) hospitality and tourism (Guttentag, 2015), and the auto industry (Pinkse, Bohnsack and Kolk, 2014; Hardman et. al., 2013). The concept of disruptive innovation originated in low-end, new market segments. The effect that it has is to improve performance over time and disrupt market incumbents. In the context of this paper, it can be argued that disruptive innovation has been widely research with a focus on low-end and new market segments; however, the high-end market has received little attention. In business and innovation management, encroachment from the higher-end market and affordability strategies is the most condensed and inchoate areas.

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CONTEXTUALIZATION: DISRUPTIVE INNOVATION

For both academics and practitioners disruptive innovation means different things. In the existing literature, one perception is that disruptive innovation originates in existing or new markets at the lower end. Equally, ignoring the impact of innovation at the high-end can result in prevailing issues for the firm (Hardman et al., 2015). The complexity of incorporating high-end encroachment and affordability has led to different understandings of disruptive innovation theory from different dimensions of the market. The crucial aspect of this study is to understand the process and reality of disruptive innovation. Disruptive innovation begins with the emergence of different sets of performance attributes in existing or new markets at the lower end. Mainstream customers view these products as unattractive because of their low performance features. However, over time these performances improve and attract mainstream customers from mainstream markets to achieve disruption (Yu and Hang 2010; Vance, 2013). However, the scope of conceptualisation that disruption only adapts to low-end encroachment remains complex. Likewise, superior and distinct performance attributes adapt to high-end encroachment by achieving affordability to attract mainstream customers. The nature of the high-end market inherently makes it suitable for unique performance attributes and organisations can thus achieve efficiency in production. Such conditions increase the potential for entrants to attract mainstream customers in order to disrupt the market (Rhee et al., 2012; Govindarajan and Kopalle, 2005; Schmidt and Druehl, 2008).

The High-End Market and Affordability

The concept of the high-end market is the subject of various definitions in the literature. For example, Rhee et al. (2012) suggest that some firms enter the high end of the market and then diffuse downwards using distinct strategies. This kind of market encroachment has been described using three different labels. The first is 'immediate high-end encroachment' which describes the pursuit of customers in 'old markets' in high-end settings. This involves stealing some of the original market share. The second format is 'new attribute high-end encroachment' comprising improvements to original products and the addition of new dimensions to attract both existing and new customers in the high-end market. Finally 'New Market high-end encroachment' describes the attraction of customers to new markets at the high-end (Rhee et al., 2012, p. 721).

The literature highlights the phenomenon of disruptive innovation in existing and new markets at the lower-end. An initial performance is typically inferior to existing performance in the mainstream market. Low-end customers are attracted to such performances because of their low cost and distinct features, which are more appealing than existing features. However, overtime these performances are improved to attract mainstream customers as a result of disrupting the market (Govindarajan and Kopalle, 2005). On the other hand, the high-end market is an appropriate setting to target customers that are looking for superior performance attributes that are not available in mainstream markets. Price, in the context of this superior performance is high and is typically out of reach for mainstream customers. However, over time these firms achieve efficiency in production that brings costs down and makes the product available to mainstream customers at a price they can afford (Rhee et al., 2012). Nevertheless, the primary step to disrupt the market at the higher-end is a costly and challenging task because it requires huge investments from the outset. For example, Chobani required approximately $1 billion of investment to make it happen (Vazquez Sampere, 2016).

On the other hand, low-end market disruptive innovation is initially defined by lower performance and seeks out the least profitable customers. As a result, market incumbents ignore these entrants and instead focus on improving their existing products to make more profit from mainstream customers (Christensen, 2006; Yu and Hang, 2010). Consider the example of Honda, which entered the US market with its flagship scooter, thus focusing on the least profitable customers. Incumbents did not view this manoeuvre as a threat. Likewise, new market disruption that focuses on prospective consumers gives rise to a new industry. For example, Stents initially involved itself in the catheter diagnosis market, but later diffused down into the cardiac surgery markets (Vazquez Sampere, 2016). Conversely it can be argued that incumbents also ignore disruptive innovation in higher-end markets because they want to increase their market share by driving sales volumes whilst ignoring higher-end disruptive innovation as a threat.

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Looking at these two contrasting phenomena it can be argued that disruptive innovation can be achieved not only at the lower end, but in high-end markets as well. The commonality between the two formats is affordability. Christensen's (1997) theory of disruptive innovation specifically speaks about improved performance over time in low-end markets, so that the product can be adopted in mainstream markets. Conversely, this ignores the fact that performance in high-end markets is already superior. To cause disruption organisations only need to achieve superior efficiency in production to make the product affordable for the mass-market consumer. Tesla, for example has created a new model of disruption, in which products start at the high end while encroaching down over time by achieving efficiency. During its 10-year history Tesla's initial prices were eccentrically high, at approximately $100,000. This was reduced to a price of $70,000 in 2015, and its latest version in 2017 is priced at $35,000. The latest version, a Model 3 Sedan has secured 400,000 pre-orders (see Rhee et al., 2012; Eisler, 2016; Butler and Martin, 2016).

Consequently, it can be argued that disruptive innovation from the lower-end seeks to improve performance, while in higher end markets it seeks to achieve efficiency to bring costs down. In both cases the commonality is affordability. Despite the market segment context, if disruptive innovation products provide unique and improved performance attributes and appeal as substitutes to existing options at affordable prices to attract mainstream customers, this can lead to disruptive innovation.

Bottom of the Pyramid

Regarding disruptive innovation, customers often looking for products that have different features and are cheaper than existing products (Christensen 1997; 2006). However, those innovations that originates in high-end market has different features as compared to the offers in the mainstream market, these innovations are good enough to attract mainstream customers but at the same time, these customers expect these innovations to be more affordable in terms of pricing strategies (Vazquez Sampere, 2014; Christensen et al., 2011). In this context, the fundamental question is how these firms are able to overcome this dilemma without any failure and to successfully implement disruptive innovation meeting mainstream customer needs.

In practice and academia is full of many different frameworks that can be explored further to overcome these barriers at the higher-end and integrate it in disruptive innovation model. One way to do it is to innovate in a responsible way for the benefits of society this terminology has been widely used as responsible innovation (Agnihotri, 2017). These kinds of innovation concepts work better in low-end market because many people in that market cannot afford these products or services (Agnihotri, 2017). For example, in India, a Mitti Cool refrigerator made of special clay cost less than $30 and requires no electricity but it will keep your contents cool like a normal refrigerators. Using these kind of concept in high-end market could have significant implication as well. Another important area with in the scope of this study is bottom of the pyramid (BOP) concept (Prahalad, 2005). This term means a population that lives their life on less than US$2 per day. It represents around 2 billion consumers in this category that make up a huge market (Prahalad, 2005). Various firms find it challenging to innovate in effective manner because prices and affordability becomes major issues in these ultra low-end markets. Somehow, practitioner tried to achieved these by using target costing and reverse engineering to make these innovations accessible to middle class. Agnihotri (2017) determined disruptive innovation as a kind of responsible innovation because of its low cost version alternative of existing dominant technologies bringing affordability to mass. Likewise, Agnihotri (2017) determined some kinds of strategies that are useful in the BOP segments that might influence firms that originate at high end to move down using these different strategies to disrupt the market.

MANAGERIAL IMPLICATIONS AND CONCLUSION

Innovation is not as easy as it perhaps seems, and this observation is supported in the above paragraphs. As emphasised in Nielsen's report, 20,000 new products were studied between 2012 and 2016. The success rate of these was only 0.46% i.e only 92 products were able to reach a sale of more than $50 million in the first year with enduring growth patterns (Christensen et al., 2016). It can be argued that driving the success of new products is a challenging task, however, the challenge is even greater for startups because many of them fail within the first five years (Shane, 2008). Nevertheless, many academics focus on why some startups are more successful than others,

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such as Tesla, Airbnb, Samsung, Apple and others. These businesses perhaps have something in common that has driven their success and lessons could be learnt from these organisations and applied to other startups. Schumpeter (1934) illustrated the importance of the entrepreneur's role in changing and shaping industries. Nevertheless, he established that successes are rare. The appeal of entrepreneurship has motivated many academics to focus on the capability afforded by introducing superior performance attributes that can disrupt market incumbents (Vazquez Sampere, 2016). Examples of such phenomena include electricity, which replaced candles. Planes took market share away from cruises, and the recent transformation of smartphone industry saw iPhone disrupting the mobile phones market. However, in the late 1970s a new trend was observed whereby inferior goods entered into markets and transformed entire industries by making incremental improvements (Vazquez Sampere, 2017). Christensen (1997) highlighted this fact and presented disruptive innovation theory as a consequence. The theory has revolutionised the industry because the mass market often ignored such inferior goods and established firms never saw them as a threat. However, with the passage of time they have emerged as disruptive threats.

Despite the fact that disruptive innovation emphasises substitute products over the existing ones, and use low-end penetration strategies to enter the market, the market is often bombarded with embedded claims of innovation and improved products in comparison to existing products. This highlights the impact of high-end strategies. Therefore, this paper suggests that using a high-end strategy to enter the market by introducing a superior product as a substitute can is an example of disruptive innovation. The availability of different market segments has unique implications for new products that sell over time as a consequence of perceived superior performance and affordability by the majority of customers. Many organisations in the past have successfully entered the high-end market and later achieved disruption by reducing their prices to make their products available at affordable prices. To sum-up, companies can better achieve disruptive innovation and achieve competitive advantage from either side of the market by adopting different strategies, particularly performance improvements in low-end markets and affordability in high-end markets while considering the bottom of the pyramid approach. This will result in greater competition and will create added value for the customers in real terms both in terms of quality and affordability.

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DETERMINANTS OF ENVIRONMENTAL INNOVATIONS: EVIDENCE FROM THE BRAZILIAN INNOVATION SURVEY

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ABSTRACT

This paper aims to analyze the determinants of the environmental innovations generated by innovative firms, according to the taxonomy proposed by Pavitt (1984) and having as data source the National Innovation Survey (Pintec 2014) carried out by the Brazilian Institute of Geography and Statistics (IBGE). It is structured as follows: firstly, we present the theoretical background on environmental innovation, technological classifications, and sectoral patterns of technical change (section 2). In section 3, we describe the research methodology and the logit method, in particular. In section 4, we discuss the determinants of environmental innovations evidenced by the Brazilian Innovation Survey (Pintec 2014). Finally, in section 5, we synthesize the concluding remarks and point out implications for policy makers and managers, and subsequent research.

Keywords: Environmental innovations, Pavitt' sectoral taxonomy, Logistic regression, Pintec.

INTRODUCTION

In recent years, the subject of environmental innovation has received increasing attention in both academic and policy spheres. Several factors influence the creation of environmental innovations. Among them are the regulatory frameworks, public policies and internal capacities accumulated by firms, especially innovative capacity and cooperation. Although an extensive consensus has been reached on the value of environmental innovations, at best from a social perspective, little is known as to why some firms involve in more environmental innovation than others and, possibly more relevant, under what conditions firms generate this type of innovation.

An empirically-based framework that differentiates categories of innovative firms by their structural characteristics and organisation of innovative activities was proposed by Pavitt (1984). He argues that firms have constraints on choices regarding process or product innovations and the breadth or specialization of their production. This is because of the requirements of the particular technologies in each sector.

Environmental innovations have unique, distinguishing characteristics that put forward a need for most appropriate management and policy approaches to drive this type of innovation. Since Pavitt's framework provides a key to classify innovation modes according to different sectoral patterns of technical change, it is assumed that it can also contribute to an in-depth analysis of the determinants of environmental innovations for guiding Science and Technology (S&T) policies on environmental issues such as climate change, biodiversity, environmental sustainability; reduction of pollution and wastes' impacts; renewable and non-renewable natural resources; and the interactions among these issues.

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Despite the existence of the previous empirical studies addressed to explain environmental innovations in several countries (Horbach, 2016; Castellacci and Lie, 2016; Hojnik and Ruzzier, 2016; Del Rio *et al*., 2015; Luchese *et al*., 2014; De Marchi *et al*., 2013; Kesidou and Demirel, 2012; Kemp and Pontoglio, 2011; Belin *et al*., 2011; Horbach, 2008; Kammerer, 2009), none of them have explored Pavitt's framework for analysing the similarities and differences between the determinants of this type of innovation, seeking to demonstrate that different sectoral patterns of technical change can shape different types of environmental innovations.

The association of environmental innovation indicators from the Brazilian Innovation Survey (Pintec 2014) – carried out by Brazilian Institute of Geography and Statistics (IBGE) – to the Pavitt's taxonomy gives this research an innovative character. Thus, the following research question was formulated:

> "What are the determinants of the generation of environmental innovations by innovative Brazilian firms, according to different sectoral patterns of technical change, as defined by Pavitt? Moreover, in the light of the Pavitt's taxonomy, what are the differences and similarities between technological trajectories of these innovative firms?".

To answer this question, this work aims to analyze the determinants of the environmental innovations generated by innovative firms in Brazil, in the light to Pavitt's sectoral taxonomy, and having as data source the National Innovation Survey (Pintec 2014) carried out by the Brazilian Institute of Geography and Statistics (IBGE). To achieve this general objective, the following specific objectives were established:

- To identify the contributions of the theoretical background on environmental innovation and the technological classifications to support the analysis of the determinants of environmental innovations by innovative Brazilian firms;
- To classify the economic activities of the respondent companies of Pintec 2014, according to the Pavitt's sectoral taxonomy, by consulting the National Classification of Economic Activities (CNAE);
- To characterize the innovative firms that introduced environmental innovations in the period 2012 - 2014, according to the sectoral patterns of technical change proposed by Pavitt;
- To analyze the determinants of this type of innovation in each group of firms, seeking to demonstrate that different sectoral patterns can shape different types of environmental innovations.

This article is structured as follows: firstly, we present the theoretical background on environmental innovation, technological calssifications, and sectoral patterns of technical change (section 2). In section 3, we describe the research methodology and the logistic regression method, in particular. In section 4, we analyze and discuss the determinants of the environmental innovations generated by innovative Brazilian firms, according to the taxonomy proposed by Pavitt, and having as data source the Brazilian Innovation Survey (Pintec 2014) carried out by Brazilian Institute of Geography and Statistics (IBGE). Finally, in section 5, we synthesize the concluding remarks and point out implications for policy makers and managers, and subsequent research.

THEORETICAL BACKGROUND

The theoretical background encompasses the following themes: (i) environmental innovation; (ii) technological classifications; and (iii) sectoral patterns of technical change according to Pavitt's taxonomy.

Environmental innovation

Kemp and Pearson (2007, p.16) define environmental innovation as the "production, application or exploitation of a good, service, production process, organizational structure, or management or business method that is novel to the firm or user and which results, throughout its lifecycle, in a reduction of environmental risk, pollution and the negative impacts of resources use (including energy use) compared to relevant alternatives."

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As stated by Horbach *et al.* (2012, p. 119), environmental innovation encompass "product, process, marketing, and organizational innovations, leading to a noticeable reduction in environmental burdens. Positive environmental effects can be explicit goals or side effects of innovations".

Environmental innovations can concern "products, processes and organizations, and can take very different forms according to their environmental impacts. The basic distinction is between end of pipe technology (or compliance technology) and clean technology. In the first case, the technological solution consists in controlling and treating pollution by way of several technical apparatuses which take effect at the end of the production process (additive technology), while clean technology implies an integrated change in the production process and a reduction of pollution at source" (Oltra; Saint Jean, 2007, p.6).

OECD defines environmental innovations as "new or modified processes, techniques, practices, systems, and products that avoid or reduce environmental harm. They may be developed with or without the explicit aim of reducing environmental harm. They also may be motivated by business goals such as profitability or enhanced product quality. Many environmental innovations combine an environmental benefit with a benefit for the firm or user". (OECD, 2008).

Notwithstanding differences in the above definitions, all include environmental issues and reveal the main concerns of environmental innovations, namely: (i) fewer adverse effects on the environment; and (ii) more efficient use of natural resources.

Technological classifications

The review work by Cavalcante (2014) on the technological classifications adopted by academics and policy makers highlighted two classifications, as follows: (i) the OECD classification based both on direct R&D intensity and R&D embodied in intermediate and investment goods was proposed in Hatzichronoglou (1997). Four categories were introduced – high; medium-high, medium-low, and low technology intensity; and (ii) a taxonomy proposed by Pavitt (1984), and revisited by Pavitt, Robson and Townsend (1989), provides a key to classify innovation modes according to different sectoral patterns of technical change.

For the purpose of this work, we chose to classify the economic activities of the respondent firms of the Brazilian Innovation Survey - Pintec 2014 (IBGE, 2016), according to five sectoral patterns of technical change, as proposed by Pavitt (1984) and Pavitt, Robson and Townsend (1989).

Sectoral patterns of technical change according to Pavitt's taxonomy

Based on empirical data from the Science Policy Research Unit (SPRU) innovation survey and review of cases studies, initially Pavitt identified four groups of firms: (i) scale intensive; (ii) specialized suppliers; (iii) science based; and (iv) supplier dominated. Latter, Pavitt, Robson and Townsend (1989) revisited the original taxonomy and added another group – information intensive – formed by companies characterized by the growing diffusion of information and communication technologies (ICTs) capable of creating technological opportunities with undoubtedly innovative potential.

For the purpose of this research, we considered the five sectoral patterns, as briefly described below:

- Scale-intensive: characterized by mainly large firms producing basic materials and consumer durables, e.g., automotive sector. Sources of innovation may be both internal and external to the firm with a medium-level of appropriability;
- Specialized suppliers: smaller, more specialized firms producing technology to be sold into other firms, e.g., specialized machinery production and high-tech instruments. There is a high level of appropriability due to the tacit nature of the knowledge;
- Science-based: high-tech firms which rely on R&D from both in-house sources and university research, including industries such as pharmaceuticals and electronics. Firms in this sector develop new products or processes and have a high degree of appropriability from patents, secrecy, and tacit know-how;

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- Supplier-dominated: includes firms from mostly traditional manufacturing such as textiles and agriculture which rely on sources of innovation external to the firm.
- Information-intensive: formed by companies characterized by the growing diffusion of information and communication technologies (ICTs) capable of creating technological opportunities with undoubtedly innovative potential.

RESEARCH METHODOLOGY

The research methodology encompasses the following steps:

- Bibliographical research on environmental innovation; technological classifications; sectoral patterns of technical change; and review of the empirical works on determinants of environmental innovations;
- Documentary research on the Brazilian Classification of Economic Activities (CNAE) and the National Survey on Innovation 2014 (Pintec 2014), both published by Brazilian Institute of Geography and Statistics (IBGE);
- Content analysis to classify the respondent firms of Pintec 2014 according to their economic activities (CNAE) and to the Pavitt's sectoral patterns of technical change;
- Special tabulations requesting from the IBGE in order to obtain statistics of Pintec 2014 by sectoral pattern of technical change, i.e. the five groups described in section 2;
- Development of an empirical study applying Pintec 2014's data and using logistic regression to explain the environmental innovations generated by Brazilian firms, highlighting the differences and common points between the determinants of environmental innovations with regard to the five sectoral patterns of technical change;
- Discussion of results and suggestions of how the findings may be significant for policy makers and managers, and subsequent research.

In particular, the thematic-categorical content analysis based on reference works, as Oslo Manual (OECD, 2005) and the Pintec Manual (IBGE, 2016), led to the analytical grid building, and a posteriori binary logit modelling, in the light of Pavitt's taxonomy (Pavitt, 1984; Pavitt, Robson and Townsend, 1989).

The empirical study applying Pintec 2014's data focused on the following **dependent variables**: 'reduction of environmental impact' (REI); 'reduction of water consumption' (RWC); 'reduction of energy consumption' (REC); 'reduction of raw material consumption' (RMC); 'introduction of new environmental management techniques for effluent treatment, waste reduction, CO, etc.' (INT). It sought to correlate the results of the five groups of innovative firms to four **explanatory variables** of Pintec 2014, namely: (i) innovative activities; (ii) sources of funding for innovative activities; (iii) cooperation; and (iv) government support. The groups of innovative firms correspond to the five sectoral patterns of technical change defined in section 2.

Logistic regression is a powerful statistical way of modeling a binomial outcome (yes-or-no responses) with one or more explanatory variables (Greene, 2000). It provides a quantified value for the strength of the association adjusting for other variables (removes puzzling effects). It has been largely used to describe the relationships between the outcome (dependent variables or responses) and the set of independent or explanatory variables. The fundamental characteristic of this regression is that the dependent variables is dichotomous. Mathematically, the function used in logistics regression is extremely flexible and easy to use. For this modeling, the systematic component is:

$$g(\mu_i) = \eta_i, \quad i = 1, \ldots, n$$

Where, $\mu_i = E(y_i)$ and $g(.)$ is a monotonic function and differentiable function, called the link function. The case of the logit function is expressed using the link function below:

$$\eta = log\left(\frac{\mu}{1-\mu}\right)$$

As previously mentioned, the modeling focused on five dependent variables (REI; RWC; REC; RMC; and INT) within each sectoral pattern of technical change (scale intensive; specialized suppliers; science based; supplier dominated; and information intensive).

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Thus, the theoretical regression models can be described as:

$$Y_{REI} = \beta_0 + \beta_{1m}X_{IA_im} + \beta_{2n}X_{SF_in} + \beta_{3j}X_{CO_ij} + \beta_{4k}X_{GS_ik} + \varepsilon$$

$$Y_{RWC} = \beta_0 + \beta_{1m}X_{IA_im} + \beta_{2n}X_{SF_in} + \beta_{3j}X_{CO_ij} + \beta_{4k}X_{GS_ik} + \varepsilon$$

$$Y_{REC} = \beta_0 + \beta_{1m}X_{IA_im} + \beta_{2n}X_{SF_in} + \beta_{3j}X_{CO_ij} + \beta_{4k}X_{GS_ik} + \varepsilon$$

$$Y_{RMC} = \beta_0 + \beta_{1m}X_{IA_im} + \beta_{2n}X_{SF_in} + \beta_{3j}X_{CO_ij} + \beta_{4k}X_{GS_ik} + \varepsilon$$

$$Y_{INT} = \beta_0 + \beta_{1m}X_{IA_im} + \beta_{2n}X_{SF_in} + \beta_{3j}X_{CO_ij} + \beta_{4k}X_{GS_ik} + \varepsilon$$

where,

X_{IA} – Explanatory variables of 'Innovative activities'; m = 1, ..., p.

X_{SF} – Explanatory variables of 'Sources of funding for in-house R&D or other innovation activities' ; n = 1, ..., q.

X_{CO} – Explanatory variables of 'Cooperation'; j = 1, ..., r.

X_{GS} – Explanatory variables of 'Government support'; k = 1, ..., s.

β –Model parameters.

Table 1 shows the broken-down explanatory variables corresponding to the analytical grid of Pintec 2014.

Table 1: Broken-down explanatory variables corresponding to the analytical grid of Pintec 2014

Reference	Explanatory variables	Broken-down explanatory variables
X_{IA}	Innovative activities	In-house R&D
		External R&D
		Acquisition of other external knowledge, excluding software
		Acquisition of software
		Acquisition of machinery and equipment
		All other innovative activities including design, tests, and other relevant activities
X_{SF}	Sources of funding (for in-house R&D)	Own funding for in-house R&D
		Funding from Brazilian state-own companies for in-house R&D
		Foreign funding for in-house R&D
	Sources of funding (for other innovation activities)	Own funding for other innovation activities
		Funding from private external sources for other innovation activities
		Funding from public sources for other innovation activities
X_{CO}	Cooperation	Cooperation with clients or customers
		Cooperation with suppliers of equipment, materials, components, or software
		Cooperation with competitors
		Cooperation with other enterprises within the enterprise group
		Cooperation with consultants
		Cooperation with universities and research centers
		Cooperation with technical assistance and training centers
		Cooperation with laboratories for testing and certification organisms
X_{GS}	Government support	Tax incentives for R&D and technological innovation (Law n.8661; Chap. III of Law n. 11196)
		Tax incentives (Brazilian Federal Laws n.10664 and n. 11077)
		Economic subsidy to R&D and to insertion of researchers
		Public funding for R&D and technological innovation projects without cooperation with universities
		Public funding for R&D and technological innovation projects with cooperation with universities
		Exclusive financing for purchase of machines and equipment to innovate
		Scholarships offered by public foundations and R&D support agencies
		Venture capital participation
		Public purchases

Source: IBGE (2016).

During the development of the empirical study, five models were adjusted for each Pavitt's sectoral pattern, resulting a total of 25 models that will highpoint the determinants of environmental innovations among the set of explanatory variables defined in Table 1. The dependent variables – REI; RWC; REC; RMC; and INT – were considered as binary (yes-or-no responses) and the Statistical Analysis Software (SAS) was used in the modelling phase of this research.

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DESCRIPTION OF THE EMPIRICAL STUDY

For our analysis we make use of data from the Brazilian Innovation Survey – Pintec 2014 (IBGE, 2016). This is the equivalent to the Community Innovation Survey 2014 (CIS 2014), which has been used in various recent econometric studies for European countries pointed in section 2. The Pintec follows the Oslo Manual and it is conducted by the IBGE.

The Pintec 2014 data are classified according to two-digit National Classification of Economic Activities – CNAE version 2.0. In the light of Pavitt's sectoral taxonomy, the microdata received from IBGE were organized around the following sectoral patterns:

- Scale-intensive: extractive industries; fabrication of food products; fabrication of beverages; fabrication of tobacco products; fabrication of textiles; fabrication of pulp, paper, and paper products; fabrication of coke, petroleum products and biofuels; fabrication of chemical products; metallurgy; fabrication of household appliances; fabrication of batteries, lamps and other electronic devices; agricultural machinery and equipment; fabrication of motor vehicles, trailers and bodyworks;
- Specialized suppliers: fabrication of generators, transformers and equipment for distribution of electricity; fabrication of engines, pumps, compressors and transmission equipment; mineral extraction and construction machinery; other machinery and equipment; fabrication of instruments and materials for medical and dental use and optical goods; maintenance, repair and installation of machinery and equipment; architecture and engineering services; testing and technical analysis; activities of research and development;
- Science-based: fabrication of pharmaceutical preparations; fabrication of pharmaceutical products; fabrication of computer equipment, electronic and optical products;
- Supplier-dominated: fabrication of clothing and accessories; preparation of leather and fabrication of leather goods, travel goods and footwear; fabrication of wood products; fabrication of paper, paperboard and related articles; printing and reproduction of recordings; fabrication of rubber and plastic products; fabrication of metal products; fabrication of furniture; other miscellaneous products; editing and recording and editing of music;
- Information-intensive sectors: telecommunications; information technology services.

Because the Pintec 2014 microdata are confidential, the access to them was only possible at IBGE´s secrecy room with previous authorization.

Data

The total number of firms in the 2014 survey includes 6.737 firms. Based on the Pavitt's sectoral patterns and the CNAE version 2.0, these firms were classified as follows: 39,3% are scale intensive; 31,7% are supplier dominated; 4,9% are science-based; 15,2% are specialized suppliers; and 8,9% information intensive. For the logistic regression, only the firms that presented answers in all variables studied were considered. Table 2 shows the valid responses, including the amount of positive (1) or negative (0) responses regarding each dependent variable (REI; RWC; REC; RMC; INT).

Table 2: Number of firms by sectoral pattern of technical change: valid responses

Sectoral pattern of technical change	Total of firms	REI		RWC		REC		RCM		INT	
		1	0	1	0	1	0	1	0	1	0
Scale intensive	2647	489	308	476	321	531	266	330	467	504	293
Specialized suppliers	1023	216	96	209	103	257	55	169	143	153	159
Science based	330	103	50	97	56	115	38	85	78	74	79
Supplier-dominated	2134	231	175	257	149	300	106	189	217	212	194
Information intensive	603	179	0	150	29	179	0	148	31	17	162
Total	**6737**	1218	629	1189	658	1382	465	921	936	960	887

Note: Missing values for the explanatory variables that were deleted: scale intensive - 1850; (ii) supplier-dominated – 1728; (iii) science based – 177; (iii) specialized suppliers – 711; and (iv) information-intensive – 424 missing values.

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The features of all variables used in the logistic regressions are shown in Table 3.

Table 3: Features of the variables used in the logistic regressions

Description of dependent variables	**Features**
Reduction of environmental impact (REI)	1 - High and Medium importance
	0 - Low importance or no developed
Reduction of water consumption (RWC)	1 - High and Medium importance
	0 - Low importance or no developed
Reduction of energy consumption (REC)	1 - High and Medium importance
	0 - Low importance or no developed
Reduction of raw material consumption (RMC)	1 - High and Medium importance
	0 - Low importance or no developed
Introduction of new environmental management techniques for effluent treatment, waste reduction, CO, etc. (INT)	1 - High and Medium importance
	0 - Low importance or no developed
Broken-down explanatory variables	**Features**
In-house R&D	1 - High and Medium importance
	0 - Low importance or no developed
External R&D	1 - High and Medium importance
	0 - Low importance or no developed
Acquisition of other external knowledge, excluding software	1 - High and Medium importance
	0 - Low importance or no developed
Acquisition of software	1 - High and Medium importance
	0 - Low importance or no developed
Acquisition of machinery and equipment	1 - High and Medium importance
	0 - Low importance or no developed
All other innovative activities including design, tests, and other relevant activities	1 - High and Medium importance
	0 - Low importance or no developed
Own funding for in-house R&D	%
Funding from Brazilian state-own companies for in-house R&D	%
Foreign funding for in-house R&D	%
Own funding for other innovation activities	%
Funding from private external sources for other innovation activities	%
Funding from public sources for other innovation activities	%
Cooperation with clients or customers	1 - High and Medium importance
	0 - Low importance or no developed
Cooperation with suppliers of equipment, materials, components, or software	1 - High and Medium importance
	0 - Low importance or no developed
Cooperation with competitors	1 - High and Medium importance
	0 - Low importance or no developed
Cooperation with other enterprises within the enterprise group	1 - High and Medium importance
	0 - Low importance or no developed
Cooperation with consultants	1 - High and Medium importance
	0 - Low importance or no developed
Cooperation with universities and research centers	1 - High and Medium importance
	0 - Low importance or no developed
Cooperation with technical assistance and training centers	1 - High and Medium importance
	0 - Low importance or no developed
Cooperation with laboratories for testing and certification organisms	1 - High and Medium importance
	0 - Low importance or no developed
Tax incentives for R&D and technological innovation (Law n.8661; Chap. III of Law n. 11196)	1 - Yes
	0 - No
Tax incentives (Law n.10664; Law n. 11077)	1 - Yes
	0 - No
Economic subsidy to R&D and to insertion of researchers (Law 10973; Art. 21 of Law n.11196)	1 - Yes
	0 - No
Public funding for R&D and technological innovation projects without cooperation with universities	1 - Yes
	0 - No
Public funding for R&D and technological innovation projects with cooperation with universities	1 - Yes
	0 - No
Exclusive financing for purchase of machines and equipment to innovate	1 - Yes
	0 - No
Scholarships offered by public foundations and R&D support agencies	1 - Yes
	0 - No
Venture capital participation	1 - Yes
	0 - No
Public purchases	1 - Yes
	0 - No

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RESULTS

The binary logit model was used to explain environmental innovations and analyze their determinants by sectoral pattern of technical change. In order to choose the best fit of the model, the stepwise technique was employed. The significant level for entry and significant level for stay in model were defined as 0.05 for each estimated parameter.

Due to limitation of space, we summarize in Table 4 the results regarding one of the sectoral patterns - specialized suppliers. As it can be noticed, all values were less than 0.05 for the most significant p-value for each parameter β based on a Wald Test. So we can conclude that all are significant. Moreover, three tests were applied on the good fit of the model: the Likelihood Ratio Test, Wald Test, and Hosmer-Lemeshow Test.

Table 4: Specialized suppliers' pattern of technical change

	Specialized-suppliers				
Nº of observations	**312**				
	Pr>ChiSq				
Explanatory variables	**REI**	**RWC**	**REC**	**RMC**	**INT**
Intercept	0.6135	<.0001	0.0038	0.0006	<.0001
External R&D		0.0080			
Acquisition of machinery, equipment,		0.0009			
All other innovation activities including design, tests, and other relevant activities	0.0009		0.0007		
Own funding for in-house R&D	0.0051				
Funding from public sources for other innovation activities	0.0409				
Cooperation with clients or customers		0.0466			
Cooperation with suppliers of equipment, materials, components, or software	0.0055				
Cooperation with competitors	0.0030	0.0002	0.0100		
Cooperation with consultants	0.0481				
Cooperation with technical assistance and training centers		0.0163		0.0014	0.0057
Cooperation with laboratories for testing and certification organisms	0.0087				
Tax incentives for R&D and technological innovation		0.0153	0.0032		
Public funding for R&D and technological innovation projects with cooperation with universities				0.0134	0.0027
Exclusive financing for purchase of machines and equipment to innovate					0.0167
Likelihood Ratio Test	**<.0001**	**<.0001**	**<.0001**	**0.0001**	**<.0001**
Wald Test	**<.0001**	**<.0001**	**<.0001**	**0.0001**	**<.0001**
Hosmer-Lemeshow Test	**0.3432**	**0.6197**	**0.2302**	**0.1398**	**0.4841**

The Likelihood Ratio Test, Wald Test and Hosmer-Lemeshow Test statistics show that the models are valid in all regressions performed for the five sectoral patterns. These tests presented a good fit for these regressions. Specialized-suppliers' pattern presented the variables of all categories, and the explanatory variables associated to 'Cooperation' are the most notable among the groups of explanatory variables. 'Cooperation with competitors' and 'Cooperation with technical assistance and training centers' appeared as significant in three different models.

Government support is also a key factor for these firms, and included broken-down variables such as: 'Tax incentives for R&D and technological Innovation' and 'Public funding for R&D and technological innovation projects with cooperation with universities'. These variables regarding government support can explain the following types of environmental innovations: Reduction of water consumption' and 'Reduction of energy consumption' supported by 'Tax incentives for R&D and technological Innovation'; 'Reduction of raw material consumption' and 'Introduction of new environmental management techniques for effluent treatment, waste reduction, CO, etc.' supported by 'Public funding for R&D and technological innovation projects with cooperation with universities'.

In turn, 'Innovative activities' is represented by the variables which answer mainly the 'Reduction of water consumption' due to the variables: 'External R&D' and 'Acquisition of machinery, equipment'. And also, the variable 'All other innovative activities including design, tests, and other relevant activities' appeared in 'Reduction of environmental impact' and 'Reduction of energy consumption'.

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‘Reduction of environmental impact’ is a particular model, among those relating to ‘Specialized-suppliers’ sectoral pattern’. It is the only model that pointed two significant variables of ‘Sources of funding for in-house R&D/Sources of funding for other innovative activities’. These results showed the importance of this to the model, through the variables ‘Own funding for in-house R&D’ and ‘Funding from public sources for other innovative activities’.

Tables 5 and 6 summarize the results of all logistic regressions performed for Pavitt's sectoral patterns. For each explanatory variable in the model an 'x' was placed, and thus, in each variable, the number of ‘x’ obtained was counted revealing the main explanatory variables (they were highlighted in these tables).

Table 5: Summary table of the regressions by Pavitt’s sectoral patterns: scale intensive and supplier dominated

		Scale-intensive						Supplier-dominated					
Explanatory variables	**Broken-down explanatory variables**	REI	RWC	REC	RMC	INT	Sum	REI	RWC	REC	RMC	INT	Sum
		X	X	X	X	X	5	X	X	X	X	X	5
Innovative Activities	In-house R&D			X		X	2						0
	External R&D				X		1						0
	Acquisition of other external knowledge, excluding software						0						0
	Acquisition of software	X			X		2					X	1
	Acquisition of machinery, equipment,						0						0
	All other innovative activities including design, tests, and other relevant activities	X	X	X		X	4	X					1
Sources of funding for in-house R&D	Own funding for in-house R&D						0			X	X		2
	Funding from Brazilian state-own companies for in-house R&D						0						0
	Foreign funding for in-house R&D						0						0
Sources of funding for other innovative activities	Own funding for other innovative activities						0						0
	Funding from private external sources for other innovative activities						0		X	X	X		3
	Funding from public sources for other innovative activities						0						0
Cooperation	Cooperation with clients or customers	X		X	X		3			X			1
	Cooperation with suppliers of equipment, materials, components, or software						0	X					1
	Cooperation with competitors						0		X				1
	Cooperation with other enterprises within the enterprise group		X	X		X	3	X	X		X		3
	Cooperation with consultants						0						0
	Cooperation with universities and research centers						0		X				1
	Cooperation with technical assistance and training centers	X			X	X	3	X		X	X		3
	Cooperation with laboratories for testing and certification organisms		X	X	X		3		X			X	2
Government support	Tax incentives for R&D and technological innovation	X	X				2						0
	Tax incentives						0						0
	Economic subsidy to R&D and to insertion of researchers					x	1						0
	Public funding for R&D and technological innovation projects without cooperation						0						0
	Public funding for R&D and technological innovation projects with cooperation with universities						0						0
	Exclusive financing for purchase of machines and equipment to innovate	X		X			2						0
	Scholarships offered by public foundations and R&D support agencies						0						0
	Venture capital participation			X			1						0
	Public purchases						0		X				1

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Table 6: Summary table of the regressions by Pavitt's sectoral patterns: science-based, specialized suppliers, and information-intensive

		Science-based						Specialized suppliers						Information-intensive			TOTAL
Explanatory variables	Broken-down explanatory variables	REI	RWC	REC	RMC	INT	Sum	REI	RWC	REC	RMC	INT	Sum	RWC	RMC	Sum	
	Intercept	x	x	x	x	x	5	x	x	x	x	x	5	x	x	2	
Innovative Activities	In-house R&D			x			1						0	x		1	4
	External R&D	x				x	2		x				1			0	4
	Acquisition of other external knowledge, excluding software		x		x		2						0			0	2
	Acquisition of software				x		1						0			0	4
	Acquisition of machinery, equipment,						0		x				1		x	1	2
	All other innovative activities including design, tests, and other relevant activities		x				1	x		x			2			0	8
Sources of funding for in-house R&D	Own funding for in-house R&D						0	x					1			0	3
	Funding from Brazilian state-own companies for in-house R&D						0						0			0	0
	Foreign funding for in-house R&D						0						0			0	0
Sources of funding for other innovative activities	Own funding for other innovative activities						0						0			0	0
	Funding from private external sources for other innovative activities						0						0			0	3
	Funding from public sources for other innovative activities						0	x					1			0	1
Cooperation	Cooperation with clients or customers						0		x				1		x	1	6
	Cooperation with suppliers of equipment, materials, components, or software		x				1	x					1			0	3
	Cooperation with competitors	x	x		x		3	x	x	x			3	x		1	8
	Cooperation with other enterprises within the enterprise group			x			1						0			0	7
	Cooperation with consultants						0	x					1			0	1
	Cooperation with universities and research centers						0						0			0	1
	Cooperation with technical assistance and training centers						0		x		x	x	3			0	9
	Cooperation with laboratories for testing and certification organisms						0	x					1			0	6
Government support	Tax incentives for R&D and technological innovation						0		x	x			2			0	4
	Tax incentives		x				1						0			0	1
	Economic subsidy to R&D and to insertion of researchers						0						0			0	1
	Public funding for R&D and technological innovation projects without cooperation with universities						0						0			0	0
	Public funding for R&D and technological innovation projects with cooperation with universities						0				x	x	2		x	1	3
	Exclusive financing for purchase of machines and equipment to innovate				x		1					x	1			0	4
	Scholarships offered by public foundations and R&D support agencies						0						0			0	0
	Venture capital participation						0						0			0	1
	Public purchases						0						0			0	1

CONCLUDING REMARKS

This paper used data from the National Innovation Survey (Pintec 2014) carried out by the Brazilian Institute of Geography and Statistics (IBGE) to analyze the determinants of the environmental innovations (EI) generated by innovative firms in Brazil, according to Pavitt's sectoral taxonomy.

The association of environmental innovation indicators from the Pintec 2014 to this framework gave this research an innovative character. The empirical study has led to the identification of the main determinants concerning different types of environmental innovation introduced by Brazilian innovative firms ('reduction of environmental impact'; 'reduction of water consumption'; 'reduction of energy consumption'; 'reduction of raw material consumption'; and 'introduction of new environmental management techniques for effluent treatment, waste reduction, CO, etc.', within each sectoral pattern of technical change.

From the results discussed in the last section, the sectoral taxonomy proposed by Pavitt proved to be a helpful framework for managers and policy makers engaged on environmental issues such as climate change, biodiversity, environmental sustainability; reduction of pollution and wastes' impacts; renewable and non-renewable natural resources; and the interactions among these issues.

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The most present explanatory variable in all sectoral patterns was 'Cooperation with technical assistance and training centers' with nine points, followed by ‘All other innovative activities including design, tests, and other’, and 'Cooperation with competitors' with eight points; 'Cooperation with other enterprises within the enterprise group' with seven points; and the variables 'Cooperation with clients or customers' and 'Cooperation with laboratories for testing and certification organisms' with six. In a general view, the explanatory variables concerning 'Cooperation' are the most important for the Brazilian respondent firms to Pintec 2014.

These findings are potentially relevant for Science & Technology (S&T) policies focusing environmental issues at the national level. Particularly, according to the results here presented, S&T policies addressed to the creation and diffusion of environmental innovations may strongly impact firms that have already well-established R&D and managerial capabilities, and in special those innovations to reduce energy, material and other types of waste in the production process.

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TOWARDS UNDERSTANDING THE MODERATING ROLES OF SMARTPHONES ON BRAND SWITCHING

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ABSTRACT

The evolution of the Smartphone has impacted significantly on consumer behaviour and choice. Mobile phone technology was initially used only for communication purposes but has recently advanced to include additional features that have created a greater market and altered the purchase behaviour of the consumers. In this modern era of technological advancement, users of mobile phones expect other features such as media support, Internet connectivity and special applications. The current paper discusses the moderating roles of smartphones on brand switching. The concluding section offers some practical implications for the development of marketing strategies.

Keywords: Smartphone, Brand Switching, Brand Loyalty, Consumer Behaviour.

INTRODUCTION AND BACKGROUND

There has been a huge increase in the number of Smartphone users recently. The Smartphone is a multi-functional device which apart from its telephone functionalities has a wide range of applications such as e-mail, Internet, calendar, notepads and in-built cameras (Norazah, 2013; Wang, Park & Fesenmaier 2012). The Smartphone is a significant shift from the traditional mobile phone and a major difference between the two is that various applications can be added after the purchase of the Smartphone device, whereas they cannot to the mobile phone. Hence Smartphones are considered radically innovative products due to their additional features which are similar to miniature computers.

The evolution of the Smartphone has impacted significantly on consumer behaviour and choice. Mobile phone technology was initially used only for communication purposes but has recently advanced to include additional features that have created a greater market and altered the purchase behaviour of the consumers (Slawsby et al., 2003; Dwivedi, 2015; Appiah & Ozuem, 2018). In this modern era of technological advancement, users of mobile phones expect other features such as media support, Internet connectivity and special applications (Jones, 2002; Hansen, 2003 and Norazah, 2013). There is the need to emphasise that recently, Smartphones have attracted the attention of all age groups from teenagers to the older generation, and special features in terms of both hardware and software have largely contributed to the impact on customer choice and purchase intentions, enabling manufacturers to innovate new services that have created a competitive environment.

The dramatic growth in the usage of Smartphones has attracted researchers and academics (Massoud & Gupta, 2003; Barnes & Scornavacca, 2004; Park & Yang, 2006), and special features in Smartphones have created greater perception and expectations (Edell & Burke, 1987; Aaker, 1997; Dickinson, Ghali, Cherret, Speed, Davis & Norgate, 2014; Wang et al., 2012). The significant component of the Smartphone that drives demand and helps

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manufacturers maintain a strong influence in the Smartphone market is the operating system (OS). There are many software operating systems such as iOS (Apple), Android (Google), Windows (Microsoft), Symbian (Nokia), and RIM (Blackberry). Innovations in hardware and software have triggered enormous growth in the Smartphone market, since the multi-functional operations in these devices generate the trust in technology that consumers expect. Trust in Smartphone devices and their features ultimately adds brand recognition and this is the primary factor that affects intentions to purchase (Nah et al., 2003).

The Smartphone market has experienced strong growth in recent years mainly due to technological advancement in the industry. A MarketLine (2017) report confirmed an impressive volume of 1,349.6 million sales of Smartphone units in 2016, which according to the report represents 92.7 per cent of the market's overall volume in the mobile phone industry as compared to ordinary mobile devices with a sales volume of 106.3 million units, which constituted 7.3 per cent of the market total in the same year. The current global Smartphone market continues to be dominated by a small number of large technology firms such as Apple, Samsung and Huawei. Apple's Smartphone market share continues to grow across the globe, after consumers increasingly turn their backs on competing Android devices. It realised $215,639 million in revenue 2016. Samsung, in particular, has seen its market share dropping across the world, retaining revenues of $172,840 million in the year 2015, a decrease of 2.7 per cent compared to fiscal 2014. Huawei's consumer business segment develops, manufactures and sells a range of Smartphone devices, with the company recording $59,453 million revenue in 2015 (MarketLine, 2017).

In spite of the significant growth in the industry, the Smartphone market is changing with severe threats facing the industry (Felix, 2015). Manufacturers in high demand leverage their competitive advantage to enable them to maintain their position in the market and a positive brand image, to explore new revenue streams and most importantly achieve a sustainable product differentiation to drive sales (Gartner, 2016).

THEORETICAL FRAMEWORK AND CONTEXTUALISATION

Switching occurs when a customer is motivated to review available alternatives in a marketplace due to a change in competitive activity in the marketplace (Seiders & Tigert, 1997; Appiah, Ozuem & Howell, 2017). Similarly, Hogan and Armstrong (2001) posited that brand switching is about replacing an incumbent resource with a more valuable one to achieve competitive advantage. Sathish, Kumar, Naveen and Jeevanantham (2011) indicated that brand switching is a consumer behaviour that sees the behaviour of consumers differ based on the satisfaction level of consumers with providers or companies. Hence brand switching can be defined as the process of being loyal to one product or service, and switching to another, due to dissatisfaction or any other problems. They further argue that even if a consumer is loyal to a particular brand, if the brand does not satisfy his/her needs the consumer may switch to a competing brand. Therefore, management needs to constantly evaluate and redirect its resources and capabilities in order to maintain a strong position relative to competitors (Itami & Roehl, 1987).

Consumer loyalty is defined as the degree to which a consumer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises (Gremler & Brown, 1996; O'Keeffe, Ozuem, Lancaster, 2016; Ozuem, Thomas & Lancaster, 2016). Losing a consumer is a serious setback for a firm in terms of its present and future earnings. In addition to losing the benefits discussed above, the firm needs to invest resources in attracting new consumers to replace the ones it has lost and this incurs expenditure on advertising, promotions and initial discounts. Peters (1987) shows that it can cost five times more to acquire a new consumer than to retain an old one. Consequently, retaining an established current consumer base is much more attractive and viable than searching for new consumers.

Product characteristics are likely to affect exploratory tendencies such as brand switching proponents (BSPs) and innovation in product contexts with a large number of available alternatives and a short inter-purchase frequency (Hoyer & Ridgway, 1984). These characteristics include product involvement, perceived risk, brand loyalty, perceived brand differentiation/similarity, hedonism (or pleasure) and strength of preference (Hoyer & Ridgway, 1984; Van Trijp, Hoyer & Inman, 1996). When individuals are highly involved with a product and loyal to a brand, their propensity to switch is likely to be lower (Hoyer & Ridgway, 1984; Sloot, Verhoef & Franses, 2005).

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Individuals who are involved with a product have 'a narrow latitude acceptance' (Sherif & Sherif, 1967); thus, they are unlikely to be persuaded to switch. Similarly, according to Sloot et al. (2005), loyal consumers are less likely to switch to another brand. Persuasion to switch may be manifested in the form of sales promotions such as offers and discounts, which have been found to encourage switching across various product contexts (Kahn & Louie, 1990).

Further, high perceived risk indicates that individuals are concerned with losses resulting from their purchases (Mitchell, 1999). High perceived risk leads to avoidance tendencies and behaviours (e.g. commitment to a brand, repeat purchase behaviour) as consumers are 'more often motivated to avoid mistakes than to maximise utility in purchasing' (Mitchell, 1999, p. 163). Further, perceived similarity between brands within a product class indicates that individuals are likely to exhibit switching tendencies, such as alternating among familiar brands within a product class (Hoyer & Ridgway, 1984).

Hedonism may also encourage switching within specific categories of products (Hoyer & Ridgway, 1984; Van Trijp et al., 1996). Hedonism is associated with enjoyment or pleasure that an individual derives from specific products (Griffin, Babin & Modianos, 2000). Consumers are more intrinsically motivated with products that are associated with affective (hedonic) sensations (Hirschman & Holbrook, 1982); thus the repeated consumption of such products is likely to elicit switching tendencies (Van Trijp et al., 1996).

Market disruptions are the major cause of brand switching. Market disruptions are major events occurring in a market that threaten customer–brand relationships (Fournier, 1998; Stern, Thompson & Arnould, 1998; Appiah, Ozuem & Howell, 2016). Disruption is defined as a situation where markets cease to function in a regular manner, typically characterised by rapid and large market declines. For instance, disruptions in the financial markets are caused by a glut of sellers willing to trade at any price, combined with the near or total absence of buyers at a particular time. In these circumstances, prices can decline precipitously (Shapiro, 2010).

In the financial market, disruptions can result from both physical threats to the stock exchange or unusual trading. According to a report by Shapiro (2010), concerns over the financial situation in Greece and uncertainty concerning elections in the United Kingdom, among other things, constrained the financial market of that time with implications for trading.

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

However, this research focuses on disruptions that occur within product markets. As noted by McGrath (2011), the concept of 'market disruption' that occurs in a product market immediately harkens to research in two areas that have enjoyed significant development over the years: technology and innovation. Disruptions literally uproot and change how we think, behave, do business, learn and go about our day-to-day activities. According to Christensen (2013), disruptions displace existing markets, industries and technology and can produce something new, more efficient and more worthwhile.

The theory of disruptive innovation introduced by Christensen (1997) offers an explanation for the displacement of industry by smaller competitors, which are almost always new entrants (Bower & Christensen, 1995; Christensen, 2013). Disruptive innovation is an innovation that helps create a new market and eventually goes on to disrupt an existing market (Ozuem, Howell & Lancaster, 2008). The term is used in business and technology literature to describe innovations that improve products or services in ways that markets do not expect; first by designing for a different set of consumers in the new market, and later by lowering prices in the existing market.

According to McGrath (2011), the theory's explanatory power comes from the notion that industry incumbents and new entrants follow different technology trajectories. Industry leaders tend to focus on sustaining innovations that continuously improve their flagship products and increase their overall performance in attributes that are perceived as being important for their existing customer base. Over time, the performance increase achieved through sustaining innovations begins to overshoot the needs of the best customers who pay the most, whereas the new entrants' disruptive products become good enough to meet the needs of the dominant.

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HIGHER EDUCATION ENHANCEMENT AND PRIVATELY-OWNED INSTITUTIONS IN DEVELOPING COUNTRIES: THE CASE OF SRI LANKA

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ABSTRACT

The quality of Higher Education is vitally important to meet the demands of employers, and the institutions which deliver the higher education should focus on a quality framework of generated knowledge of graduand. One of the main challenge faced by developing countries since the 1980s has been national governments and institutional donors failing to pay attention to higher education. This paper discusses some of the emerging pivotal roles of privately owned institutions in Sri Lanka. The conclusion offers some insights into the development of privately owned institutions in charting and enhancing educational frameworks in Sri Lanka.

Keywords: Higher Education Access, Enhancement, Quality, Economic Growth, Private Sector Contribution.

INTRODUCTION

In recent years global Higher Education (henceforth HE) enrolment has risen sharply and the highest percentage has been observed in developing countries. In 2009, 153 million students enrolled in universities and this figure is expected to rise to 262 million globally in 2025, representing a 50% increase between 2000 and 2009 (Labi, 2009). According to Bloom et al. (2009) half of student enrolment volumes in HE emanates from developing countries which have experienced government budget cuts but growth in the amount of lending from authorities such as the IMF and the World Bank. More than 150M students who enrolled in HE in 2010 came from developing countries. In the coming 20 years most students enrolling in HE will come from developing countries (Altbach, 2012). Due to the limited resources available to the public sector, and in order to meet the demands of HE access, developing countries have had to react to government policies and authority has been delegated to the private sector to enhance HE access (Lee and Healy 2006; Abeli 2010).

Following completion of secondary education, access to HE, regardless of the origins of students is seen as a right of passage for individuals that are qualified to enrol. In developed countries, HE is more accessible and better supported financially. HE is a unique experience for individuals and access to it depends on the circumstances of individuals, and often on the country in which they live (Willmott, 2003). Since the 1990s HE has dramatically changed across South East Asian countries and European countries including the UK, and this is due to high demand. Countries such as China, Malaysia, Singapore and Japan have seen increased student enrolments and growth in this area of over 50% (Huang, 2011).

Some South East Asian countries such as Japan have established some of the largest HE systems in Asia and have enrolment volumes that are larger than more established European countries such as Germany, France and the UK (Huang, 2011). This suggests that mass HE access has been developed in south East Asian countries ahead of Europe countries. European countries, including the UK have recorded increased global access to international students for HE. South Asian countries including India, Sri Lanka and Bangladesh have failed to respond to reductions to domestic demand due to the internationalisation of HE. They have failed to acknowledge the positive

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correlation between private HE provision and the enhancement of HE access (Wilkins, Balakrishnan and Huisman, 2011).

Very little research has been carried out that specifically focuses on HE in Sri Lanka other than reports published by the World Bank, the central bank of Sri Lanka and the British Council. It is the hybrid nature of the few Sri Lankan Private and public universities selected, sharing enhancement activities of public and the private sector among selected as evidence based, that I consider to be worthy of the study. HE in Sri Lanka is important to economic development since the country has experienced rapid growth due to the private sector's contribution to HE provision (World Bank 2015). Yet the student numbers fall short of HE enrolment targets.

HE in Sri Lanka is expected to play a vital role into the future as the country is no longer predominantly agrarian and is looking to other sectors for accelerated economic growth (Central Bank, 2005; 2007; 2009; Horii et al., 2008). The labour market has not met expectations in terms of the HE outcomes. Due to the limited space availability, only 17-18% of students harness the opportunity to enrol in state universities according to Z-Score selection criteria. The crucial factor is whether the government has a plan to cater these 82% eligible students to acquire HE. According to the World Bank Report (2005) failure in university education has directly impacted on labour markets in Sri Lanka. The next section discusses the significance and importance of private sector contributions to and enhancement of access to HE.

THEORETICAL CONTEXT

The term "enhancement" suggests as an increase or improvement in quality or value (Middlehurst, 1995; Okoye; Yorke, 2005; Okwelle and Okoye, 2015). The term enhancement in the context of this paper refers to increasing HE access rates (HE enrolment) in terms of enhancing infrastructure, teaching and learning quality, resources and provision. The enhancement of access to HE refers to widening participation in HE. HE should be viewed as a ladder rather than a barrier to students who are seeking to develop their careers. Hence, enhancement is relevant in every aspect to HE and the enhancement of HE itself is vital for any country as it has a direct impact on economic growth.

Since the introduction of comprehensive education in the 1960s, the UK has sought to provide 'equality of opportunity', which is based on a bond between social class and educational achievement within the new school system. In 1988 Education reform legislation introduced by the Conservatives produced a different notion of competition and customer choice in education, and the expectation was that better public services would be delivered to achieve equity and social mobility (Harris and Ranson, 2005). After the New Labour government was established in 1997 it developed a 'third way' as an alternative to the above mentioned perspectives. It been launched as set of policies for social democratic settlement to support each social class. IT set out to tackle poverty and facilitate greater equality of educational opportunity based on educational attainment (Harris and Ranson, 2005). Sri Lanka's education system is largely based on the UK system as one of the vestiges of colonialism. The challenge now facing the country is how best to focus on equality in terms of educational opportunities. But most the developing countries including Sri Lanka have found that poverty is a barrier to enrolling in private HE.

This is an important distinction to make since much of the literature that has emerged in recent years describes and explores the surge in private HE providers that operate, whether by choice or by constraint, outside the state-regulated system. Sri Lanka, with its large public HE sector has not seen the same increase in private provision and, consequently, few HE providers have captured the attention of researchers. Whilst private universities in this study have different motivations for providing education than the majority of new providers, more recent private HE literature nevertheless provides a useful background to explore their nature and development. In the broader debate over the privatisation of HE, the focus is typically on the changing nature of public universities, but this inquiry proceeds from a distinct perspective and considers the extent to which private universities are able exploit their 'Privateness' within a public-sector framework to enhance HE access in Sri Lanka.

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Why the Private Sector

In 2012, the population Census evidenced that only 4% of citizens aged 25 years and above contributed to the economy as educated employees with a university degree or other degree level qualification. The impact of HE access has affected the number of degree holders in the country. Due to its limited capacity, the state university system with their 120,000 students has to let applicants down every year, and students who have passed the international baccalaureate or EDEXEL will have no access to these universities (Kelegama, 2017). The important factor to consider is whether the country hold enough options to those who are eligible with no places available in the state universities. Since 2007 increasing numbers of qualified students in HE have presented a challenge to the Sri Lankan Government. The government has struggled to support this increasing demand due to a lack of infrastructure and funds. Student choice and demand has therefore been overlooked. Sri Lanka is just one example of a range of developing countries which have fallen short of educational targets in HE (Aturupane, 2013).

One feature of HE is that it is demand-driven and access to HE therefore depends on levels of interest. The best example of this is the HE system which was implemented by Poland after the collapse of communism in 1989. This enabled HE expansion, intersectoral public/private differentiation and meant that more than 50% of students enrolled in HE (Kwiek, 2013). Students can now access HE both physically and virtually. The circumstances of the sector have been changed and the requirements placed on HE have dramatically changed over the time (Gao and Ng, 2017). To fulfil the requirements of HE, students need to have direct access to HE when they need it, but most developing countries, including Sri Lanka still struggle to meet their full potential (British Council, 2015). Access to HE should not be an aspiration that is out of reach for many. Indeed, accessing HE is seen by many as an opportunity to explore secondary education, and to achieve career developments and goals in educational attainment. Learning is very important to developing societies and countries. Through learning, people can change, and people can make progress. Enabling private institutions to enhance access to HE can help to improve government HE attainment levels in terms of access rates for developing countries like Sri Lanka (World Bank 2015).

With only 19 state universities and HE institutions to accommodate students in HE, the Sri Lankan government faces pressure as demand is much higher than expected. It has therefore invited private providers to meet the challenge of HE provision under the University Grant Commission (UGC). Thus, the government has come to realise the significance of the private sector's contribution to HE thus given the access to private HE provision but the revised system does not help much to meet the increasing demand. The rate of HE enrolment has not significantly changed since 2011, although the government is being pressured to come up with policies to support better access. The significant transformation that was anticipated has not yet happened (UGC, 2016).

Does Quality have significant impact on Private HE?

The quality of HE has become vitally important to meet the demands of employer, and the institutions which deliver HE should focus on the quality framework of generated knowledge of graduand. The main challenge faced by developing countries since the 1980's has been national governments and institutional donors neglecting the sector (The World Bank, 2016).

Student perceptions and behaviours are important for university educators and these inform the design of courses which in turn has a significant impact on student enrolment. Student performance varies based on the learning environments in which they study and the quality of teaching and course design (Lizzio, Wilson and Simons, 2002). In recent years studies have shown that the theories of learning have become central to HE. This is particularly true of individuals entering HE from traditional backgrounds who have to adopt to new learning environments to achieve the best outcome from their course (Christie et al, 2008).

According to the Higher Education Funding Council for England (1998), the quality of Teaching and Learning matters a great deal to the survival of HE institutes and this impact on the choices students make. Policies in Teaching and Learning enhancement need to consider measuring quality (HEFCE, 1998). Considering multiple agencies and individuals are involved in HE, enhancements to the quality in teaching and learning should be

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prioritised to meet the standards set by HE. Meeting such quality standards will impact on the image of HE institutes and will impact on the outcome of graduates. This has a direct impact on student enrolments within such institutions. Hence, the enhancement of quality in teaching and learning will have a direct impact on student choices when it comes to private HE because the word "Privateness" has been very far from the quality standards as it has been isolated without having a proper coordination with the national quality framework to meet the standards expected in HE (Lewis, 2002).

The quality enhancement of teaching and learning has a direct impact on increasing academic outcomes for students and this has an indirect impact on society, the economy and employers, and ultimately on the wealth of nation (TQEC, 2003). Multiple researchers have identified the correlation between the quality of teaching has and effective learning. Hence changing societal perceptions of the private sector's contribution towards HE access, and enhancing the quality of teaching and learning has been paramount to achieving success in terms of access to HE (Martin et al.,2000; Dunkin and Precians, 1992; Li, Lee and Kember, 2000; Biggs, 1999). Hence, the Human capital framework in education is important to help to develop the country into a position of economic stability. Enhancing the capacity of HE is more important to meet demand. Failure to meet demand may lead to a "brain drain" in Sri Lanka (WiswaWarnapala, 2010).

MANAGERIAL IMPLICATIONS AND CONCLUSION

"Widening Access" in HE has been a central agenda in the UK and elsewhere and indeed it has been paramount to every country in the world (Bowes et al., 2013; Croxford et al., 2014; Evans et al., 2017). Despite various structural, socio-cultural and economic differences between nations, HE enhancement through policy enactment has been similar in every country (Croxford and Raffe, 2015).

According to the Higher Education Funding Council for England (HEFCE, 2005, 1),
'HE is a major contributor to society's efforts to achieve sustainability – through the skills and knowledge that its graduates learn and put into practice, and through its own strategies and operations' (p. 3)

The contribution of HE has had a significant impact on the development of any country socially and economically. Amongst other things, strategies to encourage the sector, curriculum development, extracurricular activities, and excellent pedagogy have enabled students to develop new skills as well as values and knowledge and this has subsequently contributed to sustainable development of employer demand (Cotton et al, 2009; Ozuem and Lancaster, 2015).

Singapore and Dubai have established themselves as successful education hubs and they are seen increasingly as "Role Models" in international HE provision (The World Bank, 2008). In 2010 "Mahinda Chinthana" (Mahinda Chinthana = "Mahinda's Thinking"-former president of Sri Lanka) announced Sr Lanka would be an education hub for South Asia by 2020. The strategic goal of Mahinda Chinthana was to increase opportunities and access to HE. After five years of Mahinda Rajapakshe's government, plans have been criticised because new universities and new programmes have not been established within the first five years of the new government. Policy formation has not been practical or reliable (Aturupane, 2013).

International partnerships mainly rely on national government financial incentives that supporting the establishment of foreign universities within the country but not curriculum development. This has implications for student achievements and market-oriented outcomes. For example, the Singapore government has offered financial support to foreign universities to attract them in order to develop an education hub. However, in Sri Lanka, this has been a case of political peril and promise. According to the World Bank Report (2009), Sri Lanka's HE sector faces urgent challenges which include low space availability for HE access, a lack of ICT knowledge and low attainment in English Language amongst graduates. This has had a major impact on employment demand, especially in terms of private sector employment. Four components have been funded by the World Bank Project for "Sri Lanka- HE for the Twenty-First Century", a project worth SD$ 25.6 Million. Component 3 of the project supports the development of an alternative HE sector. Component 4 of the project focuses on the development of human resources through monitoring and the evaluation of communication. US$ 5.3M and US$10.8 have been injected into component 3 and 4. The objective of these component was to develop an Higher Education Institutes (HEIs) institutional foundation

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to follow the National Qualification Framework (NQF) in both the Public and Private Sector which are seen as "alternative providers" (The World Bank Report, 2016). The main question is whether this 25.6M granted by the World Bank for the development of HE in Sri Lanka has been successful in meeting demand for access to HE. According to recent reports and popular views it has not met the demand for HE access and has been seen as a poor use of government bonds.

According to Hannon, Faas and O'Sullivan (2017) social and cultural capital capability affects the ability of students to be educated. Socio-cultural capability allows students to make choices in HE which has an impact on their offer of a place at university. This will lead to individual freedom of choice in terms of access to HE. In recent years HE has expanded significantly. Using the capability framework as a useful approach, researchers have argued that HE can impact on human development (Hannon, Faas and O'Sullivan, 2017)
HE is an opportunity for all and it provides increased social mobility; enhancing career opportunities and the social lives of those who are educated. It allows people to distribute knowledge and ideas; to be creative and innovative; to foster scientific literacy and to sustain intellectual properties. Graduates can increase national productivity and the prosperity of the country in which they live and they can find solutions to global problems. Hence, enhancing HE will have a greater impact on any country as it has a direct impact on human capital development. If traditional public HE provision is failing to meet the demands of students looking to enrol on HE, a compelling idea is to develop private HE provision or license private HE provision to enhance access to HE (Hoskins, Leonard and Wilde, 2017).

According to Marginson (2016),
"Privatisation is never fully successful because of ease of illegal reproduction" (p. 7)

However, traditional public HE is not sufficient alone to meet the demands of HE in developing countries. Even a country like China with its 3000-year old traditional civilisation has supported private HE provision. Other than the partial exclusion of the US and UK nearly all HE systems are seen as public agencies. Having this norm in general public it has been harder to involve private system as an alternative to enhance HE (Marginson, 2016). Growing HE can fill the gap in HE provision by supporting the private sector in developing countries to improve the quality of human capital to meet the demands of 21st century employers. Enhancing private HE provision will enable any developing country to achieve economic growth through knowledgeable human capital that can compete on the world stage (Green, Henseke and Vignoles, 2016).

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SERVICE FAILURE AND RECOVERY STRATEGY IN COMPUTER-MEDIATED MARKETING ENVIRONMENTS

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ABSTRACT

Advances in modern Information and Communication Technologies (ICT) infrastructures have changed the way in which customer-firm interactions take place and the nature of the conduct of services. Computer and Internet technologies mean that services can be provided over long distances without the requirement for the physical presence of customers and employees. Consumers are becoming increasingly familiar with online services and technology-mediated interactions. Such services offer the advantage of faster delivery and they are considered to be more convenient and less expensive and time consuming than their offline equivalents. With the continued rapid development in the field of modern computer-mediated marketing environments (CMME) more and more services will be delivered in Technology Mediated Environments (TMEs). This paper provides some insights on failure recovery strategies as competitive tools in computer-mediated marketing environments.

Keywords: Online Service Failure, Recovery Strategy, Justice Theory, ICT, Customer Satisfaction.

INTRODUCTION AND BACKGROUND

Academics and practitioners have been focussing keenly on online service failure and recovery strategies since 2002 (Holloway & Beatty, 2003; Forbes, Kelly & Hoffman, 2005; Ozuem & Lancaster, 2014). The complexity of this area has prompted scholars to consider strategies to restore service failures. These include the airline industry (Park & Park, 2016), online retailers (Wang, Wu, Sh., Lin, & Wang, 2011), restaurant services (Nikbin, Marimuthu, & Hyun, 2016), production & management services (Craighead, Karwan & Miller, 2004), business in general (Choi & Choi, 2014) and marketing (Sivakumar, Li & Dong, 2014). Research into online service failure and recovery strategies has succeeded in assigning meaning to online service failures and categorising these into many typologies (Forbes *et al.*, 2005; Kuo, Yen & Chen, 2011). Further attention has been given to the effects of online service failure and recovery strategies on lenses of traditional encounters and antecedents, with fewer antecedents in online failures being considered (Kuo *et al.*, 2011; Wang *et al.*, 2011). Such epistemological orientations limit the potential opportunities inherent in the selling of goods on the Internet. Understanding service inadequacy depends on individual expectations, so approaching the ontology of customers where failure and recovery processes are concerned should be contextual, rather than generic or standardised. Recently, as identified by McColl-Kennedy and Sparks, (2003); Tax, Brown, and Chandrasherakan, (1998) and Hazée, Van Vaerenbergh, and Armirotto, (2017) justice and fairness theory has been of service in increasing understanding about service failure and recovery. The principles of justice theory depend on equal fairness assessed from all parties in a society (Mandle, 2009).

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Meanwhile, Zhu, Nakata, Sivakumar, and Grewal (2013) sought to understand customer perceptions of what causes service failure, (such as the extent to which it is the customer's or the provider's fault) by means of attribution theory.

Different factors are assigned to the lacuna between customers and the provider when a failure arises. This begins with anonymous customer complaints which hinder providers who seek to comprehend customers' conceptualisations of failure, leading providers to view customers as "heterogeneous" (Sivakumar *et al.,* 2014) when it comes to recovery strategy expectations. Similarly, Bougie, Pieters, and Zeelenberg (2003) contend that "most dissatisfied customers generally do not bother to complain" (p. 390), situating providers in a position where they do not comprehend the need to provide any kind of recovery strategy. The issue appears to be even more complex in the context of online encounters. Scholars have undoubtedly enriched the service discipline with research, although no satisfactory definition of service failure and recovery strategies exists. Most research has investigated service failure and recovery in conventional services (Lee, Singh, & Chan, 2011; Ha & Jang, 2009; Thwaites & Williams, 2006). Justice theory has also been applied to investigate how customers respond in terms of their satisfaction following recovery. Research into the behavioural intentions of customers in online settings has also been scant (Wang *et al.,* 2011).

Empirical research into consumer perceptions of online service failure and recovery, however, is surprisingly scarce, despite the fact that service failures, both off- and online, are inevitable for service firms. Crucially, online service failures can have a negative impact on profitability. Holloway and Beatty (2003) suggest that customers complain online more than offline. For consumers, the Internet offers a platform that makes complaining effortless yet impactful, and a wide and geographically dispersed audience can be reached. Compared with offline environments, switching is easier on the Internet since customers can browse and look for alternative providers with the click of a mouse. Given this background, gaining an understanding of how to manage online service failures effectively is essential to the success of firms operating in an online environment. Current research mainly concerns customer reactions at brick-and-mortar outlets (i.e. offline) to service analysed systematically through research. Studies in this domain underline the importance of fair (or just) service recovery in restoring customer satisfaction following offline service failures (Roschk & Kaiser, 2013). In earlier research into online service failures, Holloway and Beatty, (2003) noted that, following recovery attempts by online businesses, some customers feel a sense of injustice specifically related to issues of interaction, distribution, and procedures.

THEORETICAL CONTEXT

Zemke and Schaaf (1989) applied the term 'recovery' to service settings, along with Lord Marshall who instigated a pioneering programme in British Airways called the "Putting People First," campaign. Service recovery becomes absolutely essential when a service failure occurs. Recovery is essentially an effort to increase customer satisfaction**.** Service recovery is growing in importance, partly because of growing customer expectations and tougher competition among businesses trying to exceed the expectations of their customers. Studies of service management have been hitherto notable based upon investigating the component measures that comprise service recovery. Miller, Craighead and Karwan, (2000) identify recovery as an attempt to solve problems and pacify upset clients, and to retain the customer base. This is, in a way, a form of exchange, whereby the customer feels they have suffered a loss (a service failure), and the business attempts to recompense the customer for an incurred loss with service recovery (Smith, Bolton, &Wagner, 1999). Fan, Wu, and Wu, (2010); Crisafulli and Singh (2017) suggest that direct human interaction has been substituted by technology in online environments, but researchers have contended that the use of technology can improve the efficiency of recovery services (Ayertey & Ozuem, 2018; Ding & Lii, 2016). Service failures and recovery in traditional services are distinct from online service failures and recovery. Meanwhile, recovery actions that have been identified in research include apologising, following-up, offering compensation, rapid responses to service failure, favourable employee behaviour and causality acknowledging (Gelbrich, Gäthke, & Grégoire, 2015; Goode, Höehle, Venkatesh, & Brown, 2017). Managers should have available a list of possible recovery strategies or techniques, to choose from in the case of needing to rectify a service failure. Miller et al. (2000) were amongst the first to underline the importance of analysing recovery strategies from the perspective of operations management, and they called for further analysis of recovery strategies in operations research. They developed a detailed framework in the domain of elements (i.e., the core elements:

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service recovery expectations, service recovery types, and follow-up service recovery outcome) compiled within the context of a failed service. They classified prior prototypes of findings as follows: if an appropriate recovery strategy is promptly provided, customers will return even when severe failures are experienced (p. 397). Additional findings show the influence of types of recovery strategies on customers. Kuo and Wu (2012) divided recovery strategies into two distinct groups: psychological strategies and tangible strategies. Miller et al. (2000) and Kozub, O'Neill, and Palmer, (2014) added that tangible recovery strategies offer compensation for actual and perceived costs, such as free services, refunds, gifts, discounts, and coupons to reduce or mitigate practical losses (Kuo & Wu, 2012; Jung & Seock, 2017). Psychological techniques have been acknowledged as useful where the aim is to pacify the customer by showing concern for their needs. Examples include offering an explanation for service failure, acknowledging mistakes, and expressing regret for errors in a polite, empathetic, and considerate way (Chang & Wang, 2012). The essence of the findings in the context of recovery types suggests that the provision of blended recovery strategies is useful, yet an apology alone will not be enough for the customer. Furthermore, customer perceptions of justice influence their satisfaction after recovery, and ultimately Word of Mouth's intentions are improved through customer satisfaction (Jung & Seock, 2017). Meanwhile, any extra compensation can enhance customer perceptions of justice. For instance, Mostafa, Lages, Shabbir, and Thwaites (2015) identify that consumers typically recognise the tangible and monetary compensations and endeavours of employees in addressing problems associated with distributive justice, particularly when attempting to address failures. Timely consideration of service failure is often associated with procedural justice. Courtesy and explanations offered by employees are examples of interpersonal justice. Clients who suffer outcome-related service failures respond favourably to tangible recovery, in contrast to those who have experienced process-related service failures. The latter are typically more satisfied with psychological recovery efforts (Chuang, Cheng, Chang & Yang, 2012). A considerable amount of research supports the idea that customers who receive an apology following a service failure are more satisfied than customers who receive no apology (Roschk & Kaiser, 2013). At the same time, the authors provided empirical evidence to suggest that the presence or absence of an apology is just as important as how an apology is given, and this is crucial for enhancing customer satisfaction. They argue that the more empathetic and strong an apology is in its delivery, the more pacified the customers are.

In another study by Mattila, Cho and Ro (2011), it is suggested that human involvement (such as interacting with frontline staff) is more effective when the failure was caused by a human being rather than by a machine. In comparison, human involvement was less effective when a failure was caused by self-service technology. This is because consumers who choose to use self-service technologies to interact with service providers seek to avoid customer–employee interactions. A more recent study by Collier, Breazeale, and White (2017) also found that clients want employees to support a transaction after a breakdown if it occurs in isolation. When other customers are present, customers prefer it when employees resolve the issue and allow them to finish the transaction. In terms of online shopping service failure, previous studies have widely discussed recovery strategies. Kelley, Hoffman and Davis (1993) explain that the 12 recovery strategies they identified fall into two categories – those that are successful, resulting in increased customer satisfaction, and those that are not. They argue that the severity of the failure should determine the nature of the recovery. Miller et al. (2000) contend that their framework shows a clear link between a successful recovery and customer, loyalty, satisfaction and retention. Forbes et al. (2005) conclude from their survey that the kind of service failure experienced by online clients differs from that experienced by clients in traditional situations. They also affirm that e-tail organisations utilise a different series of recovery strategies to those employed in traditional settings. Despite successful recovery, switching after failure recovery can occur frequently among e-customers. Chang and Wang (2012) note that the most significant beneficial features of service recovery are compensation, the speed with which their service failure was attended to, the nature of the apology, and contact channels. Kuo and Wu's (2012) study concentrated on the effects of recovery strategies in terms of online service failure, using perceived justice theory, in line with Holloway and Beauty, (2003); McCollough, Berry, and Yadav, (2000) who also underscored the effectiveness of recovery strategies for dealing with online service failures.

However, instances of repeat purchases remain very rare, regardless of the service recovery strategy used to remedy service failure. Failures are unavoidable, whatever steps a firm may take to prevent mistakes when a service is rendered. As Boshoff (1997, p. 110), asserts: "Mistakes are an unavoidable feature of all human endeavour and thus also of service delivery." Therefore, service failure seems to be inevitable, particularly in the fashion industry

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because of the difficulty of translating the in-store experience into the online environment. In addition, because of the intangibility of service, service-failure is difficult to resolve when it occurs.

In the online fashion industry context, the problem associated with the intangibility of services is magnified because consumers cannot directly interact with service personnel. Instead, consumers have to interact with web interfaces, which requires competent management of the technology. Clothing is considered to be a high involvement product category, related to personal ego and products that need to be seen, felt, touched (Ioniţă, 2017; Spence & Gallace, 2011), and tried on because they are difficult to evaluate (Sender, 2014). Chahal and Devi (2015) state that service failure occurs when the expectations of the customer expects are not met through initial delivery. Subsequently, a customer may be lost, and may not return to a particular company (Piha & Avlonitis, 2015). Negative word of mouth can also lead to dissatisfaction and defection as suggested by Crisafulli and Singh (2017) and Helm, Moulard, and Richins, (2015). Researchers such as Fatma, Khan and Rahman (2016) define service failure as a condition in which a business, i.e. a service provider, fails to live up to the customer's expectations regarding its products. Service failure also occurs if the customer finds the mode of service unacceptable. In addition, service failure is the service provider's failure to meet a customer's expectations as identified by Hoffman, Kelley and Rotalsky, (2016). For that reason, it is also suggested by Hoffman et al. (2016) and Keaveney (1995) that service failures can be separated into two categories: outcome-oriented and process-oriented. The former includes the product customers receive from the business. Process-oriented failure is concerned with the method of provision of the service. Furthermore, Smith et al. (1999) and Fu, Wu, Huang, Song, and Gong, (2015) argue that outcome-orientated service failures occur when the most important or core services ordered from the company are not delivered. Process-oriented service failures, however, can be defined as the way in which the core service process is undertaken by the provider. This can include errors in specific areas, such as rude or unresponsive employees. By applying these terms in the context of the online fashion industry, an example of a process failure would be a scenario in which technical problems arise when ordering products online, while an outcome failure could occur in the event of failure of a core services such as incorrect size of a dress delivered purchased online (Ayertey, 2018). Keaveney, (1995) and Ghatak and Pal (2016) found that core service failures, which include errors in billing are amongst the major reasons why customer defect. Therefore, in the case of core service failures customers expect the provider of the service in question to put the matter straight (Shin, Ellinger, Mothersbaugh & Reynolds, 2017). Conversely, Smith et al. (1999) and Vakeel, Sivakumar, Jayasimha, and Dey, (2018) showed that process failures have a greater impact on dissatisfaction than product failures. As confirmed by Israeli, Lee, and Karpinski, (2017), clients are less understanding when the service failure has occurred as a result of process dimensions. Duffy, Miller and Bexley, (2006); Ringberg, Odekerken-Schröder and Christensen (2007), argue that the customer's primary concern is the outcome aspect of service recovery, while the service recovery process is internal to the customer, who is not interested in it as such. It is further argued that Outcome-Related Service Failure (ORSF) is associated with an economic loss and Process-Related Service Failure (PRSF) causes social / psychological loss for the customer (Smith *et al.*, 1999; Cheng, Chang, Chuang, & Liao, 2015). Thus, ORSF typically involves a utilitarian exchange which includes money, goods, and time, while PRSF involves symbolic exchanges which include status, esteem, respect, sympathy and empathy, amongst others (Hur & Jang, 2016). Therefore, a requirement of service recovery is a high level of communication between the provider and its customer in order to deliver an appropriate response to the disappointed, dissatisfied customer (Meyer, Gremler, & Hogreve, 2014). Hoffman et al. (2016) underscored the frequently critical importance of employees in the provision of an effective service recovery. Given that a 100% satisfaction guarantee promises total customer satisfaction, this would suggest that a high quality service will be delivered (Meyer *et al.*, 2014). According to McColl-Kennedy and Sparks (2003), given that service failures are common in the service industry, and that customers may experience dissatisfaction following such failure, it is important that firms attempt to recover dissatisfied customers through an appropriate set of actions known as 'the customer recovery process'. Learning from service failure, therefore, depends to a considerable extent on establishing the main cause(s) and identifying the fundamental processes that have contributed to the issue, with the aim of finding effective solutions to the client's problems.

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MANAGERIAL IMPLICATIONS

The success of an online recovery strategy is largely attributed to the provider's response speed (Pang, Hasan & Chong, 2014). Essentially, engagement in conversation with the customer immediately after he/she uploads the complaint shortens the pre-recovery phase. Service firms expect complaints from consumers when a service failure occurs. Therefore, companies should prepare strategies for the process of service recovery to deal with difficulties. As BBC Business Editor, Weber (2010), presciently noted that any serious consequences negative opinions expressed on the Internet: "These days, one witty tweet, one clever blog post, one devastating video forwarded to hundreds of friends at the click of a mouse can snowball and kill a product or damage a company's share price." Of course, positive reactions on the Internet can also have dramatic consequences and social media has enormous influence. If certain businesses are not interested in identifying strategies or devoting time, energy, staff and financial resources to engage effectively with social media, they may well be ignoring or misusing favourable opportunities. They might be failing to deal with negativity amongst the customers upon whom their existence depends. The powerful effects of negative eWOM can affect a firm's performance. Kim and Lee (2015), Chevalier and Mayzlin (2006) and Park and Lee (2009), among others, have all acknowledged the power of negative eWOM on the performance of firms in their research, asserting that negative eWOM is much more effective than positive eWOM. Consumers share negative experiences for three key reasons (Verhagen, Nauta & Feldberg, 2013). Firstly, sharing negative experiences can serve to mitigate frustration and reduce the anxiety associated with the event. Secondly, negative experiences are shared to warn and prevent others from enduring similar events. Thirdly, consumers can share their negative experiences in order to help companies improve their practices. In sum, eWOM is more often negative than positive (Hornik, Satchi, Cesareo, & Pastore, 2015). Social media has empowered consumers to voice negative experiences and opinions about products or services with reduced physical and psychological costs.

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EXPLORING THE RELATIONSHIP BETWEEN SOCIAL MEDIA AND CONSUMER ENGAGEMENT

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ABSTRACT

The context of customers' empowerment has been well examined for decades now, yet limited theoretical insight is present on the effect that social media has to online customers' detrimental behaviour. The two have been examined as mutually exclusive concepts. A stream of researchers explains the two in terms of their origin. Other scholars reveal insight into how customers perceive engagement, explaining their stance in social media in terms of procedural and interactional justice theory, while others suggest that the trajectories of the two are the result of customers' experience of financial loss from the company's activity. Though such an insight provides rich explanation, there is limited insight into how social media influence consumers' engagement in online negative word-of-mouth (nWOM). This project examines the phenomena in the context of electronic word of mouth (nWOM), aiming to generate conceptualization and to reveal holistic insight to enrich extant theory applicable among practitioners.

Keywords: Social media, service failure, recovery strategy, customer expectation, customer satisfaction.

INTRODUCTION

With the advent of the Internet, people's reconsideration of communication forms took place, defining the construct of social media. While at first social media was discerned as a platform to ease communication with friends and family, soon enough social media was honed to become an imperative communication tool among organizations and customers. Social media comes in different platforms with the most frequently used ones being Facebook, Twitter, and Linkedin. Companies no longer seem to be able to bracket the self from the online environment, and the multi-dimensional nature of social media accounts for a mutually inclusive usage of the platforms. The 13 per cent increase of social media users every year directs companies towards the construct of marketing platforms inclusive of the social media (Chaffey, 2018). An empirical horizon on the social media users is evident, although the research succeeded in providing objective truth only on the demographic characteristics of customers.

A rationale to explain customers' online dialogical and behavioural activities is yet to be fully understood, although the consensus that the companies should be standby loop observers of online customers has been acknowledged (Azemi and Ozuem, 2016; Felix et al., 2017). This reassures companies of their efforts to have online customers under control. As research has increasingly demonstrated, social media has empowered customers particularly in regard to their capability to complain and spread negative word-of-mouth if dissatisfied with the provider (Pang et al., 2014; Ozuem et al., 2016). Rather than an overlap, the simultaneous usage of numerous social media platforms provides reassurance of a company's efforts to be closer to its online customers.

Theoretical Background

While women (rather than men) aged 18 to 29 seem to be the main user group of social media platforms (Pew Research Centre, 2018), the literature presents no absolute truth on how demographics explain the risk inherited in

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online complaints or negative word-of-mouth (Lin et al., 2011; Chen et al., 2018; Ozuem et al. 2017). These characteristics set the ground for companies' social media choices in terms of market segmentation and allocating messages and marketing activities to existing and potential customers. As York (2017) suggests, 'the best marketers you'll come across don't sleep until they have a better idea on their audience and segmentation strategy'. Weitzl and Hutzinger's (2017) contextualization of such a risk goes beyond the provider-customer online communication, to the impact that online service recovery provided by an advocate has on bystanders. The authors examined the advocate-bystander interaction in relation to accommodative and defensive recovery strategies. They have identified the former with the apology, and the acknowledgment of the problem, and the latter with the company's refusal to acknowledge responsibility for the failure and its attempt to apportion the failure fault to a third party. This study suggests an increased positive perception of bystanders towards companies that use accommodative recovery strategies. This is in line with Ozuem and Azemi's (2018) implication for increased customers' trust of third-parties' actions compared to those taken by the companies. These authors have also discussed employees' negligent practices in terms of the 'customer is the king' notion. According to them, such a notion is even more evident to online customers whose revenge against the company is well facilitated by the online environment.

Chen et al. (2018) examine the company's attempt to make customers who complained happy through financial compensation. According to them the customer's satisfaction with the recovery is mediated by the theory of morals. Their findings suggest that whenever the customers perceive the failure as a moral one, compensation has no positive impact on customer satisfaction. According to this study, the implication remains that the risk level inherited in social media is explained by customers' perception of what counts as a morally constructed failure-recovery experience for them. Hazée et al. (2017) recommend co-creation as a recovery strategy that manages the online risk. They insist on co-creation as the recovery strategy that generates customers' satisfaction and repurchase intent. According to them there is no balance of satisfaction across high and low equity brands, implying an increased importance of co-creation with the latter. Sharing Hazée et al.'s (2017) explanation of high equity brands as those that 'convey quality signals that can reduce customers' uncertainty' (p. 102), well-positioned companies seem to encounter less risk from customers' empowerment in social media. While this reveals an attempt to situate some organizations in the safest stance, their online presence endorses the idea that social media reveals no favouritism across companies. All types of companies inclusive of the largest ones such as Apple and Amazon are exposed to online complaints and negative word-of-mouth.

Managerial Implications

Lamb et al. (2018) talk about social media in terms of customer services and their closeness to customers. The intersection of the two refers to the imperative of having employees that deal with online customers in real time. Ozuem and Azemi (2018) further emphasize the daunting that employees face in dealing with online customers. For Ringberg et al. (2007), and Schoefer and Diamantopoulos (2009), the starting point of employees' challenges comes from the diversity of customers' perceptions towards their experiences. Ringberg et al.'s (2007) and Schoefer and Diamantopoulos' (2009) studies focus on customers' power over the provider in the context of offline services, explaining it as an experience constructed by the provider and the customer in isolation. In the online context, the power is enhanced by other reviewers or individuals that become engaged in online activities such as 'likes' and tweets for Facebook and Twitter respectively. This calls for marketing programmes that go beyond the objectivist and structured odds, including the cultural grounds of the customers' perceptions. This will lead to employees' behaviour that is asymmetrical to customers' expectations, resulting in a successful management of online customers regardless of the variety of their perceptions. Knowledgeable employees decode online customers' perception, making the experience readable enough to decipher forms that trigger customers' online stance.

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THE MEDIATING ROLE OF SMARTPHONES ON CONSUMER PURCHASE INTENTIONS

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ABSTRACT

With the increasing number of smartphone users, smartphones have become the most influential tools for marketing, facilitating companies to be in touch with consumers at anytime. A recent and rapid shift in consumer shopping behaviour has led to a considerable growth in shopping activity using smartphones. A drastic change in the retail market is occurring due to the greater number of smartphone users and their changing shopping habits. Despite the explosion of empirical and theoretical research on smartphones and consumer behaviour, there remains a need for understanding and identification of the links that affect consumer purchase intentions via smartphones amongst consumers. This paper focuses on the mediating role of smartphones on consumer purchase intentions in the UK fashion market. The factors such as attitude, motivation and trust are analysed in depth to understand their role to influence consumer purchase intentions by means of smartphones.

Keywords: Smartphones, mobile shopping, mobile application, purchase intention, attitude, trust, motivation.

INTRODUCTION AND BACKGROUND

In the field of digital marketing, the use of smartphones has developed rapidly in the last decade, attracting significant attention in business, industry and academia (Ozuem and Mullo, 2016). Smartphone capabilities to converge and compute have evolved to communicate and facilitate interoperability that influences the functions and services in different industries (Pantano and Priporas, 2016). Smartphones have exchanged the approach consumers used to shop in the past with the new opportunities available that enable them to gather information about the products, to compare prices from different sources, to check availability, and to buy products online using their smartphones (Yang and Kim, 2012; O'Keeffe, Ozuem and Lancaster 2015; Pescher *et al*., 2015; Fuentes and Svingstedt, 2017; Hongyan and Zankui, 2017). This has impacted immensely on the purchasing intentions and behaviour of consumers by shaping their motivations to shop in ways that provide an enhanced experience. Therefore, smartphones and their new technical features have enabled consumers to shop around the world at their convenience in terms of time and place, reshaping shopping trends and consumers' intentions.

Despite the fact of the increasing popularity of using smartphones to shop online among consumers, research into smartphones and their influence on consumer purchase intentions has been scarce (Chinomona and Sandada, 2013; Holmes *et al*., 2013, Spaid and Flint, 2014; Rahim *et al*., 2016). The research done on smartphones to date has mainly focused on the mobile advertising (Lu and Su, 2009; Ko *et al*., 2009; Shanker *et al*., 2010; Skeldon, 2011; Li *et al*., 2012; Kourouthanassis and Giaglis, 2012; San-Martin and Lopez-Catalan, 2013; Hongyan and Zhankui, 2017), acceptance and use of the smartphone technology (Kim *et al*., 2009; Yang, 2012; Schuster *et al*., 2013; Zhou, 2013; Cliquet *et al*., 2014; Agrebi and Jallais, 2015), and consumer attitudes regarding smartphone marketing (Persaud and Azhar, 2012; Lamarre *et al*., 2012; Yang and Kim, 2012; Goh *et al*., 2015; Pescher *et al*., 2015). In the digital marketing field, it is evident and can be argued that smartphones and their influence on consumer purchase intentions is the least researched area. It is therefore increasingly important to understand the

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minds of consumers and to gather data on what they think about using smartphones for shopping. At the same time, it is also important to explore and identify the links where customers seem to be associated and the factors they consider while purchasing through their smartphones.

Mintel (2017) research suggests that the online fashion market in the UK accounted for 38% of total clothing sales in 2017, and is estimated to reach more than double to 79% in the next five years by 2022 (Ofcom, 2018). However, there is a growing concern connected with a perceived 'buy-now', 'wear-now' mentality amongst customers that increases the demand for convenient shopping to suit increasingly hectic and busy lifestyles (Kim *et al*., 2017). This has given rise to a new trend of purchasing clothes online using smartphones through mobile apps or purchasing through websites (Barrutia and Echebarria, 2013; Ying and Meyer, 2016). Many assumptions about the impact of the smartphones on the fashion market exist; however, less research has been done due to the epistemological and ontological compatibility difference. Hence, this study will be based on empirical evidence relating to smartphones' influence on consumer purchase intentions, particularly on the UK fashion industry.

CONTEXTUALISATION: SMARTPHONES

The term 'mobile phone' has been replaced and the equipment is now referred to as a 'smartphone' in the market, integrating services with enhanced features including camera, navigation, recording/editing voice or video, computing features of using Microsoft office, receiving and sending email, mobile apps for social interactions, QR (Quick Response) codes for shopping and many others services using internet via 4G or Wi-Fi (Wireless Fidelity) (Chinomona and Sandada, 2013). In fact, the smartphone is a high-featured programme device that enables users to enhance their personal as well as business activities (Fuentes and Svingstedt, 2017). Consequently, the smartphone has become an integral device that provides users to carry out different tasks without any time or place limitations. Technological advancement and accessibility of high-speed internet has facilitated the growing number of smartphone users (Cliquet *et al*., 2014). In addition, the development from 3G to 4G internet access on-the-go has enriched their browsing experience in smartphones (Agrebi and Jallais, 2015). CNBC International (2018, 00:01:02) explains revolutionary 5G internet access will have quick response time of 1 millisecond, "400 times faster than a blink of the eye" which will surely boost the usage of smartphones (https://www.youtube.com/watch?v=2DG3pMcNNlw).

The smartphones have become more affordable with decrease in prices that has led to a high number of smartphone users emphasising the change in consumers' behaviour, lifestyle and decision-making processes (Schuster *et al*., 2013; Ozuem, Pinho & Azemi, 2016). It has been established that shopping activity using smartphones has grown exponentially with the change in attitude towards shopping online (Lamarre *et al*., 2012; Goh *et al*., 2015). The growing number of smartphone users and the indifferent shopping behaviour of consumers have opened up great opportunities for retailers to incisively mark their presence online by creating friendly websites and mobile apps to achieve robust customer relationships with the ultimate aim of driving business (Kourouthanassis and Giaglis, 2012). As a result, smartphones have become a new medium for shopping to the extent that their usage has transformed the approach to mobile shopping. There is a growing consensus within academics and practitioners relating to the emerging trend of mobile shopping in attracting, engaging and providing a seamless experience of shopping to the consumers by means of smartphones (San-Martin and Lopez-Catalan, 2013). However, there is a wider scope for scholars and practitioners to conceptualise about the factors that consumers keep in mind while using smartphones when shopping and the importance of the role of smartphones in augmenting their purchase intentions.

SMARTPHONES AND CONSUMER PURCAHSE INTENTIONS

There is considerable evidence in the extant literature that the increased trend by consumers to use smartphones has influenced their buying habits and patterns (Skeldon, 2012; Kumar and Mukherjee, 2013). Spaid and Flint (2014) state that smartphones with their high-technology features are not only restricted to making and receiving calls, but can also be used to search products, gather relevant product information, compare prices and read reviews

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(Rahim *et al*., 2016). Therefore, the overwhelming abilities of smartphones have provided a platform for the online retailers where they can influence consumers' purchase intentions.

Past studies have mainly emphasised identifying the significant variables that affect consumer shopping behaviour using mobile phones (Ibrahim *et al*., 2013; Agrebi and Jallais, 2015). Some scholars have identified attitude, competence, and perception as the main variables that influence consumers shopping behaviour (Persaud and Azhar, 2012; Goh *et al*., 2015; Pescher *et al*., 2015; Azemi and Ozuem, 2016), whereas, other scholars have considered motivation and trust as the main factors playing major roles in consumers' use of smartphones for their shopping activities (Holmes *et al*., 2014; Cao *et al*., 2016). Following and analysing current literature, it is evident that there is an inter-relationship between smartphones and consumers' purchase intentions. Nonetheless, the literature in question emphasises identifying the factors that affect shopping behaviour in a mobile environment rather than how smartphones play a significant role influencing consumers' purchase intentions.

Some research has been undertaken to explore aspects of mobile marketing and consumer shopping behaviour by implementing the Technology Acceptance Model (TAM) (Lu *et al*., 2003; Lamarre *et al*., 2012). Such research has shown positive outcomes for attitude, where consumers demonstrate positive feelings towards technology (Venkatesh *et al*., 2003; Park *et al*., 2006). However, very little research has produced a negative outcome for attitude where consumers had lack of experience in using the technology (Kumar and Mukherjee, 2013; Spaid and Flint, 2014; Ozuem, Borrelli, and Lancaster, 2016). There are some mixed views amongst academic scholars as to the application of TAM model with the limited variables and lack of dynamism in the model (Davis *et al*., 1989). Therefore, it can be argued that acceptance and usage of smartphones does not directly influence consumers' purchase intention. However, there is a need to understand the links that customers associate with using smartphones that persuade in their purchase intentions.

According to Parker and Wang (2016), motivation is a significant aspect in studies of mobile shopping. Motivation discusses the extent to which consumers are stimulated to buy products and services. In terms of online shopping behaviour, utilitarian shoppers are more cognitive (Scarpi, 2006); whereas hedonic shoppers identify with entertainment and enjoyment (Park *et al*., 2006). Although the perspectives on motivation contrast with each other, they have significant roles in influencing consumers' purchasing behaviour online. Holmes *et al*., (2014) suggest that trust can be considered as one of the prominent factor that can increase purchase intentions amongst consumers. Furthermore, Cao *et al*., (2016) associate trust with mobile marketing by emphasising the centralisation of mobile apps with their app store on an iPhone or a play store on an android phone. They provide reliability of the website, and quick responsiveness on email with the provision of confidence to consumers to shop using smartphones. However, online retailers are required to enhance their online websites and mobile applications for smooth, relevant, timely and trustworthy shopping experiences via smartphones. Altogether, these studies imply that it is crucial to understand the complex structure of mobile shopping as it includes a variety of shopping activities.

CONCLUSION AND MANAGERIAL IMPLICATIONS

Smartphones provide the luxury of allowing customers the freedom to shop whenever and wherever they like without the usual high street retail restrictions (Boyle, 2013). The growth in the number of people using smartphones to search for and buy clothes through company websites or mobile apps has been exponential (Ying and Meyer, 2016). Therefore, it has become necessary for online retailers to market themselves and develop a clear presence in online environments to establish meaningful bonds with their customers to develop their businesses. It is significant for online retailers, including the clothing sector, to capitalise on the digital world and influence consumers' purchase intention by building powerful mobile sites and mobile applications (Skeldon, 2012). The reason being the online retailers need to enhance their mobile commerce strategy, due to the fact that mostly consumers use their smartphones as the first point of contact to search for the product and relevant information about it. The better the experience the consumers have at their first point of contact on smartphones, the greater the chances of consumer buying the products, with a high retention rate.

The study of Ozuem and Mullo (2016, p. 159) opined the consumers' 'positive attitude and purchase intention are inter-related'. Many other researchers have related attitude with behaviour (Persaud and Azhar, 2012; Pescher *et*

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al., 2015). This has been supported by Lamarre *et al.*, (2012) study and clarifies that the likelihood of buying the product increases when the consumers' attitude is inclined towards the specific channel. Therefore, the customer's attitude to using smartphones to find product information influences the purchase intention and the likelihood of the consumer purchasing the product by means of smartphone. At the same time, retailers also need to pay attention to motivating factors that increase the retail channel's promoting and selling of products online (Scarpi, 2006). For example, a consumer's use of a smartphone as a pre-purchase activity to find the product and look for great deals can be referred to as the strategy of goal-oriented motivation, where retailers can attract price-oriented customers (Parker and Wang, 2016). Hence, retailers should offer promotional discount vouchers, special deals on mobile applications, free delivery, click-and-reserve, buy now pay later and many other strategies to motivate customers to buy from their websites and mobile applications.

Cao *et al*., (2016) referred 'trust' as the bridge between consumers and retailers where they share empathy in their relationship. In digital marketing, trust has emerged as one of the main factors of buying products online. Due to lot of hacking and misuse of internet use, the consumers' have become nervous about buying online and the sales of the companies have been affected (Appiah, Ozuem and Howell, 2017). The retailers should guarantee and promote their website or mobile application as being safe and secure to use on the social media to build trust. They should also offer some money-back guarantee if a fraudulent transaction through a website is revealed. The website should be enhanced with using the technology of two-factor authentications, sending codes on the smartphone and confirming details with the payment. Overall, it is central for retailers to provide smartphone users' flexible, convenient, and secure medium for shopping with smartphones, in order to influence consumers' purchase intentions.

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ISSUES AND CHALLENGES OF ONLINE BANKING IN DEVELOPING COUNTRIES: THE CASE OF BANGLADESH

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ABSTRACT

Over the last decade, online banking has emerged as one of the most profitable e-commerce applications globally. Although previous research has focused on a number of factors that impact on the adoption of information technology or online banking in developed countries, there is limited empirical work which focuses on the challenges of adopting of online banking in developing countries. Researchers and practitioners have identified many factors which influence customers to embrace online banking. Therefore, the aim of this paper is to develop an understanding of the critical elements that determine consumer decisions in relation to online banking in Bangladesh and to provide relevant ideas to banks as to how they can retain customers that use online banking. The paper also develops a model to conceptualize the barriers to the adoption of online banking in developing countries which eventually will deliver long-term benefits for the banking industry in Bangladesh.

Keywords: Online banking, issue, and challenges, developing countries, acceptance of online banking.

INTRODUCTION

It is widely recognized that banking sector efficiency in any country influences that country's economic growth. Hence, a strong and growing financial sector is recognized as an important tool for maintaining a country's overall financial stability (Al-Smadi, 2012; Al-Jarrah, 2012). Online banking is experiencing rapid growth in developed economies such as the US, UK, Canada, Austria, and France (Tarhini et al., 2015). However, online banking is still a relatively new phenomenon in developing countries like as Bangladesh.

A recent descriptive literature review shows that the interest in the topic of online banking adoption grew significantly between 1999 and 2012 and remains a popular research agenda (Montazemi, & Qahri-Saremi, 2015, and Hanafizadeh et al., 2014). To review extent literature it has been found that there are numbers of studies undertaken in developing countries for example in Malaysia (Yu, Balaji, and Khong, 2015), in Nigeria (Tarhini, et.al 2015), in Turkey (Oruç, and Tatar 2017), in Ghana (Boateng, et. Al 2016), in Pakistan (Raza et.al 2015), in Kerala India (George and Kumar 2013), in Columbia (Yoon, and Steege 2013), in Iran (Hanafizadeh and Khedmatgozar, 2012) and so on.

However, most interestingly it also found that by reviewing 165 literature about online/internet banking adoption from 1999 to 2012 (Hanafizadeh et al., 2014) there was no study conducted in Bangladesh. Despite the fact there were few works published on banking sector but they did not focused on purely an issue and challenges of adoption of online banking for instance Siddik et al (2016) focused on the impact of e-banking performance on of bank, Rahman et al (2016) focused on factors affecting the adoption of HRIS (Human resources Information

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System), Hoque et al (2015) focus on adoption of E-commerce in Bangladesh, Ahmad et al (2012) problem and prospects of mobile banking. Hence, it shows that literature pays less attention to the issue and challenges of adoption of online banking developing countries, especially in Bangladesh.

Therefore, the primary purpose of this paper is to explore potential factors that influence customer's adoption of online banking in Bangladesh. The paper will also develop a model to conceptualize the barriers to the adoption of online banking in developing countries which eventually will deliver long-term benefits for the banking industry in Bangladesh.

CONTEXT: ONLINE BANKING

Across the world, retail banks face a number of opportunities and challenges due to new financial systems, structures, and strategies. The internet has been the driving force of the new economy and has given rise to online banking; a new and increasingly popular way of banking (Mukherjee & Nath, 2007).

Much attention has been given to the adoption and acceptance of technology and its uses in financial institutions, particularly in terms of providing technologically-induced customer services and retention strategies in developed countries. Academics and practitioners have paid less attention to the dynamics and nature of technologically-induced customer services in developing countries, especially in terms of Internet technologies in Bangladesh. This has raised questions the nature and understanding of technological adoption and technological uses in developing countries (Al-Somali, 2009; Mols 2001; Nielsen 2002; Daniel 1999).

Online banking in Bangladesh is a relatively new phenomenon. Some private and foreign banks offer online banking services, however, uptake of the phenomenon has not been as pronounced in public sector banks. This is perhaps because customers lack the confidence to try online banking services. It is also perhaps attributed to the observation that customers are mainly based in rural areas and are not as familiar with technology and the internet. In terms of Bangladesh, very few studies have concentrated on the issue and challenges of online banking in the banking sector. Those that are available are descriptive in nature, and research has yet to establish the extent of adoption of online banking systems. (Siddik et al., 2016).

A study conducted by Rahman et al., (2017), stated that Bangladesh, as a third world nation has much to do to reach the standards of a global banking system. Electronic banking is a relatively new concept in Bangladesh. Formerly only foreign banks operating in Bangladesh like Standard Chartered Bank and HSBC provided online banking. These foreign banks managed to gain competitive advantage with the introduction of electronic banking for the first time in Bangladesh. As result, local commercial banks started to lose market share.

Therefore, the goal of this paper to gain a better understanding of the adoption process, and develop strategies for greater adoption, more knowledge of the factors influencing online banking adoption by customers is required. Such knowledge would be especially useful in developing economies where banks still lag behind their counterparts in developed countries in the levels of online banking adoption by their customers.

CHALLENGES FACING ONLINE BANKING

Technology acceptance plays an important role in the business world today, especially as regards online banking. Customer acceptance of online banking services has been considered a cornerstone for the success of e-commerce. Without such acceptance, banks cannot achieve their objective of investing in technology. Online banking service acceptance has become a critical issue in the business world. Although online banking services have been widely adopted in various developed countries, the adoption of internet banking services in developing countries has been slower than anticipated. That is, in developing countries, online banking services have not been used as much as

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they could or should have been (Al-Ajam and nor, 2015). Acceptance of online banking by customers is influenced by many factors and it is necessary to take these into account. Some of these factors are discussed below:

Trust

Trust is usually defined as a willingness to trust another party because of faith, expectations or feelings that they will act in the interest of the trusting party (Yu, Balaji, And Khong, 2015). In terms of economic activities trust is crucial and involves a degree of uncertainty in terms of outcomes **(**Montazemi, and Qahri-Saremi, 2015).

Van Esterik-Plasmeijer (2017) recognized six determined competence, stability, integrity, customer orientation, transparency and value congruence. Moreover, they also included personal trust, banking system trust, bank loyalty and bank trust as factors. The authors suggested that the impact of banking system trust on bank trust is stronger than the reverse causality of bank trust on banking system trust . In addition, they also found that bank trust mainly depends on personal experiences with the bank.

Moreover, fears in relation to data safety and privacy invasion compound the uncertainty surrounding online services. Thus, trust in online banking is essential to mitigate the uncertainty of financial transactions to attract consumers **(**Montazemi, and Qahri-Saremi, 2015).

Security and Privacy

A perceived potential loss due to fraud or compromised safety in terms of internet banking can be defined as security (Yoon and Steege, 2013). According to Liao, Liu and Chen, (2011) financial transactions are one of the primary activities of internet banking. Therefore, using IT devices to make financial transactions presents numerous risks for customers since criminal acts can be performed quickly and without any physical contact. Furthermore, many customers believe that by using online banking service they are vulnerable to identity theft. Given the volume of products and services offered through online banking, consumers are increasingly concerned about security issues. If unauthorized people are able to get access to internet banking portfolios, there might be considerable financial loss and financial information may be in jeopardy. Therefore, the most important categories of online banking are likely to be security risks related to potential loss because of deficiencies in the operating system or the misappropriation of funds through illegal external access (Yoon and Steege, 2013).

Many researchers have therefore underscored the importance of and privacy in online banking as a consequence of the growth in online fraud (Dauda and Lee, 2015). Therefore, from a customer perspective, security is an important characteristic when it comes to considering online banking as an option.

Convenience

Convenience is another motivation for customers to use the internet. Latimore et al. discovered that, where possible, 87% of internet banking customers prefer to complete transactions on one site. Aliyu (2014), considered convenience to be an influential factor in terms of online banking and suggested a direct relationship between technology and behavior in the adoption of online banking. For example, numerous online banking customers prefer to pay their bills electrically and automatically. They view and print monthly bank statements, and purchase stocks, insurance, and other financial offerings. For this reason, companies with expansive product lines may be able to attract large numbers of customers to their sites. In addition, introducing new forms of products/ services to the market-place appeals to customers whose needs are unfulfilled by existing offerings **(**Dauda, and Lee, 2015).

According to Clemente-Ricolfe, (2017), many other authors have pointed out that convenience is an important aspect in user's perceptions of online banking. As a result, it is possible to access banking services from

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anywhere and at any time and this has had a significant impact on online banking use. Therefore, convenience is a key element in the use of online banking services.

Personal Innovation

Personal innovation represents the degree to which an individual is willing to test a new innovation. In terms of new information technology personal innovation influences individual perceptions significantly (Agarwal, and Prasad, 1998). Moreover, the authors identify personal innovation as symbolizing a risk-taking propensity that exists in certain individuals and not in others.

Personal innovation is a significant determinant of the perceived ease of use of information technology. Moreover, innovative people tend to envision the potential benefits and advantages associated with innovation in its early stage of diffusion. Empirical findings show a significant positive relation between consumer innovation and their intention to try new technology (Montazemi, and Qahri-Saremi, 2015).

Additionally, Al-Ajam and Nor (2015) suggested that in order to effectively attract more innovative customers, banks should pay more attention to improvements in their existing online financial services, They should also make efforts to innovate new online financial services. In addition, bank advertising should detailed information about the innovative features of their internet banking services to capture the attention of customers and to influence their behavior.

To sum up, it can be said that there are a number of barriers to the uptake of internet banking such as service quality, website customization, usages, value, and convenience.

ACCEPTANCE OF ONLINE BANKING AND CONCLUSION

Various studies have been conducted in many developed and developing countries in relation to online banking. A number of theories in relation to technology adoption and acceptance have been widely publicised alongside a number of best practices and implementation advice in the context of online banking. Moreover, there are many factors that banks should account to maximize the use of online banking and support from government is strong amongst these**.** Some of the steps that banks could take to minimize these barriers are discussed here. Moreover, public sector banks in Bangladesh should consider strategies from other developed and developing nations to influence the acceptance of online baking.

In addition, another study was conducted by Lallmahamood (2007) in Malaysia to explore the impact of perceived security and privacy with the intention to use online banking. To examine the above perception an extended version of the Technology Acceptance Model (TAM) was used and a survey elicited 187 responses, mainly from urban areas in Malaysia. The findings revealed that amongst the reasons for the adoption of online banking are a convenience, ease of use and time-saving. Conversely, privacy, trust, and security were amongst the main barriers to uptake. This suggests that security concerns and privacy protection are perceived to be part of the overall service provided by the online banking service providers. Furthermore, to raise the level of customer confidence in the industry other factors such as password security levels and the provision of e-payment gateways for e-commerce transaction are likely to help. Finally, it was also found that the acceptance of online banking interaction in local languages (Bahasa Malaysia) had no impact.

The research was also conducted by Oruç, et al, (2017) using a structural equation model to investigate factors that determine an individual's intention to use online banking amongst academics in Dokuz Eylul University campuses in Turkey. The study showed that communication and the convenience of online banking had the strongest effect on increasing customer adaptation. Moreover, the study provided bank managers and policy makers an insight into the most influential factors that determine uptake amongst this specific population and communication and convenience were particularly valued. For this reason, banks should concentrate on providing

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sufficient guidelines regarding their internet banking services. Banks should plan awareness campaigns to minimize perceptions of risk amongst customers and to increase their confidence in online banking by communicating the benefits and advantages over other traditional channels.

In their study of online banking in Nigeria Ozuem et al (2016) identified security, literacy and poor infrastructures as the main barriers to online banking uptake in sub-Saharan African countries. In a practical context, in the management government and institutions are involved. Therefore, design, provision, and the monitoring of online banking should ensure that customers and users are not subjected to fraud and identity theft as these negatively influence customer adoption. In addition to monitoring, there should be a structure in place to promulgate and enforce practices to guide the use of internet banking. Part of the task of monitoring the internet is providing customers and members of the public with information on security breaches and what implications these might have for consumers. In such a way negative pre-conceptions can be challenged and positive attitudes developed. To make the internet available to as many people as possible Governments can play a pivotal role in ensuring adequate provision of telecommunications so service providers. Moreover, to create awareness and educate members of the public on the concept of internet technology banks should invest in purposeful and integrated marketing communications. Furthermore, by using SERVQUAL and other applicable models to determine how much their services have improved over time banks should continue to measure their level of service quality.

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THINK GLOBALLY, ACT LOCALLY – HOW INTERNATIONAL CORPORATIONS ADJUST THEIR CSR STRATEGIES TO LOCAL MARKETS

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ABSTRACT

Globalization phenomenon constitutes a subject of study for many scientists interested in economic, technological, cultural and political environment and processes. Uneven economic and political development of countries has built a growing interest in disproportions between social aspects of business around the globe. These disproportions give companies opportunity to move their branches to less developed regions to cut operational costs, but also forced them to act in order to make up for the negative impact that they may have on the local environment. These actions are best visible when researching international companies, which to a great extent get involved in creating bonds with local communities all over the world.

Keywords: Corporate Social Responsibility, corporations, strategy.

INTRODUCTION

The ongoing globalization, scientific and technological development, as well as changes taking place in global economies and societies are the source of constant challenges that contemporary enterprises face. Especially in the context of international corporations, the concept of competitiveness and profits earned takes on a new meaning, as there are more and more discussions on striving for other uses of profits than just increasing the owners' capital. Presently, the goal of enterprises is not only profit, but also the use of enterprise resources in order to gain a lasting competitive advantage and build company reputation (Szwajca, 2014).

The concept of CSR can be traced back to the 1950s. Since then, CSR has undergone intensive development and evolution. (Peng Low, 2016). In the literature one may find numerous definitions of corporate social responsibility and many concepts showing how this responsibility manifests itself. However, what these sources share, are the key areas of socially responsible activities, such as:
- sensitivity to social problems,
- determining the moral principles that guide a company,
- ethical values in running a business,
- care for the natural environment,
- dialogue with stakeholders,
- building relationships with the social environment,
- honest fulfillment of obligations.

These areas perfectly show that modern international companies are beginning to acknowledge the interdependence between the right approach to clients, taking care of employees, engaging in the life of the local community, and their business performance and development (Adamik and Nowicki, 2012; Sładkiewicz and Wanicki, 2016). Corporate social responsibility has thus become an area of keen interest in the scientific community around the world, which has made numerous attempts to define and describe the specifics of corporate social responsibility.

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CONTEXTUALISATION: CORPORATE SOCIAL RESPONSIBILITY

The first author to start a discussion on transparency in business activities was J.M. Clark, who in 1916 said "if men are responsible for the known results of business dealings, whether these have been recognized by law or not". Professor T. Kreps, who first introduced social responsibility to scholar program invented the idea of "social audit" as early as the 1930s. He was the first to have noticed the importance of reporting social responsibility by companies (the idea of social audit was developed by G. Goyder in "The Responsible Company", where the author stated that social audit could be a management tool and a platform for challenging and influencing companies by stakeholders) (Esposito, 2009). The next milestone for social responsibility studies was Peter Drucker's "The Future of Industrial Man" in 1942, which proved that every company, besides economic purpose, also has a social dimension (Drucker, 1942). In 1953 H. Bowen defined corporate social responsibility as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society". (Bowen, 1953, 2013). When companies' power in influencing the society has started being linked to social obligations, K. Davis defined social responsibilities in 1960 as "the businessman's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest… which need to be commensurate with the company's social power" (Davis, 1960).

In 1975 S.P. Sethi presented a three tier model of corporate social performance based on: social obligation (response to legal and market constraints), social responsibility (addressing societal norms, values and expectations of performance) and social responsiveness (anticipatory and preventive adaptation to social needs) (Sethi, 1975). A.B. Carroll responded in 1979 with a proposed four categories of corporate responsibility model: economic (be profitable – the foundation up which all others rest), legal (obey the law – law in society's codification of right and wrong), ethical (obligation to act right and fair, avoid harm), discretional / philanthropic (be a good citizen) (Caroll, 1979), which in 1991 he presented as a pyramid model (which since then has been validated by a number of studies) (Caroll, 1991).

Numerous researches attempt to give an overview of corporate social responsibility (see Carroll & Shabana, 2010; Dahlsrud, 2008; Devinney, 2009; Freeman & Hasnaoui, 2011; Hess & Warren, 2008; Jamali, 2007; Jefe 2017; Khan, Khan, Ahmed, & Ali, 2012, Lindgreen, Swaen, & Johnston, 2009; Silberhorn & Warren, 2007). They debate whether corporate social responsibility is a strategy in the same meaning as any other corporate strategy, but they are sure that it is a higher level of a business strategy based on win-win cooperation with corporate environment. CSR is connected to corporate mission and competencies, but at the same time it can be used to attract profit and value for the investors (Bakos, 2014; Kiran & Sharma, 2011) and strike a balance between profitability and morality (Mozes, Josman, & Yaniv, 2011). One thing they agree on is that the "real" CSR strategy is intended to benefit all parties (business and society) (Jefe, 2017), because sole maximizing profit is no longer the only objective of business, but it is profit sharing that is the goal (Sharma & Kiran, 2012). Through CSR, companies are building strong relationship with their stakeholders and as a result – they improve their competitiveness (Battaglia, Testa, Bianchi, Iraldo, & Frey, 2014, Carroll & Shabana, 2010).

Taking into consideration the research on Corporate Social Responsibility, it can be defined that CSR is building a strong connection between business decisions and ethical values, legal requirements, respecting stakeholders and protecting natural environment. CSR is based on 5 elements: policies and practices, stakeholder engagement, learning and improvement, communication and monitoring. Those elements are connected to four areas of social responsibility: workplace (building an effective work environment, ensuring human rights, creating career paths, etc.), marketplace (creating initiatives to improve social or environmental performance over the supply chain), community (initiatives that address societal challenges and contribute towards national priorities), environment (initiatives aimed to reduce negative impact on natural environment) (Sady & Guja, 2010).

Since the idea of corporate social responsibility officially appeared in Poland, every year it gains more and more popularity. Nowadays consumers and employees expect from the companies, that they will engage in socially responsible activities. The number of different initiatives undertaken in Poland to study the development of the social responsibility idea shows that CSR is gaining more and more importance every year. Different NROs,

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consulting companies, scientists and social workers are attempting to define social responsibility and verify how it operates in the local environment.

Since 2007 The Forum of Responsible Business in Poland (Forum Odpowiedzialnego Biznesu) together with PriceWaterhouseCoopers, Deloitte, Global Compact Network Poland, Dziennik Gazeta Prawna (specialistic Polish business newspaper) and other partners, organize a ranking of socially responsible companies. Since 2017 a new classification of companies has been introduced: diamond level (leaders of excellence), platinum level (well advanced companies) and crystal level (mature CSR). This ranking shows how companies operating in Poland engage in socially responsible actions and how they implement CSR in their strategies. It also promotes the idea of social responsibility and helps to appreciate the most socially engaged companies. The Forum of Responsible Business in Poland since 2002 has also been publishing yearly reports of CSR activities of companies operating in Poland.

In 2016 Regus – a Polish company- made a survey among 40 000 respondents. The survey showed that 47% of respondents paid attention to potential employers' CSR actions while looking for work. 43% responded, that if they had 2 very similar job offers from different companies, they would choose the company with a CSR strategy. Those numbers show that not only companies want to employ socially engaged candidates, but also Polish employees pay great attention to social responsibility. This proves the growing consciousness in the Polish society.

In the KPMG Survey of Corporate Responsibility Reporting 2017, KPMG has prepared a comparison of 4900 companies comprising the top 100 companies by revenue in each of the 49 countries researched in the study. Poland is one of the studied countries. According to the research, a significant growth in the number of global CSR reporting has been observed. In 2002 only 18% of companies published CSR reports, while in 2017 75% of companies reported their CSR. In Europe the rate in 2017 was 77%, while in Poland alone it was 59%. The authors of this paper, inspired by the rising number of CSR reports in Poland, decided to study whether CSR in international companies is unified for all the markets, or does those markets have their own separate CSR strategies.

The presented study fills a gap between general CSR research, concentrating on activities undertaken by various types of companies in Poland, and the studies conducted in the global context. This paper will show how corporations try to combine the global approach with respecting local environment and participating in its life.

RESEARCH DESIGN

In this article, the Authors present a cross-section of definitions of corporate social responsibility, especially in the context of international enterprises. International corporations are a very interesting area of research in this field because, on the one hand, they engage in socially responsible activities in the most comprehensive way and have the largest budgets for the implementation of their CSR strategies; at the same time (mainly due to the scale of their operations) they can affect their social and natural environment. The scale of their activities increases the possibility of exerting influence on the environment, both in the country of origin and in all countries in which their foreign direct investments are located. This impact may take on a favorable dimension (e.g. charitable activities or development of local infrastructure) as well as unfavorable (e.g. pollution of natural environment or exploitation of child labor).

The example of multinational corporations shows the issues of undertaken corporate social responsibility activities and attempts to present actions that these enterprises can take to reduce this negative impact, in line with the idea of sustainable development. Corporations are the engine that fuels globalization processes (Ogrean, 2012), and therefore their influence on their environment is vast. It would seem obvious to many that the industry in which a company operates might play a role in the corporation's CSR reporting (Kunz, 2016) and so their CSR activities may be related to this environmental impact. Another interesting dilemma focuses on whether to create a global standardization of CSR across operating units or to respond to local market drivers (Bondy, Starkey, 2014).

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Research problem

The study presents the Authors' own research on international corporations operating in Poland. The Authors attempted to investigate how international companies transfer their global CSR strategies onto local markets, on the example of Poland. The research carried out was aimed at identifying ways of creating CSR strategies on local markets, which can be based on three pillars:
1. International strategy (unified strategy for all markets);
2. Strategy fully adapted to the local market;
3. Mixed strategy - part of the strategy is unified for the company in all countries, some activities are adapted locally.

In their study, the Authors also took into account lack of CSR strategy in a company, yet in the case of international corporations, having such a strategy became an unofficial requirement. This view follows the idea of P. Kotler, one of the most important representatives of management, that *corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources* (Holme, Watts 2000, p. 6). Therefore, the public and the stakeholders expect a corporation to share prosperity, care for the local communities and the natural environment as part of its activities.

Research methods

This research was conducted on several international companies operating in Poland, representing various industries and different approaches to the concept of corporate social responsibility. In order to obtain the widest possible range of information, the Authors applied a variety of methods for collecting information, the most important of which were the surveys carried out in 50 corporations. Other data was obtained through the study of CSR reports of companies and their public websites. Additionally, mini interviews were conducted with the representatives of 18 corporations during the 7th CSR Fair in Warsaw, Poland. These interviews were both individual and conducted with the use of the diad method. During the interviews, the respondents' reactions to particular questions and their non-verbal behaviors suggesting emotions related to a given issue were also observed. They could reveal how "uncomfortable" a question was, whether it was easy for the respondent to answer it, and whether they thought about the answer for a long time or chose the words carefully. Therefore, the researchers used triangulation of methods, consisting of a combination of many research methods in the measurement; and triangulation of data, meaning a comparison of information from many sources. This form of analysis is aimed at limiting the possibility of making a mistake and maintaining the reliability and validity of inference. The study used different methods of data analysis, and the explanations were formulated on the basis of many viewpoints.

The grounded theory, first mentioned by Barney Glaser and Anselm L. Strauss, as a strategy for conducting qualitative research, is based on three principles: not adopting initial hypotheses at the beginning of the study (to avoid the influence of existing theories; open approach); a continuous comparison of the collected empirical materials, leading to concretization of codes and highlighting the most important categories; and theoretical sampling (selecting a sample in a manner suitable for broadening the knowledge about the problem, providing the most diverse research material to exhaust the topic) (Glaser & Strauss, 1967). When applying the grounded theory, a researcher does not determine the sample size at the beginning of the study. The number of objects studied evolves as the research goes deeper into the subject, and further objects are added until theoretical saturation is reached. It is only during the research that we are able to determine which research observations are still missing. Theoretical saturation is the moment when further acquisition of information will not enrich the knowledge gained about the phenomenon being researched, and this is the researcher's subjective decision. (Jemielniak, 2012)

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THE FINDINGS OF THE STUDY AND THE DISCUSSION

Even though corporations nowadays convince their stakeholders, that they pay great attention to their environment and that social responsibility constitute part of their corporate strategy, the study has shown, that only 61% of these companies' Polish branches had an employee responsible for corporate social responsibility. Usually this person's post is named CSR leader or CSR expert, which indicates that one specializes in the area of CSR. Often it is also the Marketing Manager or Employer Branding Coordinator, who is responsible for CSR, which may lead to a suggestion, that those companies treat CSR as one of marketing tools.

It is interesting that 89% of the studied companies have a post or department responsible for CSR in their headquarters, 61% have them in Poland, whereas none of the studied companies had a strictly global CSR strategy. 66.7% responded, that they have a mixed CSR strategy – a part of the strategy is global and unified for all markets they operate on, and part of the strategy is adjusted to local conditions and expectations of local stakeholders. The rest of the companies (exactly 1/3 of the respondents) admitted to having a purely local CSR strategy – fully adjusted to individual local markets.

After figuring out if the strategy is local, global or mixed, the next subsequent step was finding out whether those strategies were controlled bottom up or by the headquarters. 27,8% of the companies declare, that their CSR strategy is created in a top-down and intended way by the headquarters and 11,1% admit to having a fully bottom-up ("emerging") strategy, where teams or sole employees can submit ideas for actions. The rest of the respondents (61,1%) replied that their strategy is mixed - a part of the strategy is created in a top-down way, other part in a bottom-up way. This mixed strategy is the most popular one, because it allows the headquarters to give a general direction of CSR, and local branches are at the same time able to complete this strategy with local actions, best suited for their cooperation with local environment. All of the companies have an ethical code globally, which seems to be a standard nowadays, but only 66% have an additional, local ethical code. This also proves, that corporate strategy created in the headquarters is still considered as the most important and superior to local strategies. This overthrows the concept of cooperation and equality between business units of the same company.

When asked about the continuity of the CSR strategy, only 1/3 of the companies has continuous CSR strategy and in contrast - almost 28% declare ad hoc CSR actions ("we respond to emerging needs") and having no continuous projects or cooperation. The exact same amount of companies declare, that some of their CSR activities are continuous and some of them are ad hoc. More than 11% of the companies admit, that they don't think about CSR in a strategic way, but they prepare charity actions from time to time (not regularly). This topic was broadly discussed during diad and triad interviews and the results were not a surprise. Corporations in Poland still consider profit as the factor of most interest, and CSR activities are considered as additional activities, not a part of strategy or element of sustainability. Operational costs in Polish branches are lower than in headquarters, so the main motive for opening and keeping them is purely financial, which corresponds with Carroll model – After Profit Obligation concept. One of the interviewees suggested, that they allow bottom – up CSR, because they want to show the employees their full support and attention. There is a specific budget for CSR activities suggested by employees and anyone can submit an idea. This strategy on one hand shows the employees that they have the ability to change the world in a micro scale, but on the other hand, an important question appears: does this situation create awareness and willingness to change the world and willingness to constant commitment or is a one-time "having fun by helping"? If CSR is a strategy, shouldn't those actions be continuous and evolve somehow?

To see if there is a justification for researching corporate non-financial global reports, the authors asked the companies whether they prepare this kind of reports and if they do it regularly. 11% of the respondents do not publish non-financial reports. 72% of the companies prepare annual non-financial reports in global context, but only 38% of them create those reports also locally. This is also one of the important topics in the discussion - whether CSR strategy is equally important in all business units, or do the global headquarters treat it as a global strategy and just let the local branches participate in a more or less structured and thought-out way? Therefore, studying local reports seems a justified method of gathering relevant data for the discussion.

Illustration 1 shows the results of conducted research in terms of activities undertaken by studied 50 corporations in Poland in the past ten years, divided into 7 areas: organizational governance, human rights, labour

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practices, natural environment, fair operating practices, consumer issues practices, local community involvement and development.

Illustration 1: The percentage of corporations engaged in CSR activities in Poland in 10 years in the 7 discussed areas

Source: Own study.

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As the study shows, the most important area of interest of the CSR activities in the last 10 years for corporations operating in Poland was local community involvement and development. This way of engagement creates bonds between the company and local communities, helps to improve employer branding, convinces customers that the company is eager to help the ones in need. It is interesting, that more companies perceive those relations as more important than takin care of their employees. The differences between the two scores are not vast, but especially in the first two years of the study one can see small interest in labour practices. It appears that after the financial crisis companies saved money on their employees, while still continuing building their PR through engagement in local communities and natural environment. Nowadays they take care of their employees through various programs, such as work safety, dialogue with employees, family friendly practices, employee integration and participation, counteracting abuses at the workplace, adaptation of new employees, career paths and trainings, work-life balance, employee volunteering and support for employee health and wellness.

In terms of local community involvement, corporations are very creative in finding organizations they can help. They either become sponsors of local events or support NGOs or even engage their own employees in different kinds of social work (renovations of community day rooms and hospices, help in teaching children from poor homes, activities for the elderly and disabled people, as well as inventing and creating special products or services dedicated to socially excluded people and many more). This way of helping is also very attractive for the employees, because via voluntary work they get the feeling that even their relatively small actions can make a change in the world. This also broadens their horizons, makes them more sensitive to others' needs and teaches them to take action when needed.

Interest in organizational governance and human rights appeared late, in comparison to other CSR areas, which may indicate, that companies in Poland in general did not pay much attention to these areas. 2011 is a year of visible breakthrough in most of the areas, including the mentioned 2. It appears that while CSR idea was spreading in Poland and corporations started paying more attention to it, they started engaging in various activities, that were not of any or small interest beforehand. Human rights are usually addressed through education programs, women in business issues, as well as diversity and inclusion issues.

It is interesting how 2014 and 2015 are the years of withdrawal from CSR development process. Fewer funds for CSR, fewer activities undertaken in all areas. Is it because of local and parliamentary elections that took place in 2014 and 2015 respectively? As obvious for corporations – changes in the political environment may cause great changes for international corporations economically. Was this the case? Maybe, because in 2016 one could observe great development and even boom in the number of companies engaging in those areas of CSR.

The least interesting area of CSR for corporations operating in Poland are human rights. This is caused by a relatively good level of respecting human rights in the Polish business environment. Because there are more urgent and serious problems, companies decide to engage in other areas and focus on their employees, social and local environment.

It is interesting, that consumer issues practices peaked maximum to 24%. It may be an effect of high engagement in local communities and through that building good PR for a company and attracting customers. If customers see that the company gives a part of their profit to social engagement, they are more willing to buy their products or services, and therefore there is no need to create additional programs solely for customers. After all, the client is also part of the local community. Among many consumer – oriented programs, there are initiatives concentrated on availability of products and services, customer education, responsible consumption issues, consumer health and safety.

Natural environment seems to be in the interest of corporation from the beginning of the study timeline. Global warming, deforestation, air and rivers pollution and many others are a genuine problem, which needs to be saved. Corporations find many interesting ways to preserve the environment, from eco office practices to preserving endangered species. The also engage their employees in cleaning forests or planting trees. Corporations also engage themselves in obtaining ecological certificates and eco-efficiency. Ecological education and sustainable logistics are also important issues.

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Fair operating practices usually consist of trainings for partners and suppliers, codes of conduct, counteracting fraud, long term contracts and supporting local businesses. Certainly respecting law and ethics in business relations is intensively underlined in all reports.

Organizational governance is the domain mainly of the headquarters, but local entities have lately started to pay more attention to setting goals, creating strategies in various areas – e.g. compliance, ethical standards, sustainability, supporting engagement of employees in all CSR actions etc. It is interesting how these concepts evolved in the past two years. It may be connected with the rapid growth in other CSR areas and the need to create strategies, processes and goals that would follow this evolvement. This is, subsequently, followed by a growing need to promote all those activities and an urging need for creating non-financial reports as well as reporting to diverse national summaries, reports and statistics.

This research clearly shows that, especially in the last two years, corporations in Poland significantly increased their involvement in socially responsible practices. Invariably, the areas of biggest interest are local community involvement and labour practices, which leads to the conclusion that companies deviate from traditional marketing and exploitation of employees in favor of engaging employees in in decision-making processes and volunteering work while taking care of their well-being. To a large extent they also focus on creating bonds with local communities and help solving their problems. Corporations also take care of the natural environment, which they often have a negative impact on, with the intention to make up for the losses that the environment incurs as a result of their activities.

Growing awareness of social and environmental problems in Polish society will probably continue to stimulate evolvement and advancement of CSR programs and strategies. The era of modern technologies and instant access to information spread immediately has a great impact on consumer awareness, thus corporations will do their best in order to create positive perception of their brand.

MANAGERIAL IMPLICATION AND FUTURE RESEARCH

Corporations today face an ever-widening circle of obligations. They must not only satisfy their employees' needs, but also respond to exogenous changes: customers' expectations, natural environment preservation needs and social concerns. Stakeholders have greater expectations of companies than ever before. They require the supply of quality goods and services with maximum social benefit and minimum environmental costs. Corporations can use CSR to promote their values and positive effect on the environment and company's operations from research and development to purchasing, production and supply.

The presented research shows that companies feel the necessity to publish their achievements in implementing CSR strategies. The society expects them to drive progress in the direction favorable to global community, and the growing strength of social pressure for CSR strategies in multinationals only proves this fact. But besides the importance of global strategy and global impact, the study shows that every year more corporations adjust their CSR strategies to local markets, trying to create better communication and cooperation with local communities. The research also shows which areas of socially responsible activities are crucial for companies, which can help other companies in the process of choosing the right path.

These insights will help managers plan their CSR strategies more effectively and will be treated as a useful benchmark. It will help corporations to adjust their local CSR strategies to better meet the expectations of local communities, with particular regard to Poland.

Taking into consideration the presented timeline of the studied information, it will be interesting to continue the research and see whether the tendency for developing CSR strategy will still be growing, or will the interest in CSR start fading. It will probably be connected with EU and Polish legal regulations concerning non-financial reports. Still, obligatory reporting is one thing, but development and professionalization of CSR programs is another case. Time will show whether CSR is a fashionable concept, or will it become an inseparable part of every corporation's strategy.

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THE EFFECT OF INTRA-INDUSTRY COLLABORATION, INNOVATION SPENDS AND KNOWLEDGE SPILLOVER ON FIRMS' PERFORMANCE

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ABSTRACT

This article analyzes to what extent the collaboration and spends in innovation at the industry level affects the relationship between the innovation spends of firms and their financial performance. We formulated a conceptual model and tested it by linear regression using data extracted from the CIS 2012 survey and a sample of 890 Italian manufacturing firms. The results provided partial support for the positive moderating effect of intra-industry collaboration and full support the moderating effect of intra-industry innovation spend, both on the relationship between firms' innovation spending and their financial performance. They made evident that knowledge spillovers and intra-industry collaboration affect financial performance, corroborating other studies that found that the intra-industry R&D spend influences firms´ innovation and financial performance.

Keywords: Innovation; R&D; collaboration among companies; knowledge spillover; financial performance.

INTRODUCTION

In a business environment full of uncertainties, firms' ability to innovate is essential to maintain their competitive advantage. To cope with this dynamism, firms cannot depend exclusively on their own resources or internal R&D to innovate. Instead, they need to access resources from other actors, in an open innovation model, leveraged by strategic alliances and collaboration with partners organized in networks. In this context the firms' ability to manage the inbound and outbound flows of knowledge is a critical factor to develop innovation and reduce its risks and costs. Their internal R&D is important to create innovations and increase absorptive capacity, but knowledge spillovers received by the firm also can affect their innovation rate.

It is expected that the way companies manage their innovation activities will have an effect on their performance. In addition, the level of intra-industry collaboration should influence the result of this relationship. Likewise, the spends on innovation in a given sector should have an effect on the innovation of individual firms and their performance, such as through the benefits of spillovers. The objective of this article is to assess to what extent collaboration among firms as well as what is spent on innovation at the industry level affect the relationship between firms' R&D investments to develop innovation and their financial performance.

We first present a brief theoretical review that supports the proposed model and research hypotheses. Then we present the methodological procedures. Following results obtained are presented and discussed regarding their implications. Finally, we present the conclusions, contributions to academics and practitioners, as well as research's limitations and suggestions for future studies.

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THEORETICAL FRAMEWORK

In response to the challenges imposed by the environment, firms need to go beyond the organizational boundaries and access knowledge and resources from other strategic actors, in an open innovation model (Chesbrough, 2003). Although both internal and external R&D are important elements of firms' innovation processes, empirical evidences investigating this complementarity do not necessarily converge. Cassiman and Veugelers (2006) assert this complementarity, concluding that the relationship depends on the firm's context.

The establishment of partnerships, creating portfolios of strategic alliances, is becoming increasingly common and necessary to leverage firms' innovation performance (Macedo-Soares, Barboza & Paula, 2016). The diversity of portfolios of alliances and the number of partners with which a firm collaborates influence its performance (Macedo-Soares, Paula & Mendonça, 2017). Firms also are organizing themselves in networks aiming to collaborate with partners to develop innovation (Vaan, 2014).

The innovation does not progress uniformly across industries. In high technological intensity sectors, R&D plays a relevant role and radical innovations are more frequent. In turn, industries with low technological intensity, innovation activities tend to focus on process efficiency and product differentiation (OECD, 2005). Ang (2008) proposed that the intensity of competition determines the propensity of firms to collaborate, and that the interaction between competitive intensity and collaboration influences their growth. These relations, in turn, are moderated by the particular industry's technological intensity.

In an open innovation model firms intentionally use inflows and outflows of knowledge as they collaborate with their partners. A portion of this knowledge often becomes available to the public, especially once the innovation is disclosed (Cassiman & Veugelers, 2002). The economic effect of knowledge spillover on innovation is related to the fact that the firms rarely can fully appropriate the value of their own innovation. Other firms that innovate by adopting innovations developed by other players are able to benefit from this knowledge spillover, especially when the cost of imitation is significantly lower than that of in-house development (OECD, 2005).

The appropriation mechanisms are essential to protect firms' innovation. The ability to keep valuable information from reaching other organizations depends on the firms' innovation activities, the competitive environment and the conditions for appropriation in the market segment (Cassiman & Veugelers, 2002). Jaffe (1989) suggested the existence of a weak relationship between innovation and R&D spend in the case of small and medium enterprises (SMEs) since SMEs benefit more from knowledge spillovers than large firms.

Various authors have tested the relationship between innovation and performance, often finding contradictory results. Tidd (2001) listed various innovation indicators related to firms' performance, such as R&D spending, number of patents and introduction of new products. In relation to the firm performance, he mentioned metrics like growth, market value and ROI. Hall (1987) related R&D spends and capital investments showing that firms without R&D programs tend to grow less.

The way firms invest in and manage their innovation activities has an effect on their performance. In addition, knowledge spillovers can be expected to be related both with the intra-industry innovation spend, which includes firms' internal and external R&D activities to generate innovation, and with the level of collaboration at industry level, which reflects the potential for diffusion of knowledge through inflows and outflows of firms. Therefore, it is reasonable to expect these two variables to affect the contribution of firms' innovation spend to their financial performance, since they can benefit from the knowledge spillovers to innovate and grow in the market. Our conceptual model, as illustrated in Figure 1, was formulated to test the following hypotheses:

H1 – The greater the intensity of intra-industry collaboration, the stronger the positive effect of firms' innovation activities spends will be on their financial performance.

H2 – The higher the intra-industry innovation spends is, the stronger the positive effect of firms' innovation activities spends will be on their financial performance.

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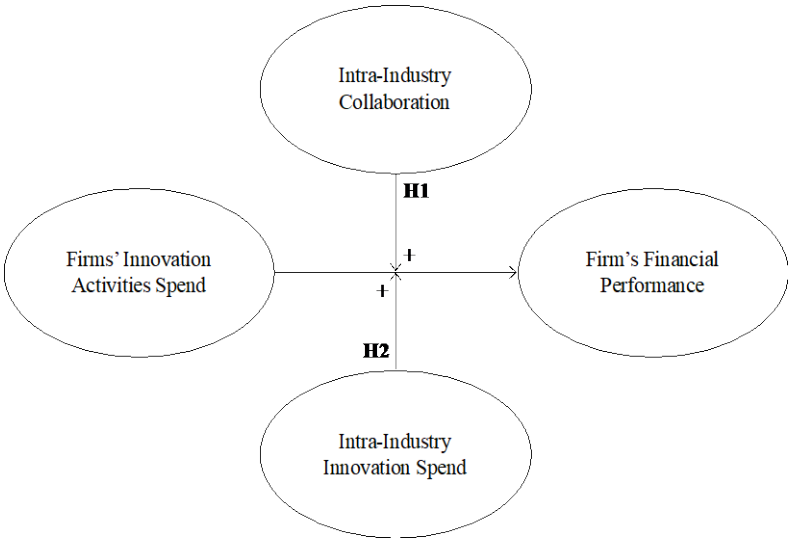
Figure 1: Proposed Conceptual Model



METHODOLOGICAL PROCEDURES

Many studies have examined the phenomenon of innovation focusing advanced countries (Frenz & Ietto-Gillies, 2009; Kirner et al., 2008; Cassiman & Veugelers, 2002). To contribute to the EU efforts to create an ecosystem favorable to innovation, this study analyzes the case of Italy. Besides being an important member of the block, it is considered to be moderately innovative (European Union, 2017), which may reveal opportunities for improvement. Since manufacturing firms have been most affected by recent technological transformations, we concentrated our analysis on this segment. Therefore, the research universe is composed of manufacturing firms in Italy, in the period from 2010 to 2012.

Our source for sample selection and data collection was the 2012 edition of the Community Innovation Survey, or CIS (Eurostat, 2018a), applied to companies in the industrial and service sectors with at least 10 employees. The data from the CIS 2012 covered a total of 8,967 companies and was accessed via the website of the Italian National Institute of Statistics (ISTAT, 2015). Based on these secondary data, we selected 3,026 Italian manufacturing companies, according to the NACE Rev. 2 classification (Eurostat, 2018b). In the scope of the analysis we only considered firms that declared they had achieved some type of product or process innovation in the period or stated they had an innovation activity in progress at the end of 2012 or had abandoned or suspended an innovation activity in the period from 2010 to 2012. Finally, we excluded from the sample firms with incomplete data regarding one or more variables or whose information on innovation spends presented inconsistencies, resulting in a final sample of 890 companies.

To operationalize the model's constructs, we selected proxies and control variables based on the literature review. The variables were standardized to avoid distortions resulting from differences in measurement scales and to facilitate comparisons. Table 1 below presents the constructs, respective variables and descriptions. It should be mentioned that the financial performance dependent variable was measured in the same period as covered by the information related to innovation activities, i.e., from 2010 to 2012. This represents a limitation, since without a greater time lag between the two dimensions, the impacts of innovation may not have occurred.

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Table 1: Constructs and Variables of the Model

Construct	Variable	Description of the Variable
Firm's spends on innovation activities	Rrdinx	Firm's spends on internal R&D / Firm's turnover in 2010 – 0 to 100%
	Rrdexx	Firm's spends on external R&D / Firm's turnover in 2010 – 0 to 100%
	Rmacx	Firm's spends to acquire machinery, equipment and software / Firm's turnover in 2010 – 0 to 100%
	Rotrx	Firm's spends on other innovation activities, such as design, training, marketing / Firm's turnover in 2010 – 0 to 100%
Firm's financial performance	rgturn12	Relative growth of firm's turnover / Relative growth of turnover of the industry in the period from 2010 to 2012 – metric variable
Industry's spend on innovation activities	Rallxind	Total investment in all innovation activities at industrial sector level / Industry's turnover in 2010 – 0 to 100%. Sum by sector of the investments of the firms in all innovation activities (rallx) / Sum of turnover of the firms
Level of collaboration in the industry	Collabind	Importance of innovation activities at industrial sector level, considering the collaboration with different partners - 4-point Likert scale (0- not relevant; 1- low; 2- medium; 3- high). Sum by sector of the average of the firms' variables, indicating the importance of the information sources / number of firms (CIS variables: ssup, sclipr, sclipu, scom, sins, suni, sgmt, sjou, scon, spro).
Control variables	turn10	Firm size as the natural logarithm of turnover in 2010 – metric variable
	GP	Indicates if the firm belongs to a business group - binary (0- no and 1- yes)
	Techint	Technological intensity of the industry, based on the NACE Rev. 2 (Eurostat, 2018b) - 4-point likert scale (0- low; 1- med-low; 2- med-high; 3- high)

To evaluate the relations proposed in the model, we used descriptive statistics and multiple linear regression. We created new variables to represent the moderating effects, both of the level of intra-industry collaboration and the percentage spent on innovation activities in the industry, on the other independent variables. To assess the explanatory power of the model, we calculated the adjusted r^2 and analyzed the standardized coefficients in terms of their value, sign and significance, aiming to determine the contribution of each variable to explaining each firm's financial performance.

RESULTS

Table 2 presents the descriptive statistics of the sample. The largest proportion of firms has medium-high technological intensity (42.6%), followed by the group of firms in sectors with low technological intensity (28.4%). Also, of note is the prevalence of firms that are members of business groups (69.9%), with highlight on the upper limit for firms with high technological intensity (81.4%), and the lower limit for those with low technological intensity (52.6%). In relation to turnover in 2012, more than half the firms (56.4%) can be considered SMEs, according to the criteria established in Eurostat (2018c), with these firms being most concentrated in the sectors with low technological intensity (68.4%).

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Table 2: Descriptive Statistics of the Model's Variables

Characteristics	Industry Technological Intensity				Total of the Sample
	Low	Medium-Low	Medium-High	High	
Number of Firms	253	172	379	86	890
Type of Firm					
Individual	120	51	81	16	268
Member of a Group	133	121	298	70	622
Turnover in 2012 (€ million)					
< 10	108	52	86	23	269
10 -50	65	53	91	24	233
50 - 100	29	26	51	15	121
100 - 1000	50	36	139	22	247
> 1000	1	5	12	2	20

Table 3 reports the means and standard deviations of each variable, both for the total sample and each of the four groups of firms formed according to the technological intensity classification of the industry (economic sector). We also performed an F-test to indicate if the means of each variable, for the respective groups, were statistically different, considering in this case a confidence interval of 99%.

Table 3: Descriptive Statistics of the Model's Variables

Construct	Variable	Industry Technological Intensity								Sample (n = 890)		t-test
		Low (n = 253)		Med-Low (n = 172)		Med-High (n = 379)		High (n = 86)				
		Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	
Firm spend on innovation activities	Int R&D spd	0.24%	2.66%	0.35%	2.63%	0.34%	2.22%	0.58%	2.35%	0.34%	2.44%	-
	Ext R&D spd	0.04%	0.63%	0.00%	0.00%	0.05%	0.73%	0.12%	1.08%	0.04%	0.67%	-
	M, eq, sw spd	0.75%	4.70%	0.29%	2.00%	0.16%	2.62%	0.12%	1.08%	0.35%	3.18%	-
	Other spd	0.00%	0.00%	0.12%	1.53%	0.00%	0.00%	0.00%	0.00%	0.02%	0.67%	-
Financial performance	Turnover growth	1.087	0.375	0.995	0.272	1.067	0.617	1.112	0.282	1.063	0.474	-
Industry spend on innovation	Spd innov @Ind	0.07%	0.04%	0.34%	0.65%	0.37%	1.14%	0.54%	0.05%	0.29%	0.81%	***
Collaboration in industry	Collab @Ind	1.038	0.083	1.008	0.111	1.164	0.042	1.343	0.142	1.115	0.130	***
Control	Firm size (€ Mi)	78.3	170.7	125.1	406.7	183.7	486.3	124.4	255.9	136.7	385.8	***
	Is part of a group	0.530	0.500	0.700	0.458	0.790	0.410	0.810	0.391	0.700	0.459	***

*** p > 0.001

The firms with high technological intensity presented higher averages for nearly all the variables, the exceptions being firm size (124.4), for which it was exceeded by the firms with medium-high intensity (183.7), and percentage of spend on machinery, equipment and software (0.12%), where it was surpassed by firms with low technological intensity (0.75%). This last group of firms also presented the lowest means among the groups for industry level of collaboration (1.038). The same was found for the percentage of intra-industry innovation spends (0.07%) and for growth of turnover of the firm in relation to the industry figure (1.087).

The regression results are consolidated in Table 4, together with the tests of the research hypotheses. The model without inclusion of the interactions, both for intra-industry collaboration and the innovation spend, with the

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other independent variables presented generally inferior results to those of the complete model, corroborating the contribution of these moderating effects to the explanation of the phenomenon.

Table 4: Results of the Linear Regression

Model	Standard. beta	p-value	Standard. beta	p-value	Sig.	Hypothesis tests
Int R&D spd @Firm	0.014	0.686	0.075	0.066	*	-
Ext R&D spd @ Firm	0.028	0.364	0.021	0.601	-	-
Mach, equip, software spd @ Firm	0.360	0.000	0.228	0.000	***	-
Other spd @ Firm	-0.026	0.444	a	-	-	-
Collaboration @Ind	0.084	0.049	0.101	0.012	**	-
Collaboration @Ind X Int R&D spd @ Firm	-	-	0.155	0.006	***	H1 Supported
Collaboration @Ind X Ext R&D spd @ Firm	-	-	-0.003	0.929	-	H1 Rejected
Collaboration @Ind X M, eq, sw spd @ Firm	-	-	0.350	0.000	***	H1 Supported
Collaboration @Ind X Other spd @ Firm	-	-	a	-	-	H1 Rejected
Spd innov @Ind	0.038	0.238	-0.020	0.554	-	-
Spd innov @Ind X Int. R&D spd @ Firm	-	-	4.747	0.023	**	H2 Supported
Spd innov @Ind X Ext. R&D spd @ Firm	-	-	0.131	0.082	*	H2 Supported
Spd innov @Ind X M, eq, sw spd @ Firm	-	-	0.834	0.084	*	H2 Supported

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Theoretical Implications

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REFERENCES

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neighbours: Bojanala Platinum District Municipality district to the east, Dr Ruth Segomotsi District Municipality to the west, Westerberg District Municipality to the north-east and Dr Kenneth Kaunda District Municipality to the south.

According to the Auditor General's report (2009/11) the district had the lowest access to infrastructure in the North West Province, with levels of 23% in 2009. The audit opinion for most of the local municipalities and the District Municipality remain poor with Ratlou Local Municipality being the only municipality to obtain audit results that were regarded as financially unqualified with findings. According to the Auditor General's report (2014/15) North West still remains as one of the provinces with audit outcomes that are disappointing and is one of the main contributors to the significant increase in irregular expenditure over the past five years. On 30 June 2017, Ratlou Local Municipality's audit plan was reviewed by the Provincial treasury for assessment and recommendations.

The biggest concern was the council undermining laws and policies that govern local government. The state of Local Government Assessment found that the technical unit in terms of service delivery is not capacitated to perform functions of infrastructure delivery. According to the General Report on the Audit Outcomes of Local Government (2011/13) local government (municipalities) in the North West comprises of four District Municipalities, 19 local Municipalities and four Municipal Entities. The municipality has 22 councilors and it is divided into 11 wards. The municipality is made up of nine villages, namely Setlagole, Madibogo, Kraaipan, Madibogo-pan, Disaneng, Mareetsane, Makgobistat, Tshidilamolomo and Logageng. Currently, the municipality has an estimated population of about 107339 (98.2% blacks) and covers an area of 14618 km2 (Ratlou Local Municipality Draft, 2014:6).

METHODOLOGY

This is an empirical study whereby the information and data dealt with comes from what is done within the Ratlou local Municipality. According to Babbie and Mouton (2001:104) empirical designs can be distinguished into primary and secondary data analysis. Whereby the researcher may analyse existing data (text data or numeric data) or use primary data (surveys, case studies, experiments, ethnographic and evaluation) which is acquired through experiments, interviews, observation, company records and questionnaire surveys.

Due to the large number of community members (population), it was important for the researchers to select a portion of the population to study. The sample represents a larger group referred to as a population. The population is the larger fraction from which the sampling elements are drawn and to which the researcher wants to generalize the findings. This study used random sampling. For purposes of selecting the quantitative portion of the population to study, this study used the stratified random sampling. Stratified random sampling divides the population into groups so that each unit belongs to a particular group, such as dividing the population by age and gender. This sampling technique was chosen because it has the potential to reduce sampling errors and to match the sample closely to the population because the portion of the total sample is taken from different population subgroups (Black, 2012:228).

According to Levy and Lemeshow (2008:23) this sample technique includes both the sample plan (which is the methodology used in the selection of the sample from the population) and the estimation procedure (which is the algorithms or formulas used to obtain estimates of the population values from the sample data and for the estimation of the reliability of these population estimates. According to McNabb (2010:147) the researcher firstly needs to prepare or acquire a list of topics to cover regardless of the kind of quantitative data method used. For the purpose of this study a questionnaire was used. This method was chosen because it allows the researcher to gather information about large numbers of respondents (population) and from small groups (sample). Univariate analysis, also referred to as the simplest form of quantitative analysis, involves the description of a case in terms of a single variable. According to Rubbin & Baddie (2010:290) "univariate analysis is the examination of the distribution of cases on only one variable at a time such as gender." However, this study is descriptive and involves only one variable called univariate analysis. This method was chosen because descriptive analysis does not provide a basis to generalize beyond our particular sample or study.

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DATA ANALYSIS

Data was presented with the use of IBM SPSS Statistics 22.0, also referred to as SPSS version 22. This computer software allowed the researchers to present data through Graphs. This software also made the data more presentable and easy to understand. "Data analysis includes the analyst break down of data into constituent parts to obtain answers to research questions" (De Vos, 1998:293). 125 questionnaires were distributed to members of the community. However, the final sample consisted of 90 respondents as 35 questionnaires were not returned.

The researcher used raw frequencies to describe the demographic section of the sample. These frequency distribution were created through IBM SPSS Statistics 22.0. The researcher used this version to analyze data by entering the raw data into a spreadsheet to transform it into frequencies and bar charts. In terms of demographic characteristics and instrument scores, the researcher employed univariate analysis to describe the sample.

DEMOCRATIC ANALYSIS OF RESPONDENTS

Table 1: Gender

Gender	
Topics	**Percentages**
Male	50%
Female	50%

Table 1 indicates the gender differences amongst the respondents. A total of 50% from each gender took part in this study.

Table 2: Age Group

Age Group	
Topics	**Percentages**
Less than 20 years	10%
20 - 32 years	10%
33 - 45 years	10%
46 - 58 years	50%
More than 59 years	20%

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Setlagole and Madibogo village are dominated by blacks with a total percentage of 50%. Only a minority of 20% consists of both whites and Indians, while 30% of the respondents consists of coloureds. The majority of whites and Indians are in the area as a result of the small businesses which they run.

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A majority of 77, 78% of the respondents all agreed that the level of service provided by the municipality was below average. Respondents complained of lack of water and electricity. Respondents indicated how water continues to be a struggle. 11, 11% of the respondents agreed that the service provided was not that poor, while another 11.11% indicated that the level of service provided was outstanding.

Table 8: What Kind of Challenges Affect the Provision of Service Delivery?

What kind of challenges affect the provision of service delivery?						
Topics	**Strongly agree**	**Agree**	**Uncertain**	**Strongly disagree**	**Disagree**	**Percentage %**
Provision of unequal services	60%	17%	19%	2%	2%	100%
Lack of proper budget allocation	20%	35%	20%	15%	10%	100%
Corruption , Fraud and maladministration	18%	27%	40%	10%	5%	100%
Mismanagement of funds	30%	4%	15%	30%	21%	100%
The lack of efficiency and effectiveness in service delivery	15%	19%	40%	10%	16%	100%
Lack of resources	40%	17%	18%	20%	5%	100%

A greater percentage 77% indicated that the provision of unequal services is a great challenge to service delivery. 19% of the respondents were uncertain and 4% disagreed. Some respondents (55%) cited that the lack of proper budget allocations is another challenge, which affects service delivery. 20% of the respondents remained uncertain and 25% disagreed.

45% of the respondents also indicated that corruption, fraud and maladministration persist as one of the challenges to service delivery. 40% of the respondents were uncertain and 15% disagreed. 35% of the respondents also identified that mismanagement of funds affects the provision of services. However, 15% of the respondents were uncertain and the remaining 51% disagreed. 34% of the respondents also indicated that mismanagement of funds lead to the lack of efficiency and effectiveness in service delivery. 40% were uncertain and 26% disagreed. However, 57% of the respondents also indicated that the lack of resource affects the provision of services. 18% remained uncertain and 25% disagreed.

Table 9: How Can the Municipality Resolve Challenges Relating to Service Delivery?

How can the municipality resolve challenges relating to service delivery?						
Topics	**Strongly agree**	**Agree**	**Uncertain**	**Strongly disagree**	**Disagree**	**Percentage %**
Training and development	10%	50%	17%	3%	20%	100%
Eradicating corruption and maladministration	30%	5%	50%	10%	5%	100%
Communicating openly and honestly	60%	20%	5%	10%	5%	100%
Promoting transparency,	40%	20%	10%	20%	10%	100%

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accountability and efficiency						
Clearness of long-term goals and short-term goals	5%	50%	10%	30%	5%	100%
Cut costs	17%	54%	7%	20%	2%	100%

A total of 60% of the respondents indicated that training and development should be implemented to equip employees with the necessary skills and knowledge needed. Respondents viewed that this will assist employees in dealing with challenges they might face in the near future. 17% of the respondents were uncertain and the remaining 23% disagreed. Respondents also indicated that training and development will help eradicate corruption and maladministration. 35% of the respondents indicated that a zero tolerance principle must be implemented to eradicate these challenges. 50% of the respondents remained uncertain and 15% disagreed.

80% of the respondents also indicated the need for the municipality to communicate openly and honestly with community members. Respondents indicated that the municipality needs to involve them in decision making concerning the provision of basic services. These services include water, electricity, streetlights and refuse removal etc. 5% of the respondents were uncertain and 15% disagreed. However, 60% of the respondents indicated that if the municipality communicates openly and honestly with community members, this will promote transparency, accountability and efficiency in the municipality. This will also enable community members to voice their concerns on issues that matter to them. A total of 10% of the respondents were uncertain and 30% strongly disagreed.

A total of 55% of the respondents were also concerned about the municipality's lack of clarity on their long-term and short-term goals. Respondents believed that the municipality's goal should be about the satisfaction of citizens. 10% of the respondents were uncertain and 35% disagreed. 71% of the respondents also believed cutting cost will enhance the provision of services. 7% of the respondents remained undecided and 22% disagreed.

Table 10: Do You See Ratlou Local Municipality Being Capable of Ensuring Sound Financial Management to Be Able to Deliver Efficient and Effective Service in All Areas Of Operations in the Near Future?

Do you see Ratlou Local Municipality being capable of ensuring sound financial management to be able to deliver efficient and effective service in all areas of operations in the near future?	
Topics	**Percentages**
Yes	**80%**
No	**20%**

A greater percentage (80%) of the respondents all agreed that the Ratlou Local Municipality had a chance of ensuring sound financial management to be able to deliver efficient and effective service delivery in all its areas of operation in the near future.

The minority (20%) admitted that there is no hope for the municipality to ensure sound financial management, however, they also agreed that it is going to take a lot of hard work and determination.

Table 11: Do you think there is a possibility that the lack of efficiency and efectiveness in the provision of services in the municipality could be solely attributed to corruption, fraud and maladministration?

Topics	**Percentages**
Yes	**70%**
No	**30%**

70% of the respondents indicated that corruption, fraud and maladministration are barriers to improving efficiency and effectiveness in the provision of services in the municipality.

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This is in line with the Council for the Advancement of South African Constitution (2011) which indicated that an estimated 20% of the country's annual GDP is lost to corruption. Respondents also indicated how they have continuously continued to express their dissatisfaction of corruption and maladministration through protests.

The remaining 30% of the respondents disagreed that corruption, fraud and mismanagement affects efficiency and effectiveness in the provision of services.

What can be done to improve service delivery in your municipality?

Respondents were concerned with the municipality's lack of interest to involve them in decision making. They requested the municipality to implement communication strategies, that will keep them informed about the challenges and plans of service delivery. Respondents indicated that this will improve their trust and loyalty in the municipality. They also indicated that this will help the municipality to provide the right kind of services. The municipality needs to create an environment for a culture of accountability and transparency to flourish. These concepts together allow citizens to voice their opinions on matters of concern. Respondents indicated that in order to improve services, the municipality needs to act visibly, understandably and predictably to encourage accountability. Information has to be provided in a plain language and to be made available at an appropriate time for evaluation and analysis. The municipality also needs to implement a zero tolerance principle concerning cases of corruption and fraud. This will enhance accountability in the finance department. It will also ensure that funds are allocated accordingly for the provision of services.

DISCUSSION OF RESULTS

Performance of the municipality

It is of great concern that 77, 78% of the respondents all agreed that the level of service provided by the municipality was below average. There is also evidence that clearly shows that there is a lack of communication between members of the community and the Ratlou Local Municipality to address the kind of services they require mostly. This was made evident by the Manager for Community Service, who stated that members of the community sometimes failed to attend meetings arranged for such issues. While members of the community believed that they were not being included in discussions relating to services delivery. 40% of the respondents believed that the level of service provided by the municipality was below average. This basically means that the level of service provided is very poor and members of the community are not satisfied.

According to the Ratlou Local Municipality Annual report (2011/2012), the municipality has failed to consult about service levels, problems and proposals for new services. It is of fundamental importance for communities to be informed about tariffs and council decisions concerning new services. Where problems are experienced with service delivery, organizations and members of the public, should have access to officials, service centers, help desks or other services that deal with the problem. The Ratlou Local Municipality Fixed Assets (2012/2013) confirmed that the municipality failed to establish mechanisms, processes and procedures providing for community participation in the affairs of the municipality as required by Section 17 of the Local Government: Municipal Systems Act 32 of 2000. According to the report, community participation only occurred during the compilation of the budget and the IDP.

Lack of political and administrative leadership

The Ratlou Local Municipality Annual Report (2012/2013) identified that the lack of political and administrative leadership has also led to poor rendering of community services. This arises as a result of the lack of visionary leadership as effective decision making rarely takes place. Local councilors are the democratically elected representatives of the people. However, regardless of the laws and procedures in place to ensure that councilors and their municipal officials do not become corrupt or self-serving, councilors have failed to behave in an honest and transparent way and to always remain accountable to the voters.

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Skills shortages

70% of the respondents also agreed that training and development is crucial in solving challenges of service delivery. This was after these respondents (70%) identified that the lack of skills and knowledge in the municipality has led to poor provision of basic services. The infrastructure backlog could be the result of shortages in engineering skills needed in infrastructure maintenance and operations.

This is a problem because, according to the Guidelines on Sustainable Municipal Infrastructure Provision and Service Delivery (2007:7-8), all municipalities must at all times have an operations and 15 maintenance plan. This ensures the maintenance of the infrastructure assets to achieve their expected useful life. 85% of the respondents at Ratlou all indicated that the lack of effectiveness in service delivery is solely attributed to corruption. 35% of the respondents felt that as long as the municipality does not enforce policies to eradicate corruption and maladministration practices in all areas of operations, especially the finance division of the municipality, mismanagement of funds will continue as one of the core challenges of service delivery. Respondents identified a need for the implementation of a system that will bring about change of municipal financial management at Ratlou Local Municipality.

RECOMMENDATIONS

From the findings, it is clear that the municipality needs to hire competent staff, employed exclusively on merit. This is in line with Mestry & Bisschoff et al. (2009:03) who believe that matching qualified employees to the positions that they are best suited for is crucial for the success of the municipality. This will help ensure improvement in the overall efficiency of the provision of services. This can be achieved through training programs provided/organized by the municipality on behalf of its employees. This training will help employees to understand and explain the processes of service delivery clearly and inform members of the community.

It is clear from the response of the respondents that the lack of proper budget allocation, lack of resources, corruption, fraud and maladministration are the biggest challenges of service delivery. Ratlou Local Municipality (RLM) needs to develop a Budget Implementation Plan to enable the Municipal Manager and the Chief Financial Officer to make remedial steps in the event of poor management. The municipality needs to manage the bidding process to avoid tenders being awarded to relatives and friends who lack the necessary skills, knowledge and qualifications.

RLM needs to manage its administrative and political conflict in such a way that it does not affect service delivery. The municipality might consider updating the code of conduct, as a reminder to everyone regarding the municipality's mission and value statement such as the expectations of professionalism, respect and tolerance of all individuals.

The municipality also needs to involve communities in the implementation of the Service Delivery Improvement Plan. This plan will also help improve performance management in the municipality as it is monitored on a quarterly basis as part of quarterly performance reporting. The Service Delivery Improvement Plan will also assist the municipality in improving the provision of basic services offered to citizens and eradicate weaknesses in leadership, performance management, internal control and governance. The municipality also needs to set clear performance expectations. The researchers are of view that performance management systems will provide supervisory guidelines over the activities of the municipality. The researcher believes this will help improve accountability and transparency.

It is important for a corruption investigator to be hired to bring to life such issues so that they can be dealt with. This will promote efficiency and transparency at Ratlou Local Municipality. 15% of the respondents also argued that cases of nepotism were also present due to the hiring of friends and relatives who lack the necessary qualifications and skills to execute official duties. A semi-autonomous monitoring and evaluation unit needs to be

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established in order monitor corruption cases in the municipality. The municipality needs to implement a zero tolerance when it comes to such cases.

The Ratlou Local Municipality must prioritize public participation by enhancing a ward-planning system in municipal planning process. Public participation will ensure that the municipality addresses the real needs of the community. The Ratlou Local Municipality together with members of the community, need to establish clear communication channels to avoid miscommunications in the future.

Public participation will also promote community empowerment in the approach to service delivery. This will contribute towards the municipality providing outstanding services. Ratlou Local Municipality has a number of structures, people and mechanisms that play a crucial role in public participation. These include the mayor, ward councilors, community development workers, stakeholder's forums, community liaison officials and the media. It is important for all of the structures, people and mechanisms to play their respective roles to contribute towards the provision of outstanding services to communities.

Training and development must be implemented to optimize utilization of human resources that will assist employees to achieve the municipal goal of providing outstanding services. A training program will allow the municipality to strengthen the skills of each employee, eradicate shortage of skills, eradicate inadequate alignment of the budget with the IDP and eradicate infrastructure backlog particularly with regards to roads, electricity and water. The municipality needs to promote a culture of openness and honesty between management and staff members to eradicate the lack of political and administrative leadership especially in management. The most important driver of satisfaction with public services is to ensure that services meet expectations. Therefore, RLM staff needs to listen to customers and treat them as individuals, know the services the municipality offers and treat customers with respect. It is also important that the municipality keeps promises and treat people fairly.

CONCLUSION

This study has proven that there are challenges in the performance of the Ratlou Local Municipality with regards to the delivery of basic services. However, it is important to point out some limitations of this study. The study has focused on two of the nine villages in the Ratlou Local Municipality. It is therefore safe for us to confine the results of the study to the two villages as it is our view that while the two villages represents 22% of the total population, a sample that is representative of all villages could have yielded slightly different results. The limitation in this study was mainly due to insufficient resources to cover all the nine villages. A future well-funded study could broaden its scope to include all villages.

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STUDENT PERCEIVED E-LEARNING SATISFACTION. A CASE OF UNIVERSITIES OF TECHNOLOGY IN SOUTH AFRICA

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ABSTRACT

E-learning has emerged as one of the tools that would effectively address issues of integrated learning in university programs. The use of information technology tools such as an e-learning environment has become prevalent in many universities. This new and exciting age of information technology has made it possible for students to take advantage of these is innovative possibilities that bring easier ways of learning for students. E-learning is the use of telecommunication technology to provide information for education and training purposes. A significant role of e-learning is that it provided ways for students to access information critical to their learning outcome. A survey design with a sample (n=425) was used. Research scales were operationalised, mainly on the basis of previous work. Minor adaptations were made in order to fit the current research context and purpose. Seven-item Likert scales were used to measure technology quality, self-efficacy, ease of use, environmental dimension and perceived e-learning satisfaction. Through structural equation modelling and path analysis, the results indicated that there are positive relationships between the posited research variables. Practical recommendations are made to the managers in the universities to adopt professional codes of conduct at their workplace to enhance e-learning satisfaction for students.

Keywords: Technology quality, Self-efficacy, ease of use, Environmental dimension, Perceived e-learning satisfaction, Connectivism theory.

INTRODUCTION

E-learning includes the use of technology to select, design, deliver, administer, facilitate and support learning. The term covers a wide set of applications and processes including computer-based learning, web-based learning and mobile learning (Bai & Chen 2008; Casanova, Moreiro & Costo 2011; Lo, Ramos, Govea & Da Costa, 2015). The state of e-learning finds application in several fields of study, which include several models that have shown that e-learning services measure satisfaction (Gilbert & Han, 1999; Bai & Chen, 2008; Chen, Kinshuk, Wei & Chen, 2008; Banta, 2009; Lo, Ramos, Govea & De Costa, 2015). Bernard Luskin, a pioneer of e-learning, advocates that the 'e' should be interpreted to mean "exciting, energetic, enthusiastic, emotional, extended, excellent and educational" in addition to 'electronic' (Mezirow, 1997:6). This broad interpretation focuses on new applications and developments and brings learning and media psychology into consideration. Parks suggested that the 'e' should refer to "everything, everyone, engaging, easy" (Taylor, 2008:14). E-learning is inclusive of educational technologies and broadly is synonymous with technology-enhanced learning (TEL), computer aided instruction (CBI), Internet-based training (IBT) and virtual learning environments (VLE). The objective of this research is to identify the factors that leads to adoption of e-learning by students. The study aims to measure the perceived e-learning satisfaction by using the variables such as technology quality, ease of use, self-efficacy and the environmental dimension. The universities of technologies include Durban University of Technology (DUT), Vaal University of Technology (VUT), Tswane University of Technology (TUT), Cape Peninsula University of Technology (CPUT), Central University of Technology (CUT) and Mangosutu University of Technology (MUT). They are called universities of technology because it is believed that they are there to be a milestone ahead in terms of e-learning (Bundy, 2005).

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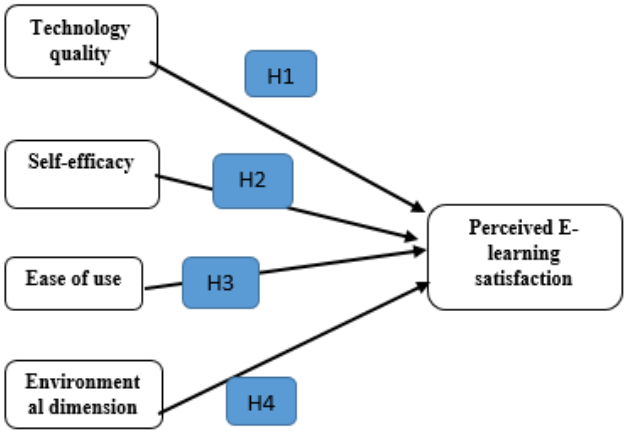
PROBLEM STATEMENT

Earlier research on e-learning have been done by many researchers; the concept is one of the most recent developments in the information technology industry (Misul & Pribilova, 2007). The literature on perceived e-learning satisfaction appears in many articles when there was an interest, one of the studies conducted was on the critical success factors of e-learning, which exposes the relation between variables such as technology quality ,ease of use, environmental dimension and e-learning. However, no other research has been done on the benefits of e-learning among students. It is important to consider that e-learning can enhance the level of teaching and learning process. While there are many studies that have been done on e-learning, few of them address the issue of the benefits of e-learning (Joo, Bong & Choi, 2000; Ebersohn, 2006; Sun, Tsai, Finger & Chen, 2008; Misul & Pribilova, 2014). So and Brush (2008) discovered that there are perceptions in collaborative learning, the authors conclude that there is a positive relationship between perceived leaner satisfaction and collaborative learning. It is known that e-learning can benefit students in universities. E-learning is seen as one of the tools that provide students with more comprehensive study materials. This study examines the benefits of e learning and students' satisfaction with it.

Research model

The research model (Figure 1) shows that the study has four predictors, which are technology quality, self-efficacy, ease of use and environmental dimension. Perceived e-learning satisfaction acts as the outcome variable.

Figure 1: The research model: Own source



LITERATURE REVIEW

Connectivism Theory

Connectivism is described by Siemens (2005, 2006 & 2008) as a learning paradigm of the 21st century. According to the author, it means connected anywhere, anytime and in time. He defines this theory as a learning theory for the digital age. According to Siemens (2005:12), "Connectivism presents a model of learning that acknowledges the tectonic shifts in society where learning is no longer an internal, individualistic activity". This goes hand in hand with the social constructivist theory (Killen, 2002; Henson, 2004; Gravett, 2005; Biggs & Tang, 2007). Therefore, connectivism is essentially the assertion that knowledge is networked and distributed and the act of learning is the creation and navigation of networks. The distributed nature of knowledge and the growing complexification of all aspects of society require increased utilisation of technology to assist our ability to stay current, manage information

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abundance and solve highly complex problems (Siemens, 2008).Currency, which means accurate and up-to-date knowledge is the intent of all connectivist learning activities (Kim & Axerod, 2005). It is important to note that decision-making is itself a learning process in e-learning**.** Connectivism shows that perceived e-leaning, technology quality, ease of use, self-efficacy and the environmental dimension play a critical part in trying to identify the levels of satisfaction of students in universities of technology.

Technology Quality

Numerous researchers specify that technology quality affects satisfaction in e-learning (Piccol, Ahmad & Ives, 2001). Therefore, technology quality factor is an important factor in e-learning. According to Sun *et al.* (2008), technology quality is the perceived quality of information technology applied in the e-learning environment. However, Dugger (2007:1) defines technology as the medication of the natural world to meet human wants and needs. Misul and Pribilova (2014) indicate that quality could be defined in three forms, namely technology, economics and pedagogics. Technology quality is multidimensional and depends on the following dimensions, which are technology use and size, information exchange technologies, design technologies and information exchange technologies.

Perceived E-Learning Satisfaction

Perceived e-learning satisfaction is used widely in the evaluating effects of learning environment and activities both academically and practically (Wang, 2003). The advance in modern technology has allowed several institutions to develop a better way to teach students. So and Brush (2008:318) discussed the perceived satisfaction as the most approved measure to ascertain the movement of goods and services. The concept of user satisfaction has been used to represent the degree to which users believe that the information system (IS) conforms to their requirements. Wang (2003) showed that user satisfaction often was seen as a key antecedent to predict the success of a particular student. Perceived e-learning satisfaction has also been used as an indicator of the effectiveness of the learning environment. Student satisfaction, combined with student performance, has been added as a learning effectiveness measure.

Self-efficacy

Self-efficacy is believed to be a key component in successful online learning; however, most existing studies of online self-efficacy focus on the computer. Evidence from prior research found that high self-efficacy students are more confident in accomplishing e-learning activities and improving their satisfaction (Jaafari, Karami & Soliemani, 2012). Students with self- efficacy are more inclined to adopt network-based learning (Wang & Newlin, 2002:78). Beliefs about self-efficacy determine level of motivation as reflected in the amount of effort exerted in an endeavour and the length of time persisting in a difficult situation. Magnomona, Ramaci and Platini (2014) and Schunk (2008) advocate that it is a useful concept in determining the e-learning satisfaction, the higher the levels of self-efficacy and the higher the inclination to develop the impact of e-learning of the learning environment. On the other hand, self-efficacy is defined as “people’s judgments of their capabilities to organise and execute a course of action required to attain designated types of performances” (Joo, Bong & Choi, 2000). On the other hand, self-efficacy is the inclination towards a particular function in this e-leaning tool. Self-efficacy assesses the possibility of success before performing a task.

Ease of use

The crucial aspect on the success of e-learning system is on the degree of satisfaction that people perceive. The extent at which the computers can communicate clearly with the interface is paramount (Gilbert & Han, 1999). According to Chen, Kinshuk, Wei and Chen (2008) ease of use is the level of success that has been established when one uses a particular product. The evidence from previous studies suggests the use of e-learning websites can benefit from great levels of ease of use. In addition, ease of use can improve the performance and satisfaction. However, Wang (2003) also defines the ease of use as the extent to which a product or system effectively satisfies the need of

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a specific customer. It is the degree to which a person believes that using a particular system would be free of effort (De Me Davies, 2014). Bai and Chen (2008) found that there is evidence that shows if the user of e-learning tools fails to use it properly, there is an increase in dissatisfaction on the part of the consumer. Arbaugh (2000) further defines ease of use as the capacity of the software product to be understood, learnt, operated and attractive to the user.

Environmental Dimension

The environmental dimension, according to Thurmond (2002), evaluates methods in an e-learning system that cause users to think that a connection is established between them and the environment. Arbaugh (2000) suggests that the more learners perceive interaction with others, the higher e-learning satisfaction. An E-learning environment should be property designed to improve frequency and quality, which could affect leaner satisfaction. The environmental dimension refers to the setting, space and contexts for the learning process to take place without any disruptions (Lee & Lee, 2008:32). This definition focuses on the settings in which e-learning takes place and allows for better e-learning outcomes. According to Arbaugh (2000), environmental dimension focuses on the totality of the surrounding and sets of organisational principles that affect and influence learning.

METHODOLOGY

The research design for the study is quantitative approach. The survey method was used. The study gathered data using a structured questionnaire. The instrument was adapted from instruments developed by previous researchers. Sample size in the region of 425 was deemed appropriate. The target population for the study was drawn from final year students from the Faculty of Management Science (FMS) at six universities of technology, situated in South Africa. Only full-time students were included in the study. In accordance with the two-step procedure suggested by Anderson and Gerbing (1988), prior to testing the hypotheses, confirmatory factor analysis (CFA) was performed to examine reliability, convergent and discriminant validity of the multi-item construct measures using AMOS 24.0. Overall, acceptable model fit is indicated by goodness-of-fit index (GFI) $\geqq$ 0.80; root mean square error of approximation (RMSEA) values $\leqq$ 0.08; incremental index of fit (IFI); Tucker Lewis Index (TLI) and comparative fit index (CFI) values $\geqq$ 0.90. Recommended statistics for the final overall model assessment show acceptable fit of the measurement model to the data: χ^2/(df) = 2.412, GFI = 0.850; IFI = 0.911; TLI = 0.901; CFI = 0.878; RMSEA = 0. 065. Loadings of individual items on their respective constructs are shown in Table 2, while the scale construct correlations are presented in Table 3.

DATA ANALYSIS AND RESULTS

In accordance with the two-step procedure suggested by Anderson and Gerbing (1988), prior to testing the hypotheses, confirmatory factor analysis (CFA) was performed to examine reliability, convergent and discriminant validity of the multi-item construct measures using AMOS 24.0. Overall, acceptable model fit is indicated by goodness-of-fit index (GFI) $\geqq$ 0.80; root mean square error of approximation (RMSEA) values $\leqq$ 0.08; incremental index of fit (IFI); Tucker Lewis Index (TLI) and comparative fit index (CFI) values $\geqq$ 0.90. Recommended statistics for the final overall model assessment show acceptable fit of the measurement model to the data: χ^2/(df) = 2.412, GFI = 0.850; IFI = 0.911; TLI = 0.901; CFI = 0.878; RMSEA = 0. 065. Loadings of individual items on their respective constructs are shown in Table 2, while the scale construct correlations are presented in Table 3.

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Table 1: Measurement accuracy assessment and descriptive statistics

Research constructs	Descriptive statistics*		Cronbach's test		C.R.	AVE	Item loadings
	Mean	SD	Item-total	α value			
Technology quality (TQ)							
TQ 1			0.705				0.760
TQ 2			0.911				0.956
TQ 3	2.05	1.092	0.700	0.760	0.760	0.579	0.734
TQ 4			0.625				0.669
TQ 5			0.906				0.950
Self-efficacy (SE)							
SE 1			0.583				0.591
SE 2			0.685				0.799
SE 3	3.02	1.577	0.823	0.699	0.699	0.589	0.862
SE 4			0.763				0.864
SE 5			0.743				0.845
Ease-of-use (EU)							
EU 1			0.704				0.813
EU 2			0.677				0.796
EU 3	3.08	1.367	0.673	0.790	0.790	0.712	0.786
EU 4			0.635				0.762
EU 5			0.638				0.746
Environmental dimension (ED)							
ED 1			0.600				0.650
ED 2			0.556				0.598
ED 3			0.533				0.599
ED 4	3.18	0.008	0.631	0.665	0.665	0.543	0.732
ED 5			0.722				0.822
ED 6			0.758				0.877
ED 7			0.689				0.784
Perceived e-learning satisfaction (PS)							
PS 1			0.745				0.860
PS 2			0.880				0.900
PS 3			0.955	0.702	0.701	0.665	0.971
PS 4			0.689				0.691
PS 5			0.785				0.811
PS 6			0.886				0.951

Note: TQ= Technology quality; SE= Self-efficacy; EU= Ease-of-use; ED= Environmental dimension; PS=Perceived e-learning satisfaction

As recommended by Anderson and Gerbing (1988) and Hair, Babin, Anderson and Tatham (2010), individual item loadings should be above 0.5. From the results in Table 1, GE 2 has been deleted because the factor loadings are did not meet the recommended threshold of 0.5. From the results presented in Table 1, all the remaining item loadings for the research constructs are above 0.51, therefore, proving acceptable individual item reliabilities as more than 50 percent of each item's variance is shared with its respective construct. Using a formulae proposed by Fornell and Lacker (1981), the composite reliabilities (CR) and average variance extracted (AVE) for each variable were computed. The composite reliabilities (CR) are all above the recommended value of 0.7 suggested by Hulland (1999); thus, indicating satisfactory internal uniformity and dependability of the respective measures. All average variance explained (AVE) values are above 0.5, thus tolerable according to the literature (Fraering & Minor, 2006).

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Table 2: Sample data statistics and correlations between constructs

Variables	TQ	SE	EU	ED	PS
TQ	1.000				
SE	.577***	1.000			
EU	.500***	.468***	1.000		
ED	.199***	.181***	.433***	1.000	
PS	.173***	.154***	.333***	.566	1.000

Note: *TQ= Technology quality; SE= Self-efficacy; EU= Ease-of-use; ED= Environmental dimension; PS=Perceived e-learning satisfaction*

Structural Equation Modelling

This study used structural equation modelling (SEM) to approximate the causal relationship among the constructs based on the conceptual model in Figure 1. The maximum likelihood estimation (MLE) method was used because it has desirable asymptotic properties (e.g., minimum variance and unbiasedness) and is scale-free. The results are reported in Table 4. The model is acceptable in terms of overall GIF. Acceptable model fit are indicated by χ^2 (df) values <3; GFI and AGFI values≧0.80; RMSEA values≦0.080; IFI and CFI values≧0.90. Results of this study indicate that, χ^2 (df) = 2.679; GFI (0.865); IFI (0.861), TLI (0.851), CFI (0.850) and RMSEA (0.078), therefore, achieved the suggested thresholds (Hair *et al*., 2010). This suggests that the model converged well and could be a plausible representation of underlying empirical data structures collected in South Africa.

Table 3: Results of path model analysis

Hypothesis statement	Hypothesis	Path co-efficient
TQ → PS	H1	.711***
SE → PS	H2	. 462***
EU → PS	H3	.599***
ED → PS	H4	.455***

Note: *TQ= Technology quality; SE= Self-efficacy; EU= Ease-of-use; ED= Environmental dimension; PS= Perceived e-learning satisfaction*

DISCUSSION OF FINDINGS

Consistent with hypothesis one (H1), results indicate higher levels of technology quality and perceived e-learning satisfaction. The path co-efficient is 0.711, which shows a significant strong relationship. There is, therefore, a significant positive relationship between technology quality and perceived e-learning satisfaction. If the technology is good it means students can learn wherever they are resulting in student e-learning satisfaction. The second research objective was to investigate the relationship between self-efficacy and perceived e-learning satisfaction. Also, in support of hypothesis two (H2), the results indicate higher levels of self-efficacy with higher levels of perceived e-learning satisfaction. The results ultimately prove that there is a strong significant positive relationship between self-efficacy and perceived e-learning satisfaction. The results indicate higher levels of self-efficacy associated with higher levels of perceived e-learning satisfaction. The path co-efficient of 0.462 shows a strong positive relationship. The third research objective was to investigate the relationship between ease of use and perceived e-learning satisfaction and the third proposed hypothesis (H3) was the relationship between ease of use and perceived e-learning satisfaction. The path co-efficient for hypothesis 3 is 0.599, which shows a significant relationship between the two variables. The fourth research objective was to examine the relationship between environmental dimension and perceived e-learning satisfaction. Consistent with hypothesis four (H4), results indicate higher levels of environmental dimension and perceived e-learning satisfaction. The path co-efficient is 0.455, which shows a significant strong relationship.

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CONCLUSIONS AND MANAGERIAL IMPLICATIONS

The study focused on examining relationships among technology quality, ease of use, self-efficacy, environmental dimension and perception of e-learning satisfaction in universities of technology in South Africa and globally. Today's students grow up with the Internet and digital devices like video games, the web and instant messaging. Their behaviours differ from those of the previous generations. As such, the challenges educational designers face are to recognise these differences and to develop educational offerings that would benefit the student through appropriate e-learning patterns, characteristics and behaviours.

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INVESTIGATING THE NEED FOR UNIQUENESS, PRICE AND PAST ORIENTATION ON IMPULSIVE BUYING BEHAVIOUR

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ABSTRACT

Impulse buying behavior is an emerging phenomenon in marketing literature. Impulse buying behaviour is the outcome of emotional reactions that generate unpredicted urge to buy. Consumer behaviour is nowadays gaining much importance for retailers. Due to expansion of organised retail over the country, retailers are trying to understand the behaviour of consumers that what product the consumer seeks for, why they need a particular product, when they need it and how they are going to purchase a product. Earlier there was a traditional buying behaviour of consumers in which they make a list for purchasing a product and they went to a particular store and purchase it. But now the whole buying behaviour is changing due to rise in the income level that is the increase in purchasing power of consumer, change in the socio-cultural environment, change in lifestyle and consumption pattern of consumers. This influences the consumer to act in irrational manner which is known as unplanned buying. So the present study aims to analyse how uniqueness, price and past orientation influence impulse buying behaviour. This study tries to know how consumer's traditional planned shopping behaviour is shifting to impulse buying behaviour.

Keywords: Impulsive buying behaviour, Need for uniqueness, Price and Past Orientation.

INTRODUCTION

This study focused on the influence of need for uniqueness, price and past orientation on impulsive buying behavior of people. Data was collected from consumers in the Gauteng province of South Africa. According to Wu and Lee (2016), this research proves that consumer decision-making styles for goods differ according to consumers' cultural orientation and that consumer behavior can be predicted from an understanding of the cultural personality of consumers. Thus, according to Goldsmith, Clark and Goldsmith, (2006:411), it is said that individuals with increased need for uniqueness view high similarity with others as unpleasant, and often attempt to make themselves different from others, whereas with regard to price it can be seen that promotions are a way of framing purchasing decisions in the sense that benefits received by consumers from the promotion are constant. However, Yanga, Zhaob, Louc and Weia (2013) say past orientation has an effect on most individuals because it either gives them pleasure to think about their past or enjoy stories about how things used to be in the "good old times". While Baumeister, (2014), states that when consumers are not able to resist current temptations and seek immediate pleasure, they tend to act impulsively and have little self-control. Park, Kim and Forney (2006) classified impulsive buying as four types which include planned impulsive buying, reminded impulsive buying, fashion-oriented impulsive buying and pure impulsive buying.

PROBLEM STATEMENT

According to Burgess (2003), Huang and Kuai (2006) and Park, Kim and Forney (2006) shoppers are more impulsive than price conscious. This means that shoppers do not care much about the price of products when it comes to buy what they want. Park and Park (2015) said that impulsive buying behaviour is characterized by two factors which are the stimulus of marketing (such as advertisement and promotion) and the time of the purchase. Impulsive buying behavior is a big problem in South Africa because people just buy without planning and thinking

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leaving out other essential and critical things at home like food, rent and school fees for children. This study singled out need for uniqueness, price and past orientation as factors that leads to impulsive buying behavior in South Africa. These factors are the ones that drives shoppers to buy products impulsively. It seems that there is a lack of knowledge regarding the factors that lead to impulsive buying behavior (Zhang & Kim, 2013). Therefore, the current study will try to fill this gap by bringing more knowledge on the fairly new variables such as need for uniqueness, price and past orientation. This study will provide a new view on impulsive buying behaviour based on these variables.

LITERATURE REVIEW

Need for Uniqueness

Belk and Malhotra (2013) noted that brand personality offers a mechanism for expressing one's actual self, ideal self, or social self, and reflects one's own personality. Amaldoss and Jain, (2005) states that a brand with strong personality tends to contain exclusive styles in product design, functions or attributes, which may differ itself from other competitor brands. However, Burns and Homer (2014) say need for uniqueness individuals seek non-traditional and self-differentiating products such as scarce or limited versions of products, or even niche products, which are deemed as superior tools for demonstrating self-image. Tian, Bearden, and Hunter (2011) define consumer's need for uniqueness as the trait of pursuing differences relative to others through the acquisition, utilization, and disposition of consumer goods for the purpose of developing and enhancing one's self-image and social image. According to Aaker (2013), need for uniqueness refers to the human characteristics associated with a specific brand. Gwinner and Eaton (2012) say need for uniqueness is typically regarded as one of marketing tools to build an overall image appealing to targeted audiences. According to Knight and Kim (2007), new products or brands can be acquired more rapidly by purchasers who have greater demand of distinction than those having that demand at a lower level.

Price

A study by Kim and Kramer (2006) found that price discount based on percentage played a positive impact on consumer novelty perceived savings and purchase intention, that is, the more innovative in the form of price discounts, the more savings and purchase intention consumer would feel. However, Syam, Ruan and Hess (2005) and Jaehyeon and Jae-Hyeon (2016) found that customization plays an important role in changing the competitive situation like putting downward pressure on a competitor's prices and will be expected in most of the markets in the future. According to Schindler (2012) price is the quantity of payment or compensation given by one party to another in return for goods or services. Babbie (2010) states that price sometimes refers to the quantity of payment requested by a seller of goods or services, rather than the eventual payment amount. Hoch and Loewenstein, (2016) asserts that in a free market economy the market price reflects interaction between supply and demand. The price is set so as to equate the quantity being supplied and that being demanded. According to Huang and Chen (2013), for planned purchasers, external reference price has no significant impact on impulsive purchase decision, but as for unplanned purchasers, external reference price will have significant impact on purchase decision.

Past Orientation

Zimbardo and John (2008) argued that the past ways of working provide a comfort zone, hence, these individuals hesitate to try new things by acting impulsively. Baumeister (2014) and Liang (2012) states that when people are in the habit of doing something, they are more likely to stick to their existing routines and are less likely to be impulsive. However, Raju (2012) says shoppers with a strong past orientation are rigid, they are likely to be less risk taking and less likely to act spontaneously/impulsively. Thus, he argued that past-oriented individuals are less likely to be impulsive and more likely to be prudent. According to Zimbardo and John (2008), individuals who are past oriented are those that are comfortable in their memories and set ways of the past. Holbrook (2012) finds that people who are highly nostalgic have a preference for products and services that remind them of the past, as that gives them

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comfort. Similarly, Cotte, Ratneshwar, and Mick (2012) define people who are past orientated as those that are nostalgic, avoid new or unfamiliar leisure activities, and prefer doing familiar activities that they grew up with. Since Zimbardo and John (2008) stated that individuals who are past oriented are comfortable in their memories and set of ways in doing things, hence, it is less likely for them to be impulsive and more likely to be prudent. Individuals who are past oriented are comfortable in their memories, factors such as nostalgia, rituals, traditions and memories of how things used to be done in the good old days, play a major role for them not to behave impulsively.

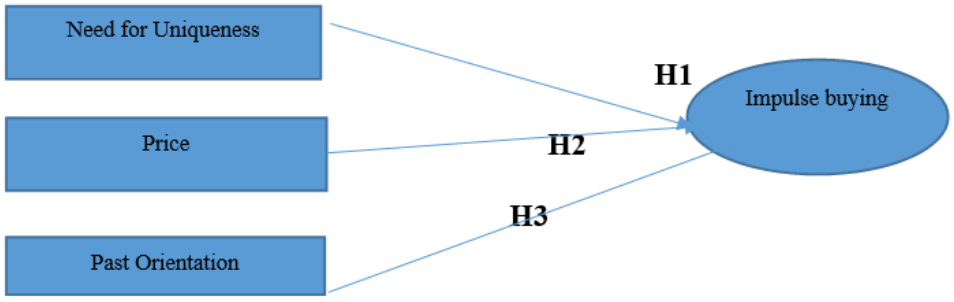
Impulsive Buying Behaviour

MacInnes and Price (2012) says shopping may sometimes be more important than actual product acquisition since it can provide a highly pleasurable buying experience. According to Sherry (2012), unintentional browsing or shopping may sometimes be more important than actual product acquisition since it can provide a highly pleasurable buying experience for consumers. Furthermore, according to Watson, Clark and Tellegen (2012) positive affect makes the individual feel enthusiastic, active, and alert, meaning that, high positive affect involves a state of high energy, full concentration and pleasant engagement. Hoch and Lowenstein (2016) explained impulsive buying behavior as struggle between the psychological forces of desires and willpower. While, Kacen and Lee (2016) defined impulsive buying as unplanned buying with rapid decision making and a subjective bias in form of immediate possession. However, Rook and fisher (2016) defined impulsive buying as consumer tendency to buy spontaneously, unreflectively, immediately and kinetically. Liang (2012) concluded that impulsive buying behavior is considered irrational, immature and highly risky since the buyer buys without consciousness and it's unplanned.

THE PROPOSED RESEARCH MODEL

Drawing from the literature review, in particular the aforementioned theoretical and empirical literature, a research model is conceptualised. Hypothesised relationships between research constructs are then developed. In the conceptualised research model, need for uniqueness, price and past orientation are proposed as predictors (independent variables) of impulsive buying. Impulsive buying is the outcome variable (dependent variable). Figure 1 illustrates this conceptual research model.

Figure 1: Research model and hypothesised relationships



H1: There is a positive relationship between need for uniqueness and impulse buying behaviour.
H2: There is a positive relationship between price and impulse buying behaviour.
H3: There is a positive relationship between past orientation and impulse buying behaviour.

RESEARCH METHODOLOGY

Taking into account the nature and strengths of both quantitative and qualitative research methods, the researcher decided to employ a quantitative research tool for this research for reasons of reliability and validity of the results.

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Consumers around Gauteng province were the target population and 350 respondents were targeted using convenience sampling method.

Tests of Measures and Accuracy Analysis Statistics

Table 1: Accuracy analysis statistics

Research Construct	Cronbach's Test		C.R Value	AVE Value	Highest shared variance (SV)	Factor loading
	Item-total	α value				
UQ 2	0.769					0.894
UQ 3	0.658	0.792	0.792	0.590		0.723
UQ 5	0.523					0.592
PC 3	0.786					0.855
PC 4	0.793	0.900	0.900	0.855		0.883
PC 5	0.777					0.869
PO 1	0.681					0.723
PO 2	0.600					0.662
PO 3	0.619	0.800	0.800	0.598		0.764
PO 4	0.595					0.624
PO 5	0.587					0.604
IB 2	0.655					0.703
IB 3	0.711					0.723
IB 4	0.600	0.798	0.798	0.599		0.681
IB 5	0.592					0.634

Note: C.R.: UQ: Uniqueness, PO: Past Orientation, PC: Price, IB: Impulsive Buying Behaviour, Composite Reliability; AVE: Average Variance Extracted; S.V.: Shared Variance;* Scores: 1 – Strongly Disagree; 3 – Neutral; 5 – Strongly Agree

Convergent validity is a technique to assess construct validity (Goddard & Melville, 2010; Graziano & Raulin, 2010). In the current study, convergent validity was determined through item to total correlation and factor loading. Item to total correlation and factor loading were assessed using SPSS. For consistency to assess the items, factor loading should be greater than 0.5 (Fornell & Larcker, 1981). As seen in the Table 1, the factor loading of all the measurement instruments are within the range of 0.592 to 0.894. All the items are greater than 0.5. These results mean that all the items are acceptable and that there is a relationship between each construct and each item. UQ 1, UQ 4, PC 1, PC 2 and IB 1 were deleted because the factor loadings were lower than 0.5 which is the threshold recommended by Anderson and Gerbing (1988).

Table 2: Correlations between Constructs

Research Construct	Construct correlation			
	IB	**PC**	**PO**	**UQ**
Impulsive Buying Behaviour (IB)	1.000			
Price (PC)	0.595**	1.000		
Past Orientation (PO)	0.580**	0.523**	1.000	
Uniqueness (UQ)	0.472***	0.511**	0.598**	1.000
** Correlation is significant at the 0.01 level (2-tailed)				

In the current study, the Table 2 shows a positive significant correlation between the different constructs. The correlation between PC and IB has a value of (r=0.595; p<0.01). Moreover, the correlation matrix describes a positive relationship between PO and IB with a value of (r=0.580; <0.01) as well PO and PC with a value of (r=0.523; p<0.01). Furthermore, the same type of correlation exists between UQ and IB (r=0.472; p<0.01); UQ and PC (r=0.511; p< 0.01) as well as UQ and PO (r=0.598; p<0.01).

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Path model results and factor loadings: Figure 2 indicates the path modelling results and as well as the item loadings for the research constructs. In the figure, UQ stands for Uniqueness; PO is the acronym for Past Orientation; PC stands for Price and IB is the acronym for Impulsive Buying Behaviour.

Figure 2: Path Model Results

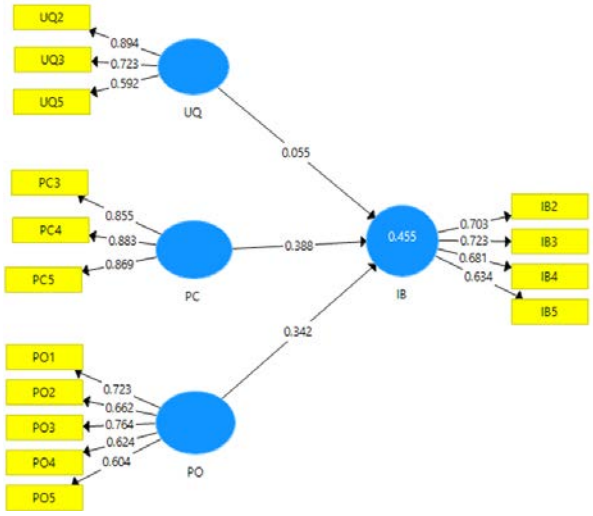

Table 3: Hypothesized Relationships and Path-coefficiency

Proposed hypothesis relationship	Hypothesis	Path coefficient estimates	Decision
Need for Uniqueness → Impulsive Buying Behaviour	H1	0.055***	Accepted
Price → Impulsive Buying Behaviour	H2	0.388***	Accepted
Past Orientation → Impulsive Buying Behaviour	H3	0.342***	Accepted

*Note: 1. ***p-value<0.001, **p-value<0.05, *p-value<0.1; using a significance level of 0.05, critical ratios (t-value) that exceed 1.96 would be significant.*

Modification of the full model was done and the results generated from it. The rest of the hypotheses are supported by the data, as tabulated in Table 4.

DISCUSSION OF THE RESULTS

The following section discusses the result of hypotheses that are indicated in the Table 3. **(H1):** The first hypothesis (H1) in this study stated that need for uniqueness has a significant impact on impulsive buying behaviour. The 0.055 is the path coefficient of (H1), this value indicates a very strong relationship between uniqueness and compulsive buying behaviour. Thus, the p value is significant at 99% (r=0.001), which means that this hypothesis is supportive and significant. **(H2):** With reference to the second hypothesis (H2), the study hypothesized that price significantly influenced impulsive buying behaviour. The Table 4 indicates a path coefficient value of (r=0.388) with (p<0.001) for H2; the results are significant and confident at 99%. The path coefficient confirms the existence of a reasonable relationship between price and impulsive buying behaviour. **(H3):** A positive correlation was hypothesized between past orientation and impulsive buying behaviour. After tested H3, a path coefficient of (r=0.342) was obtained. The result confirms that there is a positive relationship between price and impulsive buying behaviour. The relationship between these two constructs is highly significant at 99% indicated by a (p<0.001). The results confirm or validate the existence of the relationship.

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CONCLUSION

Since, impulsive buying is a psychological phenomenon, the culture of consumption triggers buyers to succumb to temptation resulting them to buy anything without consideration of its consequences. Impulsive buying can be correlated to unhappiness and anxiety, and is required to be controlled from a psychological perspective. Impulsive buying tendency can be linked to personality trait which triggers a person making impulsive purchase a habit. Impulsive buyers are mainly social beings who are very much concerned about their social image and status. In order to impress others and to look good so that others feel positive about them they opt to impulsive buying. Many a times to lighten their mood buyers buy in an impulsive manner. Impulsive buyers are not much concerned about the results of their spending pattern.

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AUSTRALIAN HOUSING SHORTAGE CONCERN: THE FAULT OF CHINESE INVESTMENT IN AUSTRALIAN REAL ESTATE?

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ABSTRACT

Housing affordability in Australia has become a matter of national economic concern as the costs of housing in cities like Sydney and Melbourne assumes global peaks and begin raising the spectre of new generations being locked out of the housing market. What has always been an Australian societal expectation of owning your own home, has now for many, become a pipe dream? Despite the fact that global mortgage rates are at their historic low, salary growth has equally remained stagnant. The home buyer is facing the unprecedented high and even stratospheric costs and they mostly meet their repayments with borrowed money.

In many locations around the world housing affordability has become an issue. Chinese investment in real estate, residential and other, attracted concerned attention and even blames. In Australia the role of the Chinese investors in real estate was quickly pointed out as a possible cause and much of the literature as well as a series of studies suggests a persistent perception of Chinese blame. The case of Australia however raises many questions, which offer more complexity than clarity on housing affordability and its possible causes. The literature, the commentary from the main players in the field, and our research tells us the situation is far more heterogeneous and complex than has been understood or perceived. This paper addresses the dilemma between the perceived cause and the range of factors which are at play in this housing affordability scenario in Australia which require further investigation in order to be understood.

Keywords: China, Chinese investment in Australia, Chinese investment in real estate, real estate, investment in Australia

INTRODUCTION

Australian historic engagement with China and the Chinese has been one fraught with controversy, suspicion and contrast. From the days of the "White Australia" policy (1901) which brought out racial concerns about the arrival of Chinese (and Asians) on the Australian mainland, to the victory of the People's Republic in 1949, the presence of China in the Australian mindset has been a difficult and complex one which has produced significant distrust. The onset of cold war measures after 1949 between Australia and China did little to quell these feelings and only after the recognition of China by Australia in 1973 did we begin to see a change in this hostility. While China remained a "dormant" but emerging nation with a centrally planned economy, its presence and more recently its prominence has caused Australia to reassess this relationship.

The world saw the rise of China as a global economic and political power bursting onto the scene throughout the 1990s. It did so through its burgeoning thirst for economic growth, trade and global engagement. The Chinese economy reached historic proportions of growth never envisaged nor seen in history, which was deliberated through the open-door policy in 1978 (Chung, 2008). In the year 2000, projections of China's economic expansion to become the second largest economy in the world caused arguments and debates amongst experts in western

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foreign policies. Using the Purchasing parity price (PPP) predictions for the Chinese economy in 2020 indicate that the Chinese economy will be the largest in the world.

As China bounded along economically around the turn of the new millennium and engaging with the global market economy, both within and without its own borders, outward investment grew with the going abroad policy (Chung, 2015). From being a major recipient of inward investment, China became a major investment source country. In the pursuit of being a player of global investment of great levels across many sectors, this has also included more recently in being an investor in real estate abroad including in major western nations including in major international cities. Like in the US, Chinese investment in real estate was negligible before 2010 but since then has grown significantly and in 2015 overtook Canada as the biggest foreign buyer of US homes. This approach has been seen in some quarters with concern and controversy. Chinese as a group of consumers in real estate purchase have very distinct cultural characters. Chinese love real estate. This is consistent with the literature. The character for 'home 家' in Chinese h
money, they must first buy a home. To live in a home that is purchased rather than rented is important for stability. Historically Chinese laborers who went overseas during the gold rush, for instance, did the same. As soon as they made money, it was sent home to buy land and build houses. The only thing that has changed now compared to then is the new migration trends (Chung & Mascitelli 2017).

CHINESE INVESTMENT AND POLITICAL SENSITIVITIES ON HOUSING AFFORDABILITY

The issue of real estate is a sensitive one as was demonstrated by the effects of the global financial crisis (GFC) of 2007. The remarks by the former Australian Deputy Governor Battellino in 2008, was in part to quell the easily made association between the global financial crisis and the very high housing process being reflected in auctions and sales in Australia's largest cities (Battellino 2008). The GFC itself was triggered by questionable real estate investment practices and low credit worthiness of many mortgage holders, beginning first in the US and then spreading throughout most of the world. GFC, for the first time, lead the world to turn to China for investment for the resecuring of this economic crisis. This has also placed China ta different level of the international stage.

Investment into Australia is an economic activity which has recent beginnings and has followed very tight and narrowly defined protocols. Because of Australia's anglo-celtic past, any high level of foreign economic activity in Australia, investment or otherwise generally brought on a flurry of fear and concern about "takeovers" and "invasions". Throughout the 1980s on various occasions fear of US take overs and Japanese investment "invasions" demonstrated the concern about the foreigner when addressing economic activity.

This has led to the scenario where a few major cities in the world have attracted a significant number of Chinese investors in real estate in places such as London, New York, and Vancouver. The trend has also begun to reverberate in second tier cities such as Sydney, and Melbourne the localities of concern in this paper. The notion and perception is that this level of Chinese investors in real estate in cities such Melbourne and Sydney have influenced the price of real estate upwards. It is alleged, that Chinese investment in real estate has forced up prices of real estate artificially and created suburbs with extremely high property values and thereby making affordability of housing out of reach for most people.

While concern and dissatisfaction is expressed by locals through media and other outlets, there has yet to be serious scholarly research conducted to explore the reality of these scenarios, and the real impact of these developments on local communities. It is important for the policy makers to understand the true impact so that investment policies may be determined for the benefit of investors as well as for the local communities. This research will allow the separation of fact from fiction and as a result seek to address the benefit as well as harm through policy redirection.

According to Wong (2016) the understanding and literature on housing demand and the impact of foreign investors has been massively under reported and investigated. Wong (2016) focused on Chinese real estate and its

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interest in China town in Sydney's CBD. The paper provided due consideration to the related immigration factor related to purchasing of real estate and immigration procedures and desires.

CHINESE OUTBOUND INVESTMENT - CHANGING POLICIES AND CHANGING TRENDS

China is now the major exporter of capital with outbound real estate being a significant component of this outward investment. An important indicator of this growth is the Cushman and Wakefield (2014) data. This shows Chinese outbound investment in commercial property reaching a total US$33.7 billion in the period from 2008 to June 2014. This represented a growth of more than 200-fold during that time. Recent huge and highly-publicized real estate deals around the world highlight the growing presence of Chinese investors in overseas property markets (Cushman and Wakefield 2014). A variety of investors – including large private developers, state-owned banks and insurance firms, sovereign wealth funds and high-net-worth individuals – are jumping into foreign property markets. The Cushman & Wakefield analysis shows that while state-owned enterprises and private firms each contributed around 50 per cent of the total value of outbound real estate investment between 2008 and 2014, private enterprises and individual investors made up the larger share of the number of deals. Within the same period commercial property was by far the preferred property type, accounting for over 48 per cent of total aggregate investment (Cushman and Wakefield 2014).

Outward investment from China in 2012 alone reached $US 7.5 billion investment in real estate in the US alone. In Australia, according to one report between 2013-14 Chinese buyers spent $A8.7 billion on residential properties (Liu & Gurran 2017, p. 8). Besides showing interest in mature western markets, encouraging visa schemes, like those in Portugal, Spain, Cyprus and Malta have been effective in attracting rich Chinese buyers seeking luxury and well placed residential properties (Knight Frank 2014).

The domestic Chinese conditions have also played a role in enhancing and promoting overseas real estate purchasers. These include easing of credit conditions, appreciation of the Chinese currency, rising demand of outward bound and a desire of Chinese firms to internationalise have all played a role in outward bound real estate purchasers (Liu & Gurran 2017). The significant growth of real estate value in China meant that some were able to sell of their properties in China especially in the tier one cities such as Beijing, Shanghai and Shenzhen. The value of real estate in these cities have exceeded the average value of residential real estate in Australia. At the same time the Chinese government had also imposed on policies to restrict purchases in China. In tier one cities, people were restricted to two properties per family unit and a very high potion of deposit (usually over 50%) on the second property. This policy played another role of pushing the Chinese to off shore markets.

CHINESE INVESTMENT IN AUSTRALIA

The last two decades has seen a rising and emerging China in an equally growing Asia. Australia which is on the margins of Asia, both geographically and politically, is a recipient of the Asian influence and especially that from China. The relations with China have grown by leaps and bounds and the inter-relation between these two countries has acquired greater integration, complexity and roundedness (Gill & Jakobson 2017). Not only is China Australia's first trading partner, it is also Australia's main export destination. More importantly, close to one third of the Australian exports go to China (DFAT 2018). Any changes to this quantity, regardless of the cause, will impact on the Australian economy significantly.

The signing of thee Free Trade Agreement (ChaFTA) between Australia and China in late 2014 was a significant achievement. It not only addressed trade concerns but also visa and other indirectly related bilateral activities. Further, China is Australia's number one source of international students along with strong Chinese tourism (Gill & Jakobson, 2017). These two segments contribute to Australia's third largest export - education services. The economic input that China has had in the Australian economy is undeniable and acknowledged by many. The absence of an Australian downturn during the global financial crisis was in part attributed to China's

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strong support for Australian exports, Australian education and Australian tourism. In a nutshell, Australia will not be able to maintain its 26 years of uninterrupted economic growth without China.

Historically Britain, the United States and Japan have been the largest sources of investment to Australia. Australia's Foreign Investment Review Board (FIRB), the authorisation body of foreign investments, has lifted the investment amount by Chinese from 250 million to 1 billion as the result of signing the ChaFTA (Chung & Mascitelli 2015). The FIRB observation is not solely on the value of the investment but also on the sensitivity of the sector of the investment. Media, airlines, forestry, banking continue to be an area of careful surveillance by the FIRB for incoming investments. When it comes to government approval, a range of questions will generally be asked by the Australia government; national interest, national security, competition, other Australian Government Policies (including taxation), impact on the economy and community and character of the investor. In addition, the foreign government's political or strategic objectives will also be considered. Clearly all of these potentially can create barriers to entry. At the same time, the policies are different for Americans and New Zealanders, which make many Chinese investors, feel that their investments are not entirely welcomed by the Australia government with an open arms (Chung & Mascitelli 2015).

Over the last 20 years Australia has seen a gradual liberalisation of investment rules making it a more attractive location and also making Australia more multinational friendly (Chung & Mascitelli 2015). Some of the changes that have occurred include the loosening of investment administrative processes and tax rules relating to foreign businesses. Multinational Enterprises (MNE) are often viewed as large corporations capable of transferring valuable knowledge, skills and capital while also providing jobs to locals. In this respect, host governments often attempt to attract MNEs by providing local business conditions favourable to MNEs through MNE-friendly policies. The activities of MNEs globally are therefore subject to political influence.

China overtook the U.S. and Japan to become Australia's top trade partner in 2007. In 1996 exports to China only constituted 5 per cent of Australia's total exports. This was a small and almost an insignificant amount as compared to today (Gill & Jakobson 2017). Rapid growth in trade between the two countries began in the late 1990s and was also accompanied by rapidly evolving Sino-Australian relations, and bi-lateral economic, investment, cultural and political ties (DFAT 2017). According to DFAT data, bilateral trade (exports and imports) in goods and services grew from $A23 billion in 2003 to more than $A 157 billion in 2016-17 (DFAT 2017). This represents a seven-fold increase in less than 13 years and China alone accounts for 33 per cent of all Australia's exports. Australia's two major exports to China iron ore and coal valued at $A 63 billion would represent more than 70 per cent of the total of all Australia's exports to China. According to one report 54 per of China's demand of iron ore is met solely by Australia (Gill & Jakobson 2017). In the area of Chinese investment to Australia in 2016-17 it represented an annual foreign direct investment amount of $A 41.8 billion (DFAT 2017).

PUBLIC PERCEPTIONS OF CHINESE REAL ESTATE ACTIVITIES IN AUSTRALIA

The issue of public perception of Chinese real estate purchases can assume very different outcomes than what the reality and facts suggest (Rogers, Wong & Nelson 2017). As has been underscored in a recent study, Chinese residential purchasers in Sydney were targeted and received the wrath of the media and the public perception for being responsible for the housing affordability crisis in Sydney (Rogers, Lee & Yan 2015).

The Australian sensitivities towards Chinese investment in Australia were mostly and initially concentrated around the investment in agricultural land and farming activity. This struck a political nerve at first especially with the presence of the conservative National Party and its strategic positioning within the Australia government. It would be one of the first to sound the alarm bells about the "Chinese influence" in Australia. Despite some initial attempts to make it an issue and call in the tabloid loud speakers, the issue was "silenced" by other conservative Liberals in the previous Abbott government (2013-2015) and continued by the Turnbull government which refused to be brow beaten and risk the loss of foreign investment for the concerns of a few in the regional areas. This was furthered by the Free Trade Agreement that Australia and China embarked on in late 2014 which had positive outcomes for Australian farmers. Andrew Robb, former Trade Minister was one of the key individuals to stave off

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any "anti-Chinese" sentiment especially in policy directions. The release of the FIRB annual report for 2015-16 eventually silenced the concern noting that Chinese investment according to the agricultural register for 2015 registered 1.5 million hectares, which amounted to a small Chinese ownership of 2.8 per cent of foreign owned agricultural land, or 0.4 of total agricultural land (FIRB 2016, p. 7). China was well down the list of foreign buyers of agricultural land but there appeared to be less concern for the other foreign buyers.

There is another side to this relationship and it has different dimensions. There are counter-vailing pressures on this relationship which remain at play and explain in part why such concern can be directed against Chinese when certain aspects of the Australian economy fall out of equilibrium. On the one hand "White Australia" policy which was enacted in 1901 and remained in force until the late 1960s was largely directed at Chinese and the memory (on both sides) has not totally withered away. The other aspect often forgotten is that for decades China and Australia were (and are) on different sides of the cold war – and even the current 2017 White Paper on Australian Foreign Affairs is unable to extricate itself from this ideological framework. The counter pressures of the US and China are always at play for Australia and therefore the issue requires little prompting. Lastly the fact that housing affordability is a real question for Australia prompts knee jerk reactions and racial or cultural profiling is certainly an easy one to fall into. This emerged from the study undertaken by Rogers et al (2017) in relation to a survey sample in November 2015 of close to 900 residents in the Greater Sydney Region. As the study pointed out many complexities of the question require further investigation including the differentiation between Chinese (foreign) and Chinese-Australian (domestic) investors (Rogers et al 2017).

AUSTRALIA: HOUSING AFFORDABILITY

A senior official of the Reserve Bank of Australia, in an assessment on the housing industry difficulties, observed that since the mid-1990s, the median price of Australian housing had risen by 180 per cent. It did so however, in a period when Chinese investment in real estate was almost absent and that most of the price increase was to the increase cost of land (Battelino 2008). The logic here might indicate that population growth and declining interest rates were primarily responsible for the shortfall in supply and high demand for housing and that similar trends were being observed in the real estate sector internationally.

The question of Chinese investment in Australian real estate and its impact on price, and supply of housing has continued unabated throughout the recent period as cities of Sydney and Melbourne experience high residential prices. Housing affordability as a result of Chinese investment has been flagged as a cause for concern in a number of western nations including the US, UK, Australia and others (Liu & Gurran 2017). The study by Rogers et al (2015) lays out some important analytical conclusions of how the Chinese factor in this scenario has been massively overstated (2015). It states:

> "While foreign investment may affect the supply of and/or demand for housing, and therefore housing prices, it does not necessarily follow that foreign investment is the sole or even a central cause of house price increases" (p. 732). They went on "At the level of global real estate practices, this study seems to open up more questions about the politics of foreign investment in real estate than it answers" (p. 745). Moreover it states that "…the public debate about Chinese investors obscures the role and practices of international real estate, immigration and financial professionals in facilitating international real estate sales" (p. 731).

For the three years prior to 2016, China was the largest source of approved investment in the real estate sector in Australia ($47.3 billion) (FIRB 2016, p. vii). However at the end of 2015 China was the fifth largest source of country of FDI stock in Australia accounting for 4.8 per cent of all FDI stock in Australia as opposed to the 23. 6 per cent of total US FDI stock, Japan 11.7 per cent, UK with 10.3 in Australia (FIRB 2016, p. 10). According to the ABS (2017) the value of residential dwellings in the 12 months to June 2017 had risen 13.8 per cent in both Sydney and Melbourne and as such the highest rise of any cities in Australia (ABS 2017).

A recent ABC release using the source of Cross Border management and Bis Oxford Economics came to the conclusion that "Chinese buyers had almost no impact on property prices". The media release citing the study that "Chinese buyers accounted for less than 2 per cent of all Australian real estate transactions and contributed less than 1 per cent to the average quarterly housing price increase" (ABC premium 2017). The conclusion of the CBM

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and BIS Oxford reports was that "… the factors behind the nation's high property prices are record-low interest rates and strong population growth" (ABC Premium 2017).

DATA RELIABILITY AND THE REAL SCENARIO RE CHINESE REAL ESTATE PURCHASERS?

The 2014 House of Representatives Standing Committee on Economics undertook a review and "Report on Foreign investment in residential real estate". In one of the submissions to the Committee from Urban Taskforce Australia it states:

> "Reports based on the Foreign Investment Board and Australian Bureau of Statistics data suggest that the Chinese contribution of the total foreign investment in residential real estate… [is] approximately $5 billion per annum. However this is a market that saw $250 billion in residential property being sold. While 2 per cent of the market is a worthy contribution to new housing, it is not considered to be at a level to warrant the community concerns and intense media scrutiny of late" (cited in the report, 2014, p. 45).

In this same report the Treasury issued its own submission on the question of Chinese purchasers of residential property which it clarified that the large proportion of the growth in residential real estate approvals were coming from non-resident Chinese investors. It then went on to note that

> "…data limitations (including the lack of a comprehensive data source on nationwide dwelling purchases) … make it difficult to gauge how significant foreign purchases are as a share of national housing demand" (Submission 31 for the report, 2014).

In the House of Representatives report the matter of data reliability was again raised by significant players in the property segment. This included HIA (Housing Industry Australia) which suggested:

> "The Foreign Investment Review Board (FIRB) Annual Report is the only official source of statistics relating to the extent of foreign investment in residential property in Australia. Unfortunately, information which is essential to drawing meaningful inference from the data remains unreported. The situation enables widely varying interpretations of the reported figures" (House of Representatives, 2015, submission 20, p. 56).

In equally alarming ways, the Property Council inferred that the data was limited and that "FIRB data overstates the volume of international investment in residential real estate" (House of Representatives report, 2015, p. 56). The concern over the reliability of the data on foreign purchases recorded by the FIRB was one of the issues concluded by the House of Representatives report when it stated that "there is a current lack of timely and accurate data on foreign investment in residential real estate. The consequences of this include: - an inability to determine the real number and value of these investment…" (House of Representatives report, 2015, p. 74). The Reserve Bank of Australia also expressed similar concern in terms of reliable data being available (Gauder, Houssard & Orsmond 2014).

SUPPLY AND DEMAND OF HOUSING - THE ROLE OF FOREIGN INVESTMENT

Australia, over the last two decades has seen a significant rise in real estate prices. Despite the onset of the Global Financial crisis, Australian real estate prices continued to increase despite concern over credit availability, bank liquidity and loan repayments. Because of the slow economic activity, interest rates continued to decline and in 2016 reached their historic low. The global financial crisis, for obvious reasons, threw the spotlight on housing affordability and the government undertook some easing on incoming foreign investment but at the same time some mild restrictions on investment and foreign purchasing of Australian real estate. In 2009 the FIRB tightened the meaning of new dwellings to discourage investment speculation in new dwellings (FIRB 2014). After 2009 Australia which had changed much legislation in terms of real estate investment, the Chinese government introduced its own measures to curtail speculation measures and outward investment. Instead Chinese by 2015 investment by mainland Chinese purchasers in Australian real estate market had grown to $A 24.3 billion almost double on the

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previous year (Liu & Gurran 2017, p. 10). Moreover the proportion of Chinese investment into Australia had changed significantly with a strong shift to real estate. Over half of Chinese capital in Australia now went into the real estate sector (FIRB 2015).

Table 1: Chinese investment in Australian real estate 2009-2015 ($A)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Amount of investment	**2,264**	**4,093**	**4,187**	**5,932**	**12,406**	**24, 349**
% of total investment	**14%**	**27%**	**26%**	**38%**	**45%**	**52%**

Source: Liu & Gurran 2017

An aspect that the House of Representatives report (2015) addressed in detail was the role of supply different from the demand factors. A range of submissions addressed this point forcefully in such a manner as to shed light on the topic in a way that was unexpected. Key players in the industry argue that despite poor data on the question, foreign purchasers has provided important economic benefits. According to Treasury foreign purchasers

> "…increases the demand for, and supply of, housing; and is likely to put downward pressure on rental costs; and increase government revenue from stamp duties and higher economic activity that flows from these additional investments" (House of Representatives report, 2015, p. 71).

To support of this approach the Meriton submission (House of Representatives, 2015, Submission 14) indicated that "Foreign investment is not a significant driver of increased housing prices, playing a minor role in the overall housing market, and representing around 2.5 per cent of total annual sales" (House of Representatives report, 2015, p. 81). The Real Estate Institute of Australia (REIA), indicated that "undersupply of housing was identified as …a major driver of increasing house prices and declining affordability" (House of Representatives report 2015, Submission 17, p. 82). The Property Council of Australia indicated a more blunt assessment of affordability. "The real enemies of affordability, from our perspective, are bad planning systems, lack of land supply and crippling taxes and charges… It is time to end the confusion and focus on the fact that we can keep foreign investment working for us" (House of Representatives report 2015, p. 86).

The following year the Australian Senate carried out its own review of housing affordability (Senate 2015) inviting submissions from across many in Australia. One notable corroboration about the purchase of real estate by Chinese buyers coming from a prominent real estate agent was that of McGrath Real Estate which submitted that "We think that the vast majority of Chinese buyers that we deal with are buying in very tight geographic pockets. They are not buying across Sydney or across Melbourne; they are buying in specific areas" (Senate Report 2015, p. 53).

CONCLUSION

This paper has sought to address the dilemma facing housing affordability in Australia and what, if any, Chinese investment played. The literature on the theme indicates that while there is evidence that greater levels of Chinese investment in real estate has occurred in the two major cities in Australia, as it has in other world centres, to point the finger at the Chinese is simplistic, inaccurate and fraught with other implications. Argumentation from authoritative sources the Australian Reserve Bank and Treasury indicates that the role of Chinese investment in real estate if anything added more supply to the sector. As Chinese investment in real estate in Australia and elsewhere did coincide with decreasing interest rates and growing population growth, it appears as though there is a causal nexus between these two parallel trends. While scholars and authoritative sources have suggested that data was both incomplete and unreliable, this has not stopped the media and public perception to suggest that there is a perpetrator behind these difficulties. Our conclusion is that there is only a marginal link between Chinese investment in Australian real estate and the housing affordability crisis and that pointing the finger towards Chinese investors seems precipitous and ill judged. Instead our research tells us that the housing affordability question in Australia is a product of many variables not least supply of housing, low interest rates and international investment in the sector.

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THE ADOPTION OF GOOGLE+ BY SOUTH AFRICAN MILLENNIALS AND ITS IMPACT ON FUTURE MARKETING COMMUNICATION TRENDS

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ABSTRACT

The purpose of this study was to examine the extent to which Google + had been adopted by South African Millennials and its impact on future marketing communications trends. The study was quantitative in nature where non-probability sampling, a form of convenient sampling was utilised. An online survey was distributed to a panel of 961 potential teen respondents in which 275 teens responded in which 206 usable responses were used for purposes of the present study. To analyse the data structural equation modeling was conducted using SPSS 23 and AMOS 23 software. The main finding of the study was that the intention to use (social networking sites) SNS and the actual usage of social networking sites had the strongest relationship of all the proposed relationships. The implication was that South African millennials that already had the will to adopt the usage of SNSs end-up being the ones who actual use them as to those who have to be persuaded to use them. It was also important to note that the chief contribution of this study was to introduce a new understanding into how millennials in South Africa consume social media. This would potentially open new business opportunities for marketers within the South African millennial market.

Keywords: Google +, Social networking sites, Millennials, South Africa.

INTRODUCTION AND BACKGROUND TO THE STUDY

Google+ has been described as a "social layer" (GetSmarter, 2016) that can be integrated with other functions that Google has to offer. The influx of SNSs has provided marketers around the world an opportunity to better communicate with their target audiences, increase brand awareness, project their brand image as well as enhance the brand equity. Marketers must therefore recognize that without a correct plan and social media strategy they have no chance for their brand to stand out in the rapidly changing digital freedom (Saravanakumar & SungathaLakshmi, 2012). As new technologies come into existence, business that are able to learn to use these innovative technologies increase greater reimbursement (Saravanakumar & SungathaLakshmi, 2012).

Google brings people together within the context of Google's many services (Shervington, 2013). Google + has also been considered as an amalgamation of social networking features from Facebook and Twitter (GetSmarter, 2016). As of 2016 Google + is the fourth most popular and use SNS in the world (Moreau, 2016). This research study approaches Google+ from the perspective of a millennial. Millennials are the generation born between 1982 and the early 2000's (Millennial Legacy, 2011) although these dates are open to some flexibility. The millennial target population for this proposed study are South African individuals born between 1997-2000 and therefore can also be termed "Teenage Millennials" as these years currently put them between sixteen and nineteen years of age.

Problem Statement

In South Africa, the Google + user base is still relatively small and it is estimated that approximately 500 000 people are using Google+ (GetSmarter, 2016). This relatively small number, in comparison to the rest of the world, suggests that Google+ is still gaining momentum and establishing themselves within the South African market.

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There is yet to be a study done within South Africa that investigates whether millennials are making use of the global triumph that is Google+. SNSs now play a hybrid role in the marketing mix (Saravanakumar & SungathaLakshmi, 2012). This research therefore aims to fill gaps potentially left out by prior research within a South African context

Purpose of the Study

The purpose of this research study is to determine whether or not millennials may be inclined to use Google+ as a new social networking site (SNS) due to factors such as perceived usefulness, effort expectancy and social influence as well as whether the usage of Google+ will result in Entertainment and Relaxation and Social Interaction gratifications for the user.

Research Objectives

1. To review literature on the Technology Acceptance Model and its composition and variables.
2. To review literature on the Unified Theory of Acceptance and Use of Technology Model and its composition and variables.
3. To review literature on the Uses and Gratifications Theory to test the gratifications millennials may derive from using Google+.
4. To review literature on how marketers use social media to communicate with their target markets

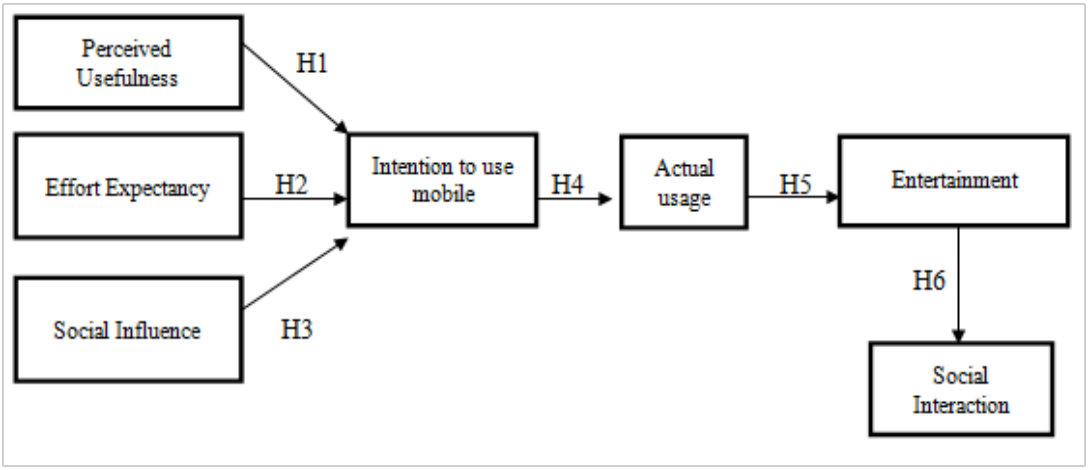
Research Question

Will Millennials make use of Google?

The Technology Acceptance Model

The Technology Acceptance Model (TAM) is a theory that is most widely used to explain an individual's acceptance of an information system (Surendran, 2012). For purposes of this research the TAM was utilised Below the modified TAM is depicted.

Figure 1: A Modified Technology Acceptance Model (TAM)



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Significance and Contribution of the Study

The evolution of technology and subsequently the introduction of social media technologies have provided immense opportunities for marketers to gain access to their target audiences. Social networking sites (SNSs) allow for marketers to develop an online presence for their brand/firm that can communicate through the platforms to the target audiences. As technology is always evolving and changing, marketers need to keep up with the technological trends in order to always know the sites and platforms that their target audiences may be active on. The significance of this research study is that marketers will be able to identify whether Google+, a new SNS, may be a viable option for communicating with their target audiences. This research study also provides focus onto teenage millennials as a target market.

INTERNATIONAL LITERATURE REVIEW

This section of the present research explores the literature review for the study where multiple sources where consulted throughout the process. According to Gong, Xu, Huang, Mittal, Stefanov, Sekar and Song, (2012). Online SNSs (e.g., Facebook, Google+, Twitter) have become largely crucial platforms for human engagement,processing information and diffusing social influence. Information and communications technologies have emerged one of the most central communication tools for institutions, people and brands Calderón, López, & Peña, 2017). Google plus was investigated in great depth as well as how it related to the South African millennial.

Google Plus and its Features and Capabilities

Google + (AKA Google Plus or G+) has been described as a "phenomenal tool for human communication" (Shervington, 2013). Following launch of Google + in 2011, the social networking site (SNS) has made incredible advances to becoming one of the most "active social networks" (Shervington, 2013). Google + can be used by both businesses as well as consumers, therefore acting as a communication tool between the two.

Understanding the Millennial

The Millennial generation, also known as Generation Y, has wielded much interest by both researchers and firms over the years. The reason for this is that the millennial consumer thinks and operates differently to that of the previous generation's consumer. Following Brosdahl and Carpenter's (2011) categorization of generations: Generation X (1961-1981) and Generation Y (1981+) however there are no definite start and end points for Generation Y/Millennial. Millennial's actively contribute, share, search for and consume content on social media (Bolton, Parasuraman, Hoefnagels, Migchels, Kabadayi, Gruber, Loureiro & Solnet, 2013). A study done by Youth Dynamix in South Africa estimates that millennials make up about 26% of the South African population (2015). In South Africa, millennials find difficult job market and soaring unemployment rates as their most prominent challenge (Martins, 2012). South African research firm, Youth Dynamix (2015) found that when looking at millennials aged 13-24, 55% of their research respondents owned their own cellphone. Another study in the South African context found that 45% of millennials use a cellphone or smartphone and PC or desktop or laptop on a daily basis (Mutual, 2014).

CONCEPTUAL MODEL AND HYPOTHESES DEVELOPMENT

The conceptual model for this research study is an adaptation of the Technology Acceptance Model.

Hypotheses Development

The hypotheses are developed from the variables that have been chosen for this research study from the TAM, UTAUT models as well as the UGT. Existing statements from previous studies will be used in the research instrument to test the following hypotheses. The hypotheses can be developed into the conceptual model.

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Perceived Usefulness and Intention to Use: Perceived usefulness is a factor contributing to the Technology Acceptance Model (TAM) proposed by Davis is 1989. Davis (1989) defines perceived usefulness (PU) as the prospective user's subjective probability that using a specific application system will improve how they work. The more useful an individual finds a technology; the more likely they are to make use of it. Therefore, inferring from the above mentioned evidence the following hypothesis was postulated:
H_1: Perceived usefulness is positively related to millennial's intention to use Google+.

Effort Expectancy and Intention to Use: Effort expectancy (EE) is a factor contributing the Unified Theory of Acceptance and Use of Technology Model (UTAUT). The model was proposed and tested by Venkatesh (2003) as a "comprehensive synthesis of prior technology acceptance research." Effort expectancy is defined by Venkatesh (2003) as the ease of use related to a particular system. If the respondent finds that Google+ is easy to use, then it can be predicted that the respondent will actually make use of Google+. Therefore, inferring from the above mentioned evidence the following hypothesis was postulated:
H_2: Effort expectancy is positively related to millennial's intention to use Google+.

RESEARCH DESIGN AND METHODOLOGY

The research was quantitative in nature based on the positivist paradigm. This research study will make use of a survey whereby a sample of subjects is drawn from a population and studied to make inferences about the population (Hussey & Hussey, 1997).

This research study made use of a non-probability sampling method called convenience sampling. Due to the existence of the teen panel database that was used for this research study, it meant that a section of the millennial population born between 1997-2000 in South Africa was readily accessible and available to be used as a sampling frame.

Sample Size: This research study aimed to have a minimum of 275 sample responses from the existing teen panel of 961 panelists. This sample size calculation was calculated at a 5% margin of error, 95% confidence interval, population size of 961 and a 50% response distribution. The study was then completed with 207 sample responses.

Data Collection Method: In order to successfully collect data from potential respondents a questionnaire was developed including measurement scales adapted from prior research.

Questionnaire Design: The questionnaire tested the variables taken from the TAM. All research constructs were measured on a 7-point Likert-type scale ranging from 1 = strongly disagree to 4= neutral to 7= strongly agree. There were a total of 207 respondents in this study.

DATA ANALYSIS

The following sections explore all the data analysis procedures that were conducted for the present research.

Descriptive Statistics: The number of respondents for this research study totaled 206.

Figure 2: Demographic Profile of Respondents

Gender	Frequency	Percentage
Male	111	53.9%
Female	95	46.1%
Total	**206**	**100%**
Age	**Frequency**	**Percentage**
16-19 Years Old	206	100%
Total	**206**	**100%**
Level of Education	**Frequency**	**Percentage**
High School	181	87.9%
University	25	12.1%
Total	**206**	**100%**

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It is evident that all respondents were between the ages of 16 and 19 years of age, the appropriate age for a millennial respondent as defined by this study. Of the 206 respondents, majority are still school goers with only 12% of the respondents that are attending university. The table above also highlights that the gender split between the respondents was of a 7% difference whereby majority of respondents were male (54%).

Figure 3: SNS Usage

Facebook Usage	Frequency	Percentage
No	21	10.2%
Yes	185	89.8%
Total	**206**	**100%**
Twitter Usage	**Frequency**	**Percentage**
No	118	57.3%
Yes	88	42.7%
Total	**206**	**100%**
Whats app Usage	**Frequency**	**Percentage**
No	19	9.2%
Yes	187	90.8%
Total	**206**	**100%**
Pinterest Usage	**Frequency**	**Percentage**
No	180	87.4%
Yes	26	12.6%
Total	**206**	**100%**
Instagram Usage	**Frequency**	**Percentage**
No	74	35.9%
Yes	132	64.1%
Total	**206**	**100%**
Other	**Frequency**	**Percentage**
No	168	81.6%
Yes	38	18.4%
Total	**206**	**100%**

The two most common "other" SNS's used by the respondents are Snapchat and Google. The majority of millennial respondents indicated that they were aware of the existence of Google+ while only 23 out of the 206 respondents said that did not know of Google+. Majority of respondents, 59.71%, expressed that they have used or still make use of Google+. 83 out of the 206 respondents indicated that they do not use Google+.

All model fit indices reached the accepted thresholds as indicated in the table below.

Figure 4: Model Fit

Chi-Square Index	NFI	RFI	IFI	TLI	CFI	RMSEA
1.343	0.947	0.921	0.986	0.979	0.986	0.041

NFI: Normed fit index, RFI: Relative fit index, IFI: Incremental fit index, Tucker Lewis index, CFI: Comparative fit index, RMSEA: Root measure standard error approximation

The following section presents the hypotheses outcomes.

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Figure 5: Hypothesis Table with Path Coefficients and P-Values

Hypothesised Relationship	Hypothesis	Path Coefficient	P Value	Outcome
PU → INT	H1	0.37	***	Supported and significant
EE → INT	H2	0.35	***	Supported and significant
SI → INT	H3	0.62	***	Supported and significant
INT → AU	H4	0.92	***	Supported and significant
AU → ENT	H5	0.86	***	Supported and significant
AU → SINT	H6	0.64	***	Supported and significant

SUMMARY OF HYPOTHESIS RESULTS

As evident in the table above, all hypotheses had significant p-values thus indicating that all are supported and significant.

H_1: Perceived usefulness is positively related to millennial's intention to use Google+, has a path coefficient of 0.37 and a significant p-value indicating that the relationship is significant and supported implying the more useful a millennial perceives Google+ to be, the more they will intend to make use of it.

H_2: Effort expectancy is positively related to millennial's intention to use Google+, has a path coefficient of 0.35 and a significant p-value indicating that the relationship is significant and supported implying the easier a millennial perceives Google+ to be, the more they will intend to make use of it.

H_3: Social influence is positively related to a millennial's intention to use Google+, has a path coefficient of 0.62 and a significant p-value indicating that the relationship is significant and supported implying the more social influence a millennial perceives Google+ to have, the more they will intend to make use of it.

H_4: Intention to Use Google+ is positively related to a millennial's actual usage of Google+, has a path coefficient of 0.92 and a significant p-value indicating that the relationship is significant and supported implying the more a millennial intends to use Google+ , the more likely they will actually make use of it.

H_5: Usage of Google+ is positively related to entertainment and relaxation gratifications for the millennial, has a path coefficient of 0.86 and a significant p-value indicating that the relationship is significant and supported implying the more a millennial actually uses Google+, the more likely it will result in entertainment and relaxation gratifications for the millennial.

H_6: Usage of Google+ is positively related to social interaction gratifications for the millennial, has a path coefficient of 0.64 and a significant p-value indicating that the relationship is significant and supported implying the more a millennial actually uses Google+, the more likely it will result in social interaction gratifications for the millennial.

MARKETING CONTRIBUTION

The findings of this study will contribute to the marketing industry, more specifically in the digital marketing and social media marketing spheres. As marketers use SNS's to communicate their brand messages to their consumers, the introduction of a new SNS that will be used, provides a new platform for marketers to reach out to their

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consumers. This research study's focus on millennials will also aid marketers in their strategies, planning and approach to certain target markets that may fall within the millennial generation. The findings of this study also can be used to assure marketers that Google+ may potentially be a new, viable communication vehicle for brands to millennial consumers.

FUTURE RESEARCH

This research study also provides an opportunity for future research. With more time and money, one could conduct this study on a much larger scale in order to get a larger sample with more respondents. The larger sample may give a more detailed indication of the findings found in this research study and could be better used to generalize over the entire millennial generation within South Africa. Future research could also be conducted on the other social networking sites (SNS's) used by millennials mentioned in the results of this study. SNS's such as "2go" and "We Heart It" could be explored to determine if there are any more communication strategies that could be developed by marketers with these SNS's.

CONCLUSION

This research study was conducted in order to understand whether a new social networking site, namely Google+, would likely be used by the millennial generation in South Africa. The study applied three relevant new technology acceptance and gratifications models within the context of a new social networking site to test whether or not South African millennials will make use of Google+.

The practical importance of this study was to identify that a new social networking site that will in fact be used by millennials could be operated as an appropriate and innovative communication vehicle between marketers and their consumers. Brands could potentially make use of Google+ to reach out to their fans, broadcast news and information, have conversations with and more all through this social networking site. The study also identified the wide spread use of social networking sites among millennials as well as highlighted the social networking sites that are most used. The findings of this study indicate that South African millennials are very likely to make use of Google+ and this provides marketers with a new opportunity to engage with millennials and thus may impact communication trends between the marketer and the millennial.

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OPEN DISCLOSURE, MEDICAL ERRORS, PATIENT SAFETY AND MEDICO-BUSINESS REALITIES: THE INHERENT ADVANTAGES OF HEALTHCARE SYSTEMS THAT POSSESS FULL RISK INTEGRATION

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ABSTRACT

Honesty and transparency are core values considered essential in the normal and wide range of human transactions, and these core values are likewise considered essential for institutions and professionals. This is especially true in healthcare, where patients and their families place their full trust in their providers and the medical system. Despite significant advances in technology and healthcare science, a large percentage of patients still incur preventable adverse events. Intense worldwide efforts have spotlighted the need to improve patient safety measures. "Open disclosure" is an approach that ensures swift and honest discussion of adverse events or harm to the affected patient and the patient's family, that can allow for an apology to be extended and, where indicated, permit an expeditious offer to settle the matter and to avoid the need for litigation. It is advanced in this article that the structure of the medical system and its ability to organize around an optimal set of structures, herein referred to by the authors as possessing "full risk integration," is key to optimizing the opportunities for success in this area. An optimal degree of risk integration for a healthcare system therefore includes: the fewest number of involved malpractice insurance companies, the fewest number of medical employment/independent contractor arrangements, a lessening of fear of financial catastrophe due to a potentially large malpractice payout, an effective and quick incident research and assessment body, a responsive and humane apology management team, and a regulatory and political environment conducive to risk integration. The need for congruent legislation and comprehensive public policy changes to help with the goal of expansion of open disclosure throughout the world and in the various jurisdictions within the United States is discussed.

Keywords: Open Disclosure, Medical Malpractice, Patient Safety, Medical Errors, Quality Improvement, Public Policy, Full Risk Integration.

"Our vision: A world where every patient receives safe health care, without risks and harm, every time, everywhere."
(World Health Organization - Patient Safety Programme, 2018)

DEDICATION

This paper is dedicated in honor of healthcare providers the world over, their healthcare managers and their staff support professionals, who go to work each day and give their honest best efforts in serving those in need of care, advice, diagnosis, and treatment. This paper is dedicated in gratitude to caregivers who work in difficult situations and yet fend off cynicism; and who persevere in environments where time constraints, resource challenges, and chronic lack of appreciation may often seem the norm.

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GROWING WORLDWIDE AWARENESS: THE SCOPE AND COST OF MEDICAL ERRORS

In recent years, many organizations of great influence, including the World Health Organization (WHO), The Joint Commission, and myriad international governmental agencies, have put an urgent spotlight on the need to reduce medical errors in all countries around the world (Palmer, 2018). The publication of the seminal "To Err is Human" by the Institute of Medicine in 2000 estimated that as many as 98,000 annual deaths in the USA could be attributed to avoidable medical errors, and this inspired worldwide efforts to develop more effective patient safety programs (Kohn, Corrigan, & Donaldson, 2000).

As it turns out, the number of annual preventable deaths in the United States now is estimated to be much higher than originally projected, due to the growing realization that there is an endemic problem of underreported medical errors, for various reasons. Johns Hopkins Medicine conducted a large study that medical errors would rank as the third leading cause of deaths in the USA, with an estimation that more than 250,000 Americans die each year from adverse medical events (Makary & Daniel, 2016). The Johns Hopkins study indicates that medical errors in healthcare facilities is the third leading cause of death in the United States, behind only heart disease and cancer (Cha, 2016). According to the study, medical errors would be reported at a greater rate officially if death certificates captured additional information beyond what is required in the use of International Classification of Disease (ICD) code set related to cause of death, including system and human factors. In this report, it was indicated that two large studies occurred (one in New York and the other in Colorado and Utah) which revealed that adverse events occurred in 3.7% and 2.9% of the respective hospitalizations. Further, it was shown that greater than half of these events occurred as a result of a preventable medical error (Makary & Daniel, 2016).

It is estimated that the annual cost of mistakes (or "preventable events") made in healthcare delivery in the United States ranges between $17 billion and $29 billion (Kavaler & Alexander, 2014). Adding to the financial strain of hospitals, the federal Medicare program for the elderly since 2007 no longer compensates for the extra costs that may arise from treating many preventable errors, infections and injuries that occur during hospital inpatient stays. State Medicaid programs for the indigent and private insurers have followed this pattern over the years (Cwiek, Kikano, Klaus, Novaretti, & Weil, 2017). Projecting these numbers to the wider international community, the worldwide astronomical costs and the tolled tragic human consequences due to avoidable medical errors stagger the imagination.

HEALTHCARE DELIVERY: MISTAKES, RISKS, AND REALITY

Healthcare is a uniquely *human* enterprise, with service consequences that can either add to the joy and comfort of the patient being served or conversely, that can contribute to one's pain, suffering, and even death. Hospitals, physicians, and other healthcare providers cannot long survive without the steady inflow of revenues and they must keep an eye on proper management of expenses. Whether not-for-profit or for-profit, hospitals and doctors exist in a medico-business world where assets must be protected, and prudence dictates the need to secure insurance to guard against a wide variety of risks, including malpractice claims, general liability and other business risks. It is a prudent business practice that frivolous malpractice claims against doctors and hospitals be defended, but that leaves the door open on how claims with merit should be handled.

In the most common format for how patient injuries are handled by malpractice insurance companies, doctors and hospitals continue to use the "deny and defend" approach, in which litigation occurs in an adversarial and prolonged process (Boothman, Blackwell, Campbell, Commiskey, & Anderson, 2009). Physician and attorney Professor William Sage notes:

> When health care goes awry and a patient sues, liability insurers representing individual physicians defend or settle most claims. Physician defendants are happiest if few claims arise, fewer claims are validated by verdict or settlement, and still fewer claims are publicized.

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Accordingly, the prudent insurer and its counsel urge secrecy, dispute fault, deflect responsibility, and make it as slow and expensive as possible for plaintiffs to continue the fight.

As a result, claims involving serious injury (the only category for which litigation is a realistic option) often take five or more years to resolve, with predictable consequences. Information about the cause of injuries is denied patients and families for prolonged periods, compensation is unavailable when it is most needed, and quality feedback to providers is attenuated to the point of uselessness. Delay also exacerbates volatility in premiums by increasing legal uncertainty and making malpractice insures more dependent on investment income for profitability. The contrast between this fragmented, dilatory, adversarial environment and the Institute of Medicine's (IOM's) futurist vision of a safe, effective, patient-centered, timely, efficient, and equitable health care system based on institutional quality improvement could hardly be more stark (Sage, 2004).

ADMITTING MEDICAL ERROR: DYNAMIC TENSIONS AND COMPETING CONSIDERATIONS

A survey of more than 10,000 physicians indicated that 19% of these doctors found it acceptable at times to cover up or avoid revealing a mistake if that mistake would not cause harm to the patient, while another 20.9% of the respondents indicated that "it depends." The numbers change when the mistake is more grievous and would likely or potentially harm the patient. In this case, 1.6% of the physicians indicated that it was acceptable to withhold the truth, while 3.5% of the respondents indicated that it depended on the circumstances (Medscape, 2010). A recent commentary on this study indicated the probable actual percentage of doctors who could be tempted to avoid revealing a clinical mistake is probably higher, and that reasons why physicians might hide their mistakes or cover for a colleague can include fear of retaliation, losing the respect of superiors or peers, lacking time to submit the requisite paperwork, and so forth. The authors assert:

> *But the problem isn't bad people in healthcare; it's the good people working in a system where they're not feeling safe to report errors. And when there's lack of trust in a system, problems escalate* (Paulin, Marash, & Ortega, 2018).

An important study developed a useful taxonomy of facilitating and impeding factors related to the pressures that exist for physicians in disclosing medical errors (Kaldijan, Jones, Rosenthal, Tripp-Reimer, & Hills, 2006). Four broad domains of facilitating factors were identified: Responsibility to Patient (including the desire: to communicate honestly with patients of explain the circumstances of an error, to show respect for patients, and to facilitate further medical care for harmed patients); Responsibility to Profession (including the desire: to share lessons learned from errors, to serve as a role model in disclosing errors or breaking bad news, and to strengthen inter-professional relationships and build inter-professional trust); Responsibility to Self (including the desire: to be accountable for one's actions, to be courageous or altruistic, to treat others as one would like to be treated, to empathize and apologize, and to alleviate guilt of pursue forgiveness); and Responsibility to Community (including the desire: to enhance the health of future patients, to sustain patients' trust in the medical profession, to help patients be more realistic about medicine's imperfections, and to help patients understand the complex causes of errors).

The study likewise identified four domains of impeding factors related to disclosing medical errors: Attitudinal Barriers (including: perpetuating perfectionism and blaming and humiliating those involved with errors, being arrogant and proud, placing self-interests before patient interests, and allowing competition with peers to inhibit disclosure); Helplessness (including: lacking control of what happens to information once disclosed, lacking confidentiality or immunity after disclosure, lacking collegial and collegial support after disclosure, believing error reporting systems penalize those who are honest, and lacking feedback after reporting errors or a sense of ownership of the quality improvement process); Uncertainties (including: being uncertain about how to disclose, being uncertain about which errors should be disclosed, being uncertain about the cause of an adverse event, and disagreeing with a supervisor or trainee about whether an error occurred); and Fears and Anxieties (including: fear of legal or financial liability, fear of professional discipline or loss of reputation, fear of family's anger, fear of admitting actual negligence, fear of looking foolish in front of junior colleagues or trainees, and fear of negative publicity). In addition, the

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practitioner can feel the toxic conditions of personal failure, loss of self-esteem, and the threat to one's identity as a healer (Kaldijian et al, 2006).

There can be great uncertainties related to the practice of medicine. Physicians can be on staff at different hospitals, each with their own expectations and norms for dealing with adverse outcomes and reporting. There can be basic questions related to whether an error has occurred, and disagreement between clinicians on this score is not uncommon. The profession struggles with the paradox of medical complication versus error, and this dilemma has been described by a medical student with the following observations:

> *There's a risk that you're going to cause a pneumothorax when you do a thoracentesis…. But if I am the one that causes that pneumothorax, is it because I was an idiot? Do I say, "You know, I collapsed your lung, I'm really sorry, I made a mistake" or do I just present it as, "It's one of the risks, you signed informed consent." I really struggle with how you even define some of the errors* (Kaldijian et al, 2006).

Traditionally, the tendency within healthcare has been to "deny and defend" when a medical error is alleged by a patient, and too often the matter becomes adversarial and devolves to the arena of plaintiffs' and defendants' attorneys (Boothman & Hoyler, 2013). The patient-turned-plaintiff often feels neglected, deprived of information and even abandoned by the caregivers involved, and a sense of needing to strike back through legal action can arise. Trust and effective communication can be forsaken to the agendas set by malpractice insurance carriers and aggressive attorneys. When this occurs, the overall system of healthcare suffers.

ANOTHER WAY: OPEN DISCLOSURE

In contrast to the tendency to withhold certain information when medical errors occur, efforts are being made to normalize transparency and the allowance of expressions of remorse after the discovery of adverse medical/clinical events within various healthcare systems. "Open disclosure" (OD) has been defined in Australia as the process of "open discussion of incidents that result in harm to a patent while receiving health care" (Australian Commission, 2013). Although Australian health ministers resolved to implement OD in healthcare settings throughout all of Australia in 2008, physicians have been slow to adopt this approach because of the uncertainty of doctors' legal and professional obligations and concern about medicolegal risk (Finlay, Stewart, & Parker, 2013). In Canada and the United States, some programs link open disclosure of medical errors with discussions of compensation and restitution, but this is not uniform (Wu, Boyle, Wallace, & Mazor, 2013).

The systemic implementation of various elements and principles of open disclosure can be found in the literature under various names, such as the Disclosure, Apology, and Offer (DA&O) model (Bell, Smulowitz, Woodward, Mello, Duva, Boothman, & Sands, 2012), "transparency and disclosure" (Phillips-Bute 2013), "early offer" programs (Steinman, 2013), "communication-and-resolution" programs (Shostek, 2017) and the "Michigan Model" (Michigan Medicine, 2018). The authors have chosen to utilize the "open disclosure" (OD) label for purposes of this article.

The authors maintain that the following operational elements should be in place in order to achieve an optimal open disclosure program within a healthcare system:

OD Element 1 - The open disclosure program must specialize in the ability to provide a timely apology, and to operate with complete honesty and humility. The benefits of transparency to clinicians and patients include an improved care experience, avoidance of adversarial situations between patients and clinicians, consistency in messaging and behavior, and an ability to engage in effective shared decision making (National Patient Safety Foundation, 2015).

OD Element 2 - There must be ownership of an acknowledged mistake, and the physician or another clinical leader must accept responsibility for being the person in charge of a patient's care, and there must be no "finger-pointing." Research has indicated that when a lead physician has open communication with the patient and his family

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after an error has occurred, there is a greater sense of being treated as equals and a higher satisfaction with the process overall (Watson, Angus, Gore, & Farmer, 2014).

OD Element 3 - The open disclosure program must be intentional, well-organized and properly resourced. An optimal system involves a commitment from the organization to disclosure, apology and early compensation when warranted "even when these are clearly not in the insurer's interest;" providing ample staff resources to conduct incident reporting with greater speed and certainty; training of staff and the development of standard operating procedures; and effective marketing and branding of the program (Mello et al, 2014).

OD Element 4 - The open disclosure program must have someone clearly designated to provide oversight over each designated adverse event episode. Further, having internal, visible champion(s) within the organization as well as committed executive leadership is essential (Shostek, 2017).

OD Element 5 - The open disclosure program must have the drive to learn from errors and near-errors and apply lessons throughout the system in a continuous-improvement environment. Organizations that are successful with process improvement have a systemic culture of learning from mistakes and an obvious commitment from executive leadership to this mission (Pozgar, 2018).

OD Element 6 - The open disclosure program must strive to drive out fear of consequences on the part of physicians and other providers and ensure peer and institutional support for clinical providers. The biggest barrier has been reported to be that of fear: fear of litigation, fear of loss of status among peers, fear of shame, fear of becoming the "second victim," fear of embarrassment, self-doubt and distress, fear of reporting requirements related to the National Practitioner Databank, and fear of loss of license (Wu et al., 2013).

Positive results have been reported from some organizations that have adopted all or most of the elements of the open disclosure approach. One of the early initiators of full transparency, the VA Medical Center in Lexington, Kentucky, reported that it determined in a 13-year internal study it went to trial only three times and negotiated 170 settlements with an amazing average cost of only $36,000 per case, compared to the experience of VA hospitals nationwide of $98,000 per case pre-trial, $248,000 per case at trial and $413,000 for cases trial court judgment (Curtis, 2010).

In a study designed to review the results of the University of Michigan Health System comparing its malpractice claims six years before and six years after implementation of the disclosure and apology approach, the rate of new claims new claims dropped from 7.03 per 100,000 patient encounters to 4.52; lawsuits dropped from 2.13 to 0.75; and time to restitution decreased from 1.36 years on average to 0.95 years (Kachalia, Kaufman, Boothman, Anderson, Welch, Saint, and Rogers, 2010). Additional benefits accrued, including a decrease in cost rates due to total liability, patient compensation, and legal fees. Anecdotal evidence also suggested the program has had a positive effect on physician morale and the institution's culture of patient safety has been enhanced (Boothman and Hoyler, 2013). Three principles have guided the University of Michigan Health System since 2001, in what has become known as the "Michigan Model:" 1) Patients harmed by unreasonable care should be made whole quickly and fairly; 2) caregivers must be supported when care was reasonable; and 3) the university (healthcare system) must learn from its mistakes (Adams, 2015).

Stanford University initiated what it calls the PEARL program (Process for Early Assessment and Resolution of Loss) and after its first forty months in operation was able to report a 36% decrease in claim frequency and a 32% average reduction in annual insurance premiums (Adams, 2015).

FULL RISK INTEGRATION V. PARTIAL RISK INTEGRATION

There are a few healthcare organizations that have reported successes related to the development and implementation of an open disclosure approach to handling medical errors. This said, not many organizations at present in the United States are well-situated for complete success in this area, especially considering the practical realities faced by the typical community hospital and medical staff models. The healthcare organizations that are better-positioned are

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referred to by the authors as possessing "full risk integration," as compared to most medical organizations that know only partial risk integration.

It appears that full risk integration healthcare systems may have an advantage in the development and sustainment of an OD approach to risk management and quality improvement. For purposes of this paper, "full risk integration" represents healthcare organizations that have fewer independent parties to work with and the ability to exert great systemic control. Employment of physicians within a large, financially successful system can be an important component, as doctors otherwise might fear financial ruin from offering an apology to a patient when a mistake has occurred (Cwiek et al 2017). Likewise, the healthcare system's ownership of a malpractice insurance company (or having the ability to "self-insure") can provide the ability to conduct a quick and complete analysis of risk and culpability, and yet do this in an atmosphere of transparency (Boothman, 2009). In organizations utilizing the open disclosure approach, allowing the plaintiff's attorney to take part in discussions over a possible settlement of the claim, along with family members and individuals from the healthcare team is not unusual (Mello, 2014).

The factors leading to full risk integration (FRI) are described below.

FRI Factor 1: Full risk integration requires the fewest number of involved malpractice insurance companies. In the typical community hospital situation, each independent medical staff member is required to maintain a malpractice insurance policy, and in a situation where multiple co-defendants are involved (such as a surgeon, an anesthesiologist, operating room personnel and the hospital itself), the various malpractice insurance companies seek first to mitigate their own losses, sometimes at the cost of the other co-defendants. The development of a self-insured model within a hospital system can be an advantage in realizing this goal (Mello et al, 2014).

FRI Factor 2: Full risk integration encourages the fewest number of medical employment and/or independent contractor arrangements. The more independent practioners involved in a medical error situation, the more likely that positioning, self-interest and loss of control of the process will occur. Organizations that both employ physicians and provide medical malpractice liability insurance to these doctors can have a large advantage in this regard (Mello et al, 2014). The closed staff model also can provide an advantage toward this end (Kachalia et al, 2010).

FRI Factor 3: Full risk integration necessitates the mitigation of fear of financial catastrophe due to a potentially large judgment in a court of law. The fear of increased individual liability is very real to many physicians, and the system optimally mitigates this exposure, such as through the development of a captive (self-insured) approach that covers the various providers (Bell et al, 2012).

FRI Factor 4: Full risk integration requires an effective and quick incident research and assessment capability. The system needs to determine as rapidly as possible whether there was a genuine error that occurred, or merely a bad outcome, as even in the best of situations medical delivery cannot guarantee a positive outcome (Boothman et al, 2009).

FRI Factor 5: Full risk integration engages a responsive and humane apology management team. Disclosure communication training should be reinforced within the healthcare facility, and by professional societies and malpractice insurers (Shostek, 2017).

FRI Factor 6: Full risk integration ensures that clinical errors remain opportunities to improve the system. Full risk integration can bridge the gap between standard risk management programs and the goals of continuous quality improvement, and ultimately can decrease the rate of adverse events as the culture of transparency and enhanced patient safety methodology is embraced throughout the organization (Mello et al, 2014).

FRI Factor 7: Full risk integration is advantaged in a jurisdiction that has statutes in place that favor the goals of open disclosure. Open disclosure is enhanced when legislation has been passed that includes various tools of tort reform, especially a mandatory pre-suit notice period and enhanced expert witness foundation requirements (Kachalia et al, 2015).

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While the open disclosure approach may be more challenging to implement and maintain in hospitals and clinics that do not possess full risk integration, there are malpractice insurance carriers that provide healthcare providers with a so-called "limited reimbursement" model (Cwiek et al, 2017). The limited reimbursement approach allows for providers to negotiate a quick maximum payout amount up to a certain amount, such as $30,000. Waiver of medical bills by the providers is encouraged. Compensation in such a model is typically allowed for such things as out-of-pocket expenses and loss of time. However, unlike the full OD approach adopted by integrated systems and discussed above, the limited reimbursement approach is disallowed (by the insurance carrier) whenever one or more of the following events occur: any attorney involvement by the plaintiff; the filing of a notice of complaint (initiating litigation); the filing of a complaint to a state medical board; or the filing of a complaint with a regulatory agency. Particularly noteworthy, it is indicated that investigation of the standard of care and true systemic quality improvement over time is far more likely to occur in the integrated OD system, as compared to the limited reimbursement model (Mello, 2014).

RECOMMENDATIONS FOR HOSPITAL EXECUTIVES AND BOARD MEMBERS SEEKING FULL RISK INTEGRATION

The decision to attain full risk integration in a healthcare organization should be reached as part of a multi-year strategic plan. Governance, through the board of directors, should identify key steps that need to be taken over time to achieve full risk integration and true open disclosure. "Champions" of this change effort should be identified, including the President and CEO of the organization, as well as the Medical Director and Risk Manager, and each of these champions should be held accountable by the board in terms of goals and objectives to be achieved in an identified time frame.

It would be imperative to have a team of professionals within the organization that could rapidly respond to suspected or actual errors made by care givers, including doctors, nurses, therapists, and so forth. It would be important to analyze reported incidents quickly and determine if an actual clinical error took place, or if the standard of care appears otherwise to have been met. If sound clinical care was provided, free of demonstrable error, then the clinicians would be supported fully in the defense of the case. If error is indicated, then an apology from the care giver(s) would be forthcoming and the claims appraisal and management functions would be initiated. Should actual clinical error be found, a fair settlement can be discussed with the patient and the patient's family, and if legal counsel has been engaged by the patient, this attorney can be included in the discussions. The goal would be to share information freely, and to engage in fair and realistic offers of compensation. The organization would look at errors in care as opportunities to teach others in the system how to avoid future mistakes, and to continuously bolster the quality improvement function. It is advanced herein that patients and their families would appreciate knowing that as a result of the medical error they experienced, specific improvements in the healthcare system were being made to lessen the likelihood of the same mistake being repeated with future patients.

A hospital system seeking to promote open disclosure of medical errors, as described in this article, would be best achieved in an environment of full risk integration. Most hospitals have a mixture of independent medical staff members as well as employed practitioners. The independent physicians typically are required pursuant to the medical staff bylaws to procure malpractice insurance at least at a required minimal level of coverage, and they are free to secure this coverage from an insurance company of their own choosing. This sort of arrangement, although common, gives rise to many uncontrolled variables, and uncontrolled variables create hurdles to achieving coordinated and complete disclosure of medical errors, as well as rapid settlement of claims.

There are strategies that a hospital system can develop to support the use of one liability insurance company for the hospital and the physicians. One strategy would be to have the hospital contract with an organized Independent Physician Association (IPA) that is completely owned and controlled as a corporation by member physicians (Miller, 2017), as long as there were but a single liability carrier insuring the malpractice risk of the member physicians. A second strategy would be the formation of a Physician-Hospital Organization (PHO) (Farnham, 2018), which would be jointly owned and governed by the hospital and the engaged physicians, and which could provide a mechanism for a common group policy for malpractice insurance through one insurance company.

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A third strategy relates to a growing trend over the past several years of hospitals in the United States employing physicians directly, largely attributed to various regulatory forces as well as economic realities and lifestyle choices of physicians (NEJM Career Choices, 2014). By the end of 2016, a full forty-two percent of all U.S. were employed by hospitals, up from twenty-five percent in 2012 (Haefner, 2018). The extension of this trend could help organizations seeking to attain full risk integration, as insuring employed physicians typically is the responsibility of the employer (in this case, the hospital system), and this could lead to fewer malpractice insurance companies being involved. Expanding on this concept, the development of a captive liability insurance company or a self-insured model could become a key goal for the healthcare system. This would allow for the hospital and physicians to be covered under one entity, and thus eliminating another source of uncontrolled variables. Another option, short of owning a captive liability insurance function, the healthcare system might consider taking the lead in reaching a favorable contractual arrangement for coverage with a single liability carrier that could provide malpractice coverage for the hospital and all or most of its physicians.

Leadership in the healthcare organization should be active in the process of lobbying for changes in legislative law that support the aims of full risk integration and open disclosure. Statutory and public policy changes can be accomplished through involved membership with professional associations, such as the American Hospital Association, the American Medical Association, state hospital associations and state medical societies, and so forth. Further, lobbying efforts by large healthcare organizations can help to spread the message directly to state and federal lawmakers through vigorous informational efforts with elected officials from the home jurisdictions. The general goals of tort reform and the "I'm sorry laws" as discussed in the next section can be elevated to the pursuit of full disclosure and rapid, fair settlement of claims, through the realization of full risk integration within healthcare organizations.

LEGISLATIVE AND PUBLIC POLICY CHANGES NEEDED FOR EXPANSION OF OPEN DISCLOSURE

The authors recommend that comprehensive and cohesive legislative changes occur in countries around the world, including the United States, to facilitate the practice of open disclosure between medical practitioners, hospitals, and their patients. In Australia, the goal of open disclosure has been endorsed in various ways, including the declaration of the National Open Disclosure Standard, and the incorporation of open disclosure into the Medical Board of Australia's publication *Good Medical Practice: A Code of Conduct for Doctors of Australia*. Even so, physicians in Australia and Tasmania "have been slow to embrace the practice of OD." There is no single, national statutory requirement for implementation of OD, but there is a mixture of "apology laws" in the various states and territories within Australia (Finlay et al, 2013).

In Canada, most of the provinces and territories have various forms of apology laws in place, which protect against having an apology from a caregiver being used in civil litigation as an admission of fault or liability. There is no national law mandating OD from physicians and hospitals, although disclosure of adverse events is certainly seen as a strong professional and ethical obligation of Canadian health professionals. The healthcare accrediting body Accreditation Canada includes within its program of Required Organizational Practices the necessity of disclosure of adverse events and the requirement of support mechanisms for patients, family and service providers (Wu et al, 2013).

In the United Kingdom there had been less than successful application of OD under the National Health Service (NHS) constitution, and so a strategy was developed to include OD principles within contractual instruments with NHS healthcare providers starting in 2013. The strategy maintains that non-implementation of OD principles would constitute contract breach, complete with enumerated consequences including reduced funding, remedial action and mandatory review (Finlay et al, 2013).

A paradigm-altering approach has been in existence in Denmark since 1992, which approximates similar statutory changes that have been made in Norway, Sweden and New Zealand, in which the medical malpractice litigation system has been replaced by an administrative process and where a panel of experts determines whether patients can collect compensation for errors made in their healthcare delivery. Doctors are not sued in this system and therefore do not have the fear of negative financial consequences that can occur in other countries, so physicians in

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Denmark often help the affected patients in filing claims for compensation with the government fund. An important gain for Danish society in this system is that a data bank of medical errors is maintained that can be mined and that often point to issues that need to be improved upon in the Danish healthcare system, including errors of process, professional guidelines in need to be revamped, and even the identification of specific providers prone to error (Pierce & Allen, 2015).

The United States is roundly understood to be a litigious society and many medical providers fear lawsuits. Further, physicians and other caregivers hesitate to provide information related to medical error for fear of aiding a potential or actual plaintiff. Often, the malpractice insurance carrier is the party most interested in keeping information from the patient or patient's family when a medical error has occurred, resisting any actions that may be perceived to strengthen the suing party's case and putting greater amounts of money at risk (Cwiek et al 2017). The common response in most healthcare institutions continues to be "deny and defend" when legal action is initiated because of patient injury (Boothman, 2009).

The United States is a country of many jurisdictions, including the federal system and the fifty individual states. There is no single, comprehensive legislative development that brings congruence to the development of open disclosure for all these jurisdictions. Thirty-six states and the District of Columbia have "I'm sorry" laws that allow medical providers to make apologies or sympathetic gestures, and most of these states protect an expression of sympathy and not an admission of fault. A time limit is placed on the apology in some states, such as in Vermont, where the statute protects only oral apologies made within 30 days of when the healthcare provider knew or should have known about the consequences of the medical error (Steinman, 2013). There have been various criticisms made of "I'm sorry" laws, including from a Maryland legal counselor who opined: "To preclude an admission of fault, however, is absurd. This is a search for truth and justice. The more restrictive it becomes, the less it becomes a search for truth and the less justice is served" (Villa, 2007).

Ultimately, justice is perhaps best served when laws are enacted not so much to protect the apologizing healthcare provider but to help in the development of more open disclosure programs in healthcare delivery, in all jurisdictions. Tort reform measures can take on the more noble purposes of enabling the maintenance of patient trust in the healthcare system and the lowering of malpractice costs (Shostek, 2017). Added to this, proper legislation can help providers to use the adverse outcome experiences to improve overall clinical quality and medical education. The University of Michigan Health System (UMHS) experience within the State of Michigan indicates that these seemingly disparate goals are possible to achieve, with the help of tort law changes that help toward these ends. Michigan passed malpractice reform in 1994 that requires, among other things: 1) a 6-month presuit notice period, which mandates the patient to wait until filing a lawsuit (and provides the healthcare system time to work with a review committee to determine its own level of fault and often to present a settlement offer, if culpability is determined); 2) protection of the review committee's findings from legal discovery; 3) Caps on noneconomic damages; and 4) new expert witness foundation requirements (Kachalia et al, 2010) (Shostek, 2017).

The authors maintain that the "I'm sorry" apology laws have had some positive effect in recent years with helping remorseful caregivers to explain their regret to the affected patients and their families, but the application of the laws and the various court decisions related to these laws have left uncertainty in the field. This, however, seems to miss the mark. The goal of tort reform legislative law should go beyond apology laws and be toward the development of fully transparent healthcare systems, toward the development of more open disclosure opportunities and organizations that possess full risk integration, and toward fair and expedited settlement of claims. The Michigan experience is instructive toward these ends, and it is maintained that other statutory and regulatory mechanisms of this type be implemented with the goal of bringing healthcare to this better place.

> *A lot of people say it's the right thing to do. I never say that. I say: It's the smart thing to do; it's the necessary thing to do. Because if we're going to look long term, the most important patient is the one we haven't hurt yet.* – Richard Boothman (Adams, 2015)

> *The ultimate goal is to be open about the errors we make, to avoid making them again, and to avoid losing the trust of our patients and families.* – Sanjay Saint (Adams, 2015)

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STRATEGIC INTEGRATION OF MARKETING COMMUNICATIONS IN A DECENTRALISED ORGANISATIONAL STRUCTURE

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ABSTRACT

The concept of Integrated Marketing Communications [IMC] has gained wide-spread acceptance and usage in academic and practitioner circles alike since it first captured the interest of both communities in the early 1990s. Nevertheless, an agreed-upon definition is still missing. IMC has since been accepted and successfully implemented as an approach to achieve consistency in marketing messages sent, yet its successful implementation as a strategic process remains rare. Such research has been less useful for understanding the deeper meaning and reasoning behind judgements and is this kind of understanding that could be arrived at through more practical, in-depth, qualitative approaches.

Keywords: integrated marketing communications, strategic integration, decentralised organisational structure, guiding principles, heuristics.

INTRODUCTION

Marketing communications is defined by Keller (2001) as representing "the voice of a brand and the means by which companies can establish a dialogue with consumers concerning their product offerings" (p. 823). The environment in which such 'dialogue' with stakeholders takes place is not structured as simply as it used to. So-called 'mass media' like television and radio, representing one-way communication, have seen a decline in their dominance and these traditional channels are today regarded as part of a richly varied variety of options (Keller, 2001). The advent of the internet has heralded change which has made it difficult to draw a clear boundary around communications functions and to separate these from other organisational aspects (Rowley, 2001).

Historically, technological advances in the 1970s saw a shift towards superiority in the marketplace - and the rise of superior communications - from large manufacturers through to retailers. Through technologies such as barcode-scanning, retailers gained insight and have developed an understanding of purchasing metrics (Schultz, 1996). More recent technological advances have also seen power shift from retailers to consumers who are now able to gather, create and communicate information in one space as a consequence of advances in information technology (Kim, Han, & Schultz, 2004; Kliatchko, 2008; Schultz, 1996). This shift of power towards the consumer has largely resulted from the advent of the internet and the changes associated with it.

THEORETICAL CONTEXT

Some of the key benefits of the internet are its round the clock accessibility, its ubiquity, its global availability, its identification of individuals, and the corresponding segmentation this supports through one-to-one communication (Rowley, 2001). However, the shift of power from producer to consumer and the attention that the new media has received are driven largely by interactivity and the corresponding opportunity for two-way communication facilitated by internet-technology (Lagrosen, 2005; Winer, 2009). The ability to interactively communicate with individual customers from targeted segments delivers benefits which traditional media cannot provide (Winer, 2009). Kliatchko (2008) refers to a paradigm-shift which has taken place: away from the traditional sender/receiver ('linear') model, where the consumer simply receives information, towards the 'interactive' paradigm where both

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the marketer and the audience can be both content creators and receivers. A much less anticipated feature of connectivity was that internet interactivity did not empower the marketer to the same extent as the consumer (Deighton & Kornfeld, 2009; Ewing, 2009). Audiences not only react to marketing offers, but talk to each other based on such offers (Deighton & Kornfeld, 2009; Schultz, Tannenbaum, & Lauterborn, 1993). The marketer has become an interloper who cannot dominate and control the customer, but has to instead fit in – since her activities may be talked about in both positive and negative tones (Deighton & Kornfeld, 2009). Several marketers continue to utilise communications in a mechanistic way though, using the internet purely as information technology (Ozuem, Howell, & Lancaster, 2008).

Rowley (2001) identifies the need for the integration of technologies into both tactical and strategic dimensions. This paper will focus on the strategic element of her differentiation. She argues that, at the strategic level, in terms of e-business applications, the boundaries between marketing communications and business operations are blurred, since business operation activities are themselves a way of communicating with the customer (Rowley, 2001). The internet has also had a profound impact on the deployment of business strategies and there are implications for marketing communications particularly since there are connections between the two disciplines. At the outset of the internet era, there was significant uncertainty as to whether the internet would provide any kind of competitive advantage (Bush, Bush, & Harris, 1998). Porter (2001), for example, argues that the internet "tends to alter industry structures in ways that dampen overall profitability, and it has a levelling effect on business practices, reducing the ability of any company to establish an operational advantage that can be sustained" (p. 64). It can be concluded that both marketing communications and business strategies were noticeably impacted upon with the advent of the internet, and these impacts are not yet fully understood.

Development of Integrated Marketing Communications

The idea of an integrated approach towards marketing communications [IMC] gained significant momentum in the early 1990s (Holm, 2006; Schultz et al., 1993), and emerged as a natural evolution of marketing communications, driven largely by advances in information technology. The early concept of IMC was that it was a 'one-voice' phenomenon which refers essentially to bundling all promotional mix elements together to create consistency to all messages (Kitchen, 2017; Kitchen, Brignell, Li, & Jones, 2004). In other words, IMC initially referred to the 'inside-out' stage, which is the initial step within the four-stage process model developed by Schultz and Kitchen (2000).

In contrast, in more recent years the focus has begun to change. Kerr and Patti (2015) argued that the integration of marketing communications with corporate strategy was the defining construct of IMC – and not simply an example of 'message consistency'. Establishing IMC as a strategic process is the final step in the four-stage-process model by Schultz and Kitchen (2000) and this step is rarely achieved in practice (Kitchen, 2017; Kitchen, Schultz, Kim, Han, & Li, 2004). The benefit that an integrated approach to communication offers, and the dimension that drives integration is the fact that it provides a holistic and systemic approach to communication and yields all types of synergies. Integration can therefore be referred to as "the organizing ideal of communication and marketing" (Johansen & Andersen, 2012, p. 273). To become fully integrated, the company needs to coordinate its activities, so that they become consistent with the overarching strategy. In doing so, organisational structure is tested in relation to its capability to deliver consistent strategies efficiently. Organisational structure is therefore an important enabler or inhibitor to strategic integration.

The use of customer feedback for strategic purposes based on measuring results may yield a competitive advantage (Holm, 2006), given that such an approach is scarcely undertaken today (Kitchen, 2017). The argument for achieving a competitive advantage of this kind is that "a business that understands its customers and communicates to and with them, with the recognition that business is demand-driven, and should thus be able to access and capitalise upon a continuous stream of ongoing information that leads to competitive advantage" (Kitchen, 2017, p. 395). Implementing IMC successfully as a strategic process can therefore be seen as an approach to overcome the obstacles identified in the initial paragraph which discussed the impact of the internet on marketing communications and strategy. Despite such potential benefits, Low (2000) identified strategic consistency as one of the communications elements which is most in need of improvement in order to improve total IMC-implementation and to achieve corresponding benefits.

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Despite decades of academic discussion on the concept of IMC, further development around its theoretical basis is required (Cook, 2004; Ewing, 2009). Furthermore, Kitchen (2017) recently remarked upon the weak theoretical foundations of IMC, particularly in terms of its application in practice. Further understanding is therefore required based on a close exploration of IMC as it is applied in companies (Mortimer & Laurie, 2017) and talked about in corresponding academic discourse (Kitchen, 2017). There is still no generally accepted definition of IMC, despite movements in that direction (Kitchen, 2017; Kliatchko, 2005, 2008) and despite the need for such an agreed definition (Lee & Park, 2007).

IMC and strategy

Responses to business challenges often fail to consider the importance of matching operative activities to strategic direction (Fuchs, Mifflin, Miller, & Whitney, 2000). The need for integrating marketing communications into a business strategy emerges from the argument that strategy-consistent collaboration of several communication functions results in synergies (Ewing, 2009; Kitchen & Burgmann, 2015; Schultz, 1996).

Porter (1996) argues that operational effectiveness and strategy are both essential for superior performance. While operational effectiveness refers to the performance of similar activities better than rivals, strategic positioning refers to the performance of different competitive activities (Porter, 1996). This raises questions about the extent to which IMC can be viewed as a source of sustainable competitive advantage and thus a strategic concept. This depends on the approach taken towards implementation. At lower stages of the four stage process model (Schultz & Kitchen, 2000), IMC is only about achieving consistency of activities. Only if higher stages of this model are achieved, IMC integrates customer feedback, measures activities and uses this measurement to improve (strategic) activities (Schultz & Kitchen, 2000). None of the stages is naturally intertwined with business strategy, and the improvement of integration by itself is not necessarily a strategy. However, each stage and each activity *can* be part of a company's strategy. Indeed, "IMC has become a strategic issue and should, therefore, be treated in accordance with the nature of strategy and strategic decisions" (Holm, 2006, p. 26). The desire to integrate marketing communications more efficiently depends on the commitment of the organisation, i.e. it is a question of whether the company *wants* to achieve better integration of its marketing communications activities (Kitchen, 2017, p. 396). This is an option other companies can pursue as well, and if merely lower stages of IMC are implemented, companies are merely improving operational effectiveness. Porter (1996) argues that "a company can outperform rivals only if it can establish a difference that it can preserve" (p. 62). He argues further, that "competitors can quickly imitate management techniques, new technologies, input improvements, and superior ways of meeting customers' needs" (Porter, 1996, p. 63). Only if the fourth stage of an integrated marketing communication program becomes an essential part of strategy design (Rumelt, 2012) or a prerequisite for strategic positioning, can IMC support the achievement of sustainable competitive advantage. Strategy contribution is established if customer information and insights, as generated in stages two and three of the four-stage process model, are effectively used in the planning of a business strategy (Schultz & Kitchen, 2000).

Decentralised organisational structure

Organisational structure (Schultz & Kitchen, 1997; Schultz & Schultz, 2004) in general and a decentralised organisation structure (Eagle & Kitchen, 2000) in particular have been identified as possible barriers to IMC implementation. Mintzberg (1979) defines a decentralised organisation as one where the power of the decision-making is dispersed amongst many individuals throughout the organisation. One key reason he identifies for operating a decentralised organisational structure is that when decision-making power is shared, "the individuals who are able to understand the specifics can respond intelligently to them" (Mintzberg, 1979, p. 183). Yet one significant potential downside of decentralisation is co-ordination lost across units of the company (Mintzberg, 1979; Rumelt, 2012).

According to social influence theory, normative social influence refers to a group of social actors influencing each other with the aim of ensuring that individuals belonging to the group are acting in accordance with the expectations of that group (Deutsch & Gerard, 1955). This is a problematic issue in the context of implementing IMC, which is aimed at ensuring the global consistency of messages and strategic activities. Decisions relating to

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marketing activities are therefore likely to be influenced more by a local subsidiary, than by a headquartered marketing- or strategy-department, leading towards inconsistency of activities across multinational subsidiaries. To implement IMC successfully at a strategic level - or even at the message-integration level - co-ordination is a major issue to be addressed, since strategic integration is based on people collaborating. The resulting necessity is that processes need to be developed which are capable of aligning functionally and locally spread elements, if the aim is to implement IMC successfully (Schultz & Schultz, 2004). As a counter perspective to this potential barrier, heuristic decision-making, in the form of guiding principles used for steering decision-making can be useful for addressing such barriers, by helping people take decisions which are consistent with business strategy.

IMC and decision-making

Guiding decision-making is an important aspect in the successful implementation of IMC in a global company which operates a decentralised subsidiary structure. Guiding principles are decision-making guides which possess an heuristic character but can also carry emotional content which is explicitly shared throughout a group of people (Oliver & Jacobs, 2007). Implementing a guiding-principles approach wisely may help to retain the benefit of remaining flexible in local decision-making, while maintaining a core of consistency across several dispersed subsidiaries (Challagalla, Murtha, & Jaworski, 2014). Heuristics, scripts, schemas and guiding principles are all knowledge structures which become cognitive shortcuts for quick behavioural responses in familiar situations, and they are based on a script which is developed based on prior experience (Woiceshyn, 2009).Heuristics are a good fit in situations with high uncertainty, since the balance between the cost of solution-searching and the acceptability of results is better than for mathematical models (Gigerenzer & Gaissmaier, 2011). As Gigerenzer (2008) put it, “The more unpredictable a situation, the more information needs to be ignored” (p. 26). According to Oliver and Jacobs (2007), “guiding principles are knowledge structures that call to mind collective narratives with emotional content, and are articulated and used heuristically to guide decision-making in organizations” (p. 813).

Challagalla et al. (2014) suggest the use of guiding principles for their concept of marketing doctrine by focusing on the unique experiences of a company. These experiences and ideas are then ‘distilled’ into a guiding principle. Through employee involvement in principles generation and by supplying just some rough guidance yet leaving out details for its execution, the concept allows addressing ”the seemingly at-odds imperatives of consistency and flexibility” (Challagalla et al., 2014, p. 4). Marketing doctrine is therefore able to overcome issues in generating consistency in a decentralised organizational structure, and the approach may be considered relevant for IMC implementation as well.

CONCLUSION

A research gap regarding IMC implementation is evident. No study - to the authors’ best knowledge - has yet focused on the practical issues regarding a case of implementing IMC at a strategic level in a decentralised organisational structure. There is no real understanding about the specific issues caused by this setting and the possible approaches to overcoming related barriers. In this context, there is a lack of IMC-related studies for companies originating in Germany. Further, the majority of studies used surveys for data generation, while the specific circumstances for closing the outlined research gap call for a deeper understanding of the practical issues faced by all actors, and this can be achieved using qualitative methods. Additionally, guiding principles have not yet been the focus of IMC-related research as a means of overcoming the deficiencies a decentralised organisational structure poses in terms of strategic and operational IMC implementation. Addressing this research gap could facilitate understanding of how IMC can be implemented successfully at a strategic level and as a strategic process in companies.

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CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS ETHICS IN UKRAINE

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ABSTRACT

This study focuses on understanding of drivers behind the process of advancement of corporate business ethics in Ukrainian companies within distinctive transitional setting. Our study finds that design, development and implementation of corporate ethics differs along the division line suggested by differing approaches to CSR. The motives and consequently the strategy behind ethics also falls into a number of different categories. While local companies often are driven by purely ethical concerns when they pursue CSR activities, international firms tend to be mostly driven by the Western parent company and desire to establish legitimacy.

Keywords: Business Ethics in Ukraine; Corporate Social Responsibility in Transitional Economy.

INTRODUCTION

Business ethics is an ever evolving phenomenon in many post Soviet economies, including Ukraine, where corruption and questionable business practices have been known to plague economic and social development. Ukraine presents an intriguing and underexplored ground for CSR research. Ukraine's historical, economical, political and cultural characteristics vary considerably from other former Soviet republics, including Russia (which enjoyed a fair share of attention in academic research). This paper aims to develop an understanding of the current state of CSR and extend of business ethics implementation in Ukraine as seen via prism of both domestic and international firms.

This study focuses on understanding of drivers behind the process of advancement of corporate business ethics in Ukrainian companies (both international and domestic) within distinctive transitional setting. The necessity of developing and implementing business ethics (internal and external) in Ukrainian companies has been established. However, the degree of this development still remains unclear. Many companies have embarked on a number of Corporate Social Responsibility (CSR) activities that have lead them to become more proactive in designing and implementing corporate ethics agendas. It has been suggested that CSR practices tend to differ among newer post-Soviet era companies whose clients and/or investors are external (international), and domestic companies (Filosof, 2012). To that extend, our study finds that design, development and implementation of corporate ethics also differs along the division line suggested by differing approaches to CSR. The motives and consequently the strategy behind ethics also falls into a number of different categories. While local companies often are driven by purely ethical concerns when they pursue CSR activities, international firms tend to be mostly driven by the Western parent company and desire to establish legitimacy.

Ukrainian culture and traditions warrant establishing its own philosophy of ethics in business environment. By simply copying ether Western-style (American) business ethics standards or Eastern styles (Japanese) does not seem to produce desired results, as it has been shown in recent studies. In this paper, we draw upon exploiting cultural mentality, historical roots and traditions to suggest a business ethics philosophy that is tailored to the realities of the business and economic environment in the country.

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BACKGROUND AND LITERATURE REVIEW

Corporate Social Responsibility (CSR) and business ethics, although not the same concepts, have been attracting management researchers for a long time. To keep this paper compact, the body of literature review on CSR as well as business ethics is largely omitted. Rather, we focus here on works that relate directly to the transitional economies of former Soviet countries and cultural dimensions that are specific to the nation in question.

Gratchev (2011) indicates that former Soviet republics are characterized by a number of cultural disadvantages that greatly impact business environment. Some include reluctance to invest in future economic development, minimal appreciation for recognizing and rewarding outstanding performance/results, as well as complacency with poor job performance. Most of these Soviet-era legacies continued to flourish in Ukraine.

Ghedrovici O. & N. Ostapenko (2016**)** offer a comprehensive contemporary business ethics development overview for Moldova - another former Soviet state, which has some developmental similarities to Ukraine due to being a forced mix of Ukrainian and Romanian cultures. Authors conclude that business culture is largely underdeveloped and misunderstood, with only few international companies that operate under business ethics norms for the success of their business operations.

Filosof at el. (2012) asserted that the development of "Western style" understanding of CSR in Ukraine has gained momentum beginning in the mid-2000, and has lead to Ukraine progressing towards institutionalization of CSR. While authors acknowledge the importance of studies across Eastern European Countries in identifying similarities and differences between developed and transitional countries (e.g., Furrer et al, 2010; Koleva et al (2010)), authors emphasize that such studies are lacking in being able to evaluate distinctive qualities within each of those transitional economies. It is important to distinguish between differing institutional contexts within each country. Utilizing Garriga and Melé's (2004) typology of CSR, this study categorized the CSR motives of the Ukrainian-based companies into categories of a) instrumental, b) societal and 3) ethical. While instrumental motives were shown to be more prevalent than societal or ethical (based on 19 interviewed firms), authors worn that it may be caused by perceptions of respondents on how modern capitalist firms should operate. Study further revealed that motives of the foreign-owned companies and those of Ukrainian-owned one were not dissimilar. However, large Ukrainian companies with international market potential, seek legitimacy in the West, while domestic Ukrainian companies do not seem to be motivated by seeking legitimacy.

Mitigating Corruption from Executives' Perspective

Based on 20 in-depth interviews with Russian CEOs and four executive workshops with Russian senior managers from three companies, Shekshnia et al (2014) identified four typical positions that Russian executives take up in relation to corruption:

Tolerating—is the most widespread: "Because the whole society is corrupt, and unless systemic changes occur, corruption cannot be effectively dealt with and is widely accepted. It is not up to us to promote anticorruption changes; the government should take care of it."

Exploiting—is expressed openly only by a small minority: "Since Russian society is deeply corrupt, corruption should not only be accepted but also proactively used to advance business interests." In other words, the endemic nature of corruption makes it a legitimate instrument for doing business.

Avoiding—is also articulated by a small minority: "Even in an endemically corrupt environment, where corruption is generally accepted, it is possible to avoid it and to run a business without it playing a role. Others may suffer from corruption but we can find a way to stay away from it."

Managing corruption—is shared by a select few: "Corruption is a problem and we are working on it, even where we are unable to change the environment."

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While corruption is recognized as a major risk, executives are quite adept at developing specific strategies and mechanisms to mitigate it. Anti-corruption challenge should further be subdivided into internal and external one. Corporations tend to blame corruption in the public sector and hide internal corruption from the public, while the external corruption in the form of interaction between the state and the firm, remains un-scrutinized.

Authors have suggested adopting the so called “reflective leadership" style as a mechanism of overcoming this situation. Reflective leaders see corporate responsibility as inclusive of the courage to confront external corruption proactively and of the will to enforce anti-corruption instruments to deal with the firm’s internal corruption. This remains a particularly challenging task in emerging markets which are often ridden with endemic corruption.

Business and Economic Environment

Economic instability in the entire country fueled by the territorial conflict with Russia and military activities in parts of the country have lead Ukrainian government to recently implementing a wide range of reforms, including several anti-corruption initiatives directly affecting business practices. There is some evidence suggesting that managerial attitudes towards corruption that have been a part of the business operating landscape for many years started to shift. According to Denisova-Schmidt E. and Y. Prytula (2015), the number of businesses that view corruption as an obstacle for their development has almost doubled since 2013, from 23% to 43%. Although managers have learned how to live and deal with corruption, they are becoming more vocal about the issues of corruption as an obstacle to business development.

"Internal practices", which is a less harsh term for corruption, refer to the practical norms Ukrainian CEOs and managers often use to get things done. One recent study have shown that when asked about the informal practices used within the company, CEOs and managers attribute practices such as paying salaries to their staff in cash, receiving explicit/implicit benefits from potential job candidates, or using company funds/employees for personal needs are considered "internal practices" rather than corruption. The study went further in describing dealings with suppliers and buyers, interactions with local and state authorities, tax inspectors and the courts as all consistently viewed as "informal practices" that occur in everyday business, although according to the Transparency International, they are all forms of corruption.

The results of Denisova-Schmidt E. and Y. Prytula (2015) study show a considerable increase (one standard deviation) in the usage of two informal practices: cash payments of salaries and bonuses as to avoid paying taxes or social fees; and vendor/contractor selection on a basis of informal relationships and agreements. While the benefits of such practices are obvious for small and mid-sized firms, who are deeply impacted by high taxation; many large business utilize the practice of employing staff as consultants thus reducing the tax burden. CEOs and managers indicate that, if they were to pay all the required taxes and fees, employees’ salaries would have been reduced in half. That de-motivates employees and leads to a decline in productivity and morale, so employers try to increase salaries by paying social benefits directly to their staff. Also, having no formal organizational relations with employees reduces the time needed for managing taxes. Thus, interestingly enough, tax evasion is seen as a motivational factor yielding increased productivity and as such, it is a socially accepted way of increasing employee benefits regardless of the company's size.

The same study revealed vendor/contractor selection on a basis of informal relationships as a second most increased "informal practice". Many interviewed CEOs and managers acknowledged their views of business as a zero-sum game, mentioning that if one does not use informal connections, one’s competitors would use them to win. While corruption remains a major mechanism by which companies evade taxes, resolve complicated bureaucratic procedures and obtain market access under favorable or even monopolistic conditions, many large companies increasingly strive for transparency in order to get access to the international capital market. At the same time, small and medium-sized enterprises strive for a decrease in negative, connection-based relationships in order to have equal access to corruption mechanisms on the market.

Thus, across many industries and different company's sizes, the "informal practices" are increasingly viewed as an obstacle to business development, although motivational forces of large firms are not the same as those

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of a small and mid-sized companies. While evidence suggests that businesses are still using or even increasing their usage of certain corrupt practices, they seem to exhibit a significantly more negative attitude towards corruption as the usual way of doing business in Ukraine.

Most of companies in Ukraine (both large and medium) have no definite strategy of socially responsible business; they are at the phase of complying with the legislation and carrying out point charitable projects. Leaders of Ukrainian business, in particular private businesses, carry out proactive charitable activities (strategic charity) and use public relations tools. Nearly all the large companies implement projects aimed at enhancing business process efficiency projects that have some social or environmental benefits, however, the majority among them fail to link such business projects with their own social responsibility.

MODEL

The proposed philosophy is based on a number of principles found in both Western and Eastern business ethics styles, but represents its own mix that we argue has a good chance of taking roots in the domestic companies. The following principles have been developed.

Principle 1: Personification. This relates to the individualistic focus of the Western-style ethics and the very collectivistic focus of the Eastern-style. Since Ukraine has been a strongly collectivistic oriented culture, with over seventy years of communism contributing to the establishment of such orientation, it would be reasonable to suggest a collectivistic orientation. However, it's not wise to ignore or not recognize talented people within the organization with a highly individualistic approach. Thus, the proposed approach is referred to as personification. Organizational environment needs to have flexibility to recognize potential of one individual or an entire group on a situational basis.

Principle 2: *Guaranteed Employment*. Life-time employment guarantee that are part of Eastern style business orientation is not only impractical for Ukraine, but would induce sluggish performance due to natural laziness. On the other hand, high turnover creates a feeling of mistrust, in addition to causing uncertainty and instability. Thus, what is suggested is guarantee of employment, with economic and social benefits, subject to job performance, along with the use of motivational strategies and incentives.

Principle 3: Cooperative competitiveness. Here, the emphasis is on competitive orientation (between individuals or groups), but with the emphasis on cooperation in order to achieve overall organizational goals.

Principle 4: Personal interests and loyalty. Although Ukrainian culture does not have room for samurai in it, there is plenty of room for individuals who are motivated by their own passion and enthusiasm. Thus, loyalty to your employer should be cultivated within the organization via promotion of the individual's own passions to achieve organizational goals.

Principle 5: Internal and External training. Training and skill advancement for employees should be a synthesis of internally supported training and external initiatives. For example, students might be sent to internship in the company while in school with the subsequent job placement upon graduation. Alternatively, organization might have a cooperative programs with higher education institutions to train specialists with the desired skills.

Today, only few of the top 100-best domestic companies actively show their efforts on implementing corporate business ethics codes in Ukraine. Leading companies do it, but the rest of the pack does not always pursue similar efforts. It's true that transnational companies operating in Ukraine actively publicize their own corporate cultures while strongly supporting implementations of such cultures into their Ukrainian affiliates. It makes them very attractive and prestige employers for Ukrainian labor force, and consequently these companies attract the best skilled personnel. However, domestic companies continue to struggle with the practical side of establishing and implementing international-style business ethics standards. This struggle parallels the struggle of many domestic companies in establishing a viable strategic planning process within their organization.

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By looking at some of the already established business ethics codes for companies (both domestic and international, as well as small-sized and large-sized), we tested the proposed model of the Ukrainian-style business ethics philosophy. We also have compiled a number of informal interviews from managers of international (small and large) companies as well as domestic firms. Thus far, it is found that implementing the proposed philosophy will likely lead to resistance due to the fact that some groups/individuals within organizations may not want to be transparent about their own principles and goals. In addition, management may not want to increase their responsibility for the groups vested in the organizational existence. (Note: the detailed description of the companies surveyed is omitted from this paper due to size limitations).

MANAGERIAL IMPLICATIONS AND FUTURE RESERACH

The process of economic transformation has led to a shift in fundamental views of social norms. Cultural moral-based "universal values" system has been replaced by somewhat distorted value orientation that is based on consumerism. This, in turn, transformed social and labor relations, particularly impacting workplace motivation. Corporate business ethics have been influenced by this transformation. Unfortunately, formation of ethical standards and moral norms has been largely influenced by the influx of business people who joined the ranks of legitimate managerial and business personnel while formerly supporting business activities of shadow and criminal economy. They brought an entirely different ethical requirements and moral standards. On the other hand, domestic market has welcomed foreign business people whose Western style ethics principles started to intertwine with the national Ukrainian features. The positive influence of the foreign business ethics practices allowed for renewed interest and desire to copy from the Ukrainian counterparts, thus leading to the renewal of the traditional old-fashion "universal value" system.

Although it is a positive process, there are a number of factors that hinder this process. Among them are:

1. The principles of private property are not fully supported in Ukraine

2. Business success, prosperity and wealth, even when it is earned as a result of hard work, is often negatively perceived by a very large part of the society

3. In the business environment, the role of the government and the relationships with the law are uniquely perceived through the prism of necessity of the business to survive under the uncertainty of the economic conditions. The ethical paradox of Ukrainian business is that the ethical or unethical choice is rather determined by this necessity to survive under the corrupt conditions and noncompliance of the laws, indifference, and often pressure from the state.

The unique nature of the country and the approach taken by Ukrainian-based firms towards CSR warrant future research. An in-depth research into tendencies of CRS development and implementation for a specific sector of the economy would be of an interest. The recent study by Gagalyuk et al (2018) focuses on agro-holdings - large scale industrialized corporations in Ukraine. Expansion to tech industries and others would be of great interest. It would be beneficial to specifically focus on cross studies of firms with predominantly western clients vs. those with mostly domestic ones; or focus on organizations of a certain size. Another avenue for future research would be to shed more light into the impact of the unique national setting (privatization leading to current ownership) on formation and institutionalization of business ethics.

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EVIDENCE OF A SYSTEMATIC COUNTRY RISK PREMIUM

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ABSTRACT

This paper investigates the pricing of "country-risk-premia" (CRP) across 85 capital markets from 1985 to 2017. After orthogonalizing total market returns with global factors, portfolios of markets with low and high country risk ratings are constructed. Low country ratings portfolios outperform those with high ratings; this 'low-minus-high' (LMH) rating premium is larger and uncorrelated with global risk premia. Further, there is no statistical difference between CRPs calibrated with out-of-the-sample rating premia and the ones recently reported by publicly available sources. This paper concludes that CRPs, proxied by global-factor-orthogonalized LMH, are systematic, compensate for the lack of regional integration, and cannot be ignored for valuation purpose.

Keywords: Country risk premium, country risk rating, multifactor model, asset pricing, equity valuation.

INTRODUCTION

The evaluation of the equity risk premium (ERP, hereafter), a key element to the cost of equity, is one of the most critical elements in any business valuation. Undeniably, the uncertainty associated with the measurement of risk premia leads to far more valuation variations than the uncertainty associated with future free cash flows. The lack of confidence in ERP's measurement is even more significant when a country has no capital or bond market, high sovereign risk, crony market behaviors, investments restrictions, and questionable financial reporting.

There are essentially two approaches to estimate ERPs: the academics and the practitioners' way. Academics advocates for theoretically sound factor models using systematic common global and local factors calibrated with market and company data—e.g., the "globally nested CAPM" and its extensions. Practitioners compute ERPs by tweaking factor models using ratings and surveys data in addition to company and market-specific data. For instance Damodaran's ERP model model is essentially a two-factor model that breaks down ERP into two sub-components: (1) a global risk premium (GRP, hereafter) implied from a fully integrated market, and (2) a country risk premium (CRP, hereafter) proxied by scalling default spreads to local equity markets. In this model, CRP's inputs are a mixture of market-based and sovereign ratings data. Other approaches extrapolate ERPs using a pricing matrix built with economic, financial, and political ratings, or estimates from surveys.

Opponents to the practitioners' way may argue that (1) an "intuitive tweaking" of a common factor is not considered as a theoretically sound methodology, and (2) there is no such thing as a CRP since it can be diversified away. Proponents claim that the idea of single global equity risk premium suiting any markets is unrealistic since (1) local investors have a significant home bias and (2) cross-market correlations increase dramatically when diversification is most needed—i.e., during down-trending markets.

While GRPs reasonably describe the equity return generating-process in developed markets, there is little consensus on the measurement of CRPs in the partially integrated emerging and frontier markets. Yet, empirical evidence suggests that CRPs are real and systematic. For instance, a plethora of articles have reported that (1) companies traded in emerging markets have both higher average returns and more volatility than those traded in developed markets, and (2) global fundamentals fail to explain emerging and frontier markets' systematic risk. In addition, forward estimates from surveyed academics, analysts and companies report higher average premiums for

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riskier emerging markets (Fernandez, 2018). It means that those who value equities believe there should be a compensation for country risk differentials.

Any heuristic approach to model ERP must have not only a theoretical underpinning, but also reliable and observable input. If CRPs are priced, then its measurement is a bigger issue. That is, data are not always reliable and/or observable—i.e., fundamental or market-based data are not usable in countries where there is no capital market, bond market, too short of a history of data coverage, or with very few publicly traded firms. Erb, Harvey, and Viskanta (1996) pioneered a solution to both data reliability and availability problems by using country risk ratings as a proxy for risk. Professional data providers, such as the PRS Group, use their methodology to provide periodic of ERPs for a selection of countries.

Although the idea behind a relationship between ratings and premia is intuitive, it has two main flaws. First, the authors calibrate their model with 10 years of data from 47 capital markets. Since asset pricing models are usually calibrated over a long period and a broad cross-section of countries with quality stock market data, the long-run persistence of their findings could be disputed. Second, there is no evidence that their empirical approach is nested into an asset pricing model. Indeed, one can only wonder whether the relationship between ratings and returns is spurious since there the existence of a risk rating premium has never been tested.

The purpose of this article is to (1) investigates whether a country risk rating premium was priced across 85 capital markets for a period starting in 1985 and ending in 2017, and (2) assess how "country risk rating premium-implied-ERPs" for 140 countries compare to concurrently published ERPs. The paper is organized as follows: The first section outlines the main findings in the literature. The following section presents the data used to conduct the research. The next section outlines the research methodology used to investigate the pricing of risk ratings across all capital markets. The subsequent section presents the results. Concluding remarks are offered in the final section.

LITERATURE REVIEW

There is a plethora of models to compute a country's ERP. All of them are nested into a generalized model stating that the equity risk premium is a function of a set of local and global factors, which relative importance is inversely related to market integration. For instance, the ERP is reduced to global risk premia in the highly integrated developed markets. In a partially integrated emerging and frontier market, ERP consists of GRPs augmented by a a premium reflecting excess political, economic, and financial risk relative to what is found in an integrated market—i.e., CRPs.

The existence of fundamental global factors such as market, size, value, and momentum premia is well established in developed markets. For instance, Fama and French (2015) propose that global risk premia be computed using a set of five fundamental factors—i.e., market risk, size, value, profitability, and investment patterns premia. Even if their model fails to capture the low average returns on smaller stocks with low profitability and large capital expenditures, it outperforms its predecessor--the three-factor CAPM. To date, no research has rejected Fama and French's latest five-factor CAPM in developed markets. Accordingly, if a market is integrated, a multifactor model with Fama and French's common factors is appropriate.

There is little consensus among academics on an optimal approach to measure CRPs in the partially integrated emerging and frontier markets. Wang and Xu (2004) assert that the reliability of accounting information is questionable in emerging markets. Thus, fundamental valuation information coming from the "book" is not as essential as in mature markets. Bekaert, Harvey, and Lundblad (2007) find that local market liquidity is an important driver of expected returns in emerging markets, and that the increase in integration has not eliminated its impact. Girard (2010) investigates the pricing of 3,782 companies traded in 29 emerging markets from 1988 to 2006; he rejects the three-factor CAPM in many emerging and frontier markets. The author attributes his findings to emerging markets' poor corporate governance, crony accounting practice, market manipulation, short-selling restrictions, and insider trading problems. He also shows that there exists a premium in markets with restricted openness to foreign investors. Lau, Ng and Zhang (2011) look at time series variation in risk premiums in 41 countries and conclude that countries with more information disclosure (less crony) have less volatile risk premiums and that the importance of information is heightened during crises. De Groot, Pang, and Swinkels (2012) find some evidence of value and momentum effects in frontier markets. Brockman, Schutte, and Yu (2012) find that stocks with higher unsystematic risk realize higher

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returns in emerging and frontier markets. Zaremba (2015) uses the indices of 78 countries over the period 1999–2014. The author finds evidence of value, size and momentum effects at the country level. He further suggests that the importance of these local fundamental factors is stronger in small and medium country markets than large ones. Barro and Jin (2017) estimate a model with rare events and long run risks, using long term consumption data for 42 countries, and argue that much of the movement in equity risk premiums comes from shifts in the assessed likelihood of rare events. In sum, evidence suggests that (1) models using global fundamentals fail to capture some systematic local risk factors and (2) a CRPs are not diversifiable and compensates for integration differentials between countries—i.e., differentials in liquidity, fund flow volatility and restrictions, investability, information access, propensity for cronyism, and likelihood of rare events.

As for CRP measurement, it can only be empirically estimated. Practitioners tend to use one of the two following approaches: (1) Implied CRP using interest spreads, and (2) matrix pricing (extrapolating) based on ratings and surveys. For instance, Damodaran (2018) propose to estimate a country's ERP by combining GRP and CRP. The risk premium in the integrated market is implied using a dividend discount model, and the CRP is measured by scalling the sovereign spread to the local equity; sovereign spreads are estimated using default bond spreads, credit default swap rates, cap rates, or matrix pricing with Moody's sovereign ratings or PRS country risk ratings, whichever is available. Although this method is widely used and part of CFA body's of knowledge, Kruschwitz et al. (2012) demonstrate that it has no theoretical underpinning. Another popular approach has been proposed by Erb, Harvey, and Viskanta (1996) who investigate country risk ratings as a proxy for risk; these ratings are composites of survey-based political, economic, and financial scores. They find that (i) country ratings proxy for many of the fundamental risks, and (ii), in contrast to the traditional backward-looking measurement of risks, ratings are forward-looking and dynamically changes through time. They fit a model using the equity data in 47 countries and the associated credit ratings, then extrapolate the rates of return in the 88 countries without equity markets. In a later paper, Harvey (2004) observes that country risk ratings are inversely related to market volatility and correlated with future equity returns in emerging markets. The author concludes that the excess premia required to invest in less developed markets can be evaluated using country risk ratings. Girard and Sinha (2008) and Girard (2010) corroborated Harvey's findings by showing that there is foreign investment restrictions premium in emerging and frontier markets, and the value of this premium is inversely related to country risk ratings.

Damodaran (2018) compares estimates of January 2013 ERPs using surveys, historical premium, and the implied premium approach. The author finds that all approaches yield different numbers. He further suggests that the choice of a premium depends upon the forecast period, markets efficiency, and the purpose of the analysis. As Kruschwitz et al. (2012) argue, the size of any observed CRP depends on the methodology employed; thus, the evaluation of a required rate of return using CRPs is somewhat arbitrary, meaning that equities could be systematically misevaluated.

DATA

The study uses monthly data from 85 markets for a period spanning from January 1985 to January 2017. Country risk ratings are obtained from the International Country Risk Guide (ICRG) and are used to capture a country's sovereign risk as well as its market's sensitivity to global economic shocks. ICRG assesses a country risk based on four dimensions – composite, political, economic and financial. The composite risk score the political, economic and financial risk scores together to compute for a country. This composite risk score is computed as weighted average of political, economic and financial risk ratings. In the ICRG scale, a high score indicates low risk.

Since ICRG risk ratings were first published late 1984, monthly total return for all available developed and emerging capital markets are computed from 1985:01 to 2017:01. Total returns are implied from Morgan Stanley Capital International (MSCI) and Emerging Markets Data Bank (EMDB) index series (discontinued on 2008:07). For the period preceding the 2008 crisis, the source for an index series is chosen based on the length of coverage—i.e., all developed markets and few emerging market series total returns are obtained using MSCI indices, and most of emerging markets total return index series are computed from EMDB index series. For the post-crisis period (2008:09 to 2017:01), only MSCI index series are used. As in Rouwenhorst (1999) and Girard (2010), total returns are calculated from U.S. Dollar-denominated indices to circumvent the problem of return distortion due to high inflation.

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The sample includes 23 developed and 62 emerging markets. A summary of descriptive statistics is shown in Table 1. The lowest number of markets available for any given month is 36 (January 1985 to December 1987), and the largest is 83 (January 2011 to January 2017). Table 1 shows the familiar pattern of higher standard deviations, and lower ratings for emerging markets. These statistics are in line with findings in other studies. Interestingly, the return pattern changes as a result of the 2008 financial crisis suggesting the existence of a structural break.

Table 1: Descriptive Statistics

			Buy-and-Hold Return		Composite Risk Rating	
Period	**Type**	**Number of Countries**	**Mean Per Annum**	**St. Dev. Per Annum**	**Mean Per Annum**	**St. Dev. Per Annum**
all	Emerging	62	6.57%	38.09%	69.63	3.68
	Developed	23	7.12%	29.01%	82.18	3.23
1985-2008	Emerging	57	15.48%	34.43%	71.53	3.24
	Developed	23	10.92%	22.45%	83.22	2.75
2008-2017	Emerging	61	-0.52%	31.54%	69.61	2.65
	Developed	23	-1.82%	28.08%	79.86	1.93

The cross-section of volatility and average risk ratings highlights the negative relationship between total risk and composite risk ratings. There is also a negative correlation between markets' standard deviations and the three subcomponents of composite rating—i.e., economic risk rating, financial risk rating, and political risk rating. Since markets with higher volatility had lower risk ratings from 1985 to 2017, there should be a risk premium in countries with lower country ratings. The composite risk ratings' volatility provides evidence that (1) ratings change dynamically, and (2) ratings of emerging markets change more frequently than for developed markets. Harvey (2004) reports similar finding and concludes that country risk measures are most useful for the analysis of emerging rather than developed markets.

METHODOLOGY

For country risk ratings to be priced across capital markets, there should be a common rating risk factor nested into the following generalized equity risk premium model,

$$r_i = \sum_{j=1}^{j=n} LF_{i,j} + \sum_{k=1}^{k=p} \beta_{i,k} GF_k \quad (1)$$

Where r_i is the equity risk premium in country i, $\beta_{i,k}$ is the systematic risk of country i relative to global factor k, $LF_{i,j}$ is a set of local risk premia, and GF_k is a set of global factors. In this general formulation, $\sum_{k=1}^{k=p} \beta_{i,k} GF_k$ is the ERP in a fully integrated market, and $\sum_{j=1}^{j=n} LF_{i,j}$ is the CRP for country i, orthogonalized with all global risk premia. Thus, Equation (1) implies that (i), in any given country, the equity risk premium (r_i) is measured as the sum of the global equity risk premium and a country risk premium, and (ii) the size of the country risk premium is inversely related to market integration.

Erb C., Harvey C., and T. Viskanta (1996) and Girard and Sihna (2008) test the following empirical model to incorporate a country risk rating as a measure of risk,

$$R_i = \alpha_i + \beta_i A_i + \varepsilon_i \quad (2)$$

Where, R_i is the market return; A represents the country risk rating attribute (Erb et al. use the logarithm of the lagged rating, and Girard et al. use rating levels) and $\beta_i A_i$ is the ERP of country i. Once calibrated over a broad cross-section of capital markets, equation (2) provides a benchmark for computing a required rate of return in any country. It is particularly useful in countries without a capital market, where the risk premium can be easily interpolated using that country's risk rating. Commercial country risk providers, such as the PRS Group, use a similar model to compute ERPs. Although equation (2) is intuitive and appealing, there is no evidence that it is nested into equation (1).

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The purpose of this paper is to investigate the existence of a country risk rating premium. If such premium is priced across the world capital markets, equation (2) can be expressed as

$$r_i = \sum_{k=1}^{k=p} \beta_{i,k} GF_k + LMH_i \quad (3)$$

Where, r_i is the ERP in country i; $\sum_{k=1}^{k=p} \beta_{i,k} GF_k$ is the global risk premium in a fully integrated market and LMH (Low-Minus-High) is the country's CRP measured as the difference between the total orthogonolized return of a portfolio of countries with a lower rating and a portfolio of countries with a higher rating. If LMH is positive, statistically significant, and uncorrelated with global risk premia, it must be priced across markets. As such, interpolated LMH can be used to evaluate the equity risk premium in all countries with a risk rating.

To test equation (3), a three-step process is applied: First, country rating premium are constructed from monthly risk premia orthogonalized with an OLS fit of the Fama and French's "5-factor model"—i.e.,

$$r_{i,t} = \alpha_i + \beta_{1,i} RPW_t + \beta_{2,i} SMB_t + \beta_{3,i} HML_t + \beta_{4,i} RMW_t + \beta_{5,i} CMA_t + \varepsilon_{i,t} \quad (4)$$

Where, $r_{i,t}$ is the equity risk premium in country i at time t; RPW is the world risk premium, SMB is the global size premium, HML is the global value premium, RMW is the global profitability premium, CMA is the global investment pattern premium, and $\varepsilon_{i,t}$ is the orthogonalized equity risk premium in country i at time t. Second, CRPs are computed using the same sorting methodology as Rouwenhorst (1999) and Girard (2010). Once computed, the factor's pricing, composition, size, and correlation with global factors are analyzed. Third, equation (3) is calibrated using pre-crisis data (1985 to 2008) and the equity risk premia of 140 countries are estimated using January 2017 risk ratings. The results are compared to Damodoran's ERP estimates released at the beginning of 2017.

FINDINGS

For all market and each month, a market rating premium is constructed by measuring the difference in orthogonalized total returns between a portfolio of markets with low ratings and a portfolio of markets with high ratings—i.e., Low-Minus-High or "LMH" hereafter. That is, at the beginning of each month, markets with available ranking information are sorted into quintiles, quartiles, and terciles. For each sorting and within each group, orthogonalized total returns are averaged and annualized. The difference between the total return of the bottom and top rating-sorted portfolios is the rating premium. Rating premia are computed for the composite rating (LMH-CR), and its three subcomponents—i.e., economic (LMH-ER), financial (LMH-FR), and political risk rating (LMH-PR). Since ratings can change monthly, the composition of each portfolio also changes each month.

Table 2: LMH by Quintiles, Quartiles, and Terciles

Panel A: Quintiles Sorting

	Portfolios	1	2	3	4	5	LMH
Composite Risk Rating	Mean Return	20.96%	15.45%	13.20%	13.03%	11.94%	9.02%**
	NWSE	2.28%	2.22%	1.96%	1.82%	1.84%	2.24%
Economic Risk Rating	Mean Return	20.29%	15.59%	11.84%	9.41%	13.11%	7.18%*
	NWSE	3.81%	2.52%	2.38%	2.52%	2.86%	3.70%
Financial Risk Rating	Mean Return	19.43%	14.67%	11.14%	11.89%	12.99%	6.44%*
	NWSE	3.44%	2.94%	2.86%	2.58%	2.41%	3.42%
Political Risk Rating	Mean Return	22.19%	16.45%	14.30%	11.11%	12.89%	9.30%**
	NWSE	2.18%	2.12%	2.02%	1.86%	1.96%	2.30%

Panel B: Quartiles Sorting

	Portfolios	1	2	3	4	LMH
Composite Risk Rating	Mean Return	19.96%	14.70%	12.75%	11.88%	8.08%**
	NWSE	2.18%	1.94%	1.86%	1.88%	2.22%
Economic Risk Rating	Mean Return	18.74%	13.85%	12.07%	11.66%	7.08%*
	NWSE	3.25%	2.44%	2.41%	2.77%	3.11%
Financial Risk Rating	Mean Return	18.32%	12.71%	11.61%	12.58%	5.74%*
	NWSE	3.08%	2.69%	2.72%	2.38%	2.93%

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Political Risk Rating	Mean Return	20.78%	14.79%	12.94%	12.27%	8.51%**
	NWSE	2.06%	1.90%	1.94%	1.90%	2.05%
		Panel C: Terciles Sorting				
	Portfolios	1	2	3		LMH
Composite Risk Rating	Mean Return	18.95%	13.47%	11.98%		6.97%**
	NWSE	2.02%	1.82%	1.82%		1.94%
Economic Risk Rating	Mean Return	18.94%	12.73%	12.45%		6.49%**
	NWSE	2.83%	2.35%	2.63%		1.86%
Financial Risk Rating	Mean Return	19.16%	11.23%	13.95%		5.21%**
	NWSE	2.02%	1.88%	1.70%		1.85%
Political Risk Rating	Mean Return	19.33%	14.20%	12.74%		6.59%**
	NWSE	1.92%	1.90%	1.84%		1.87%

"**", and "*" indicate significance at the 99, and 95 percent level, respectively.

All portfolio-sorting statistics are shown in Table 2. Statistics for quintile-sorted, quartile-sorted, and tercile-sorted portfolios annualized orthogonalized total returns are shown in panels A, B, and C, respectively. The last column ("LMH") in the first three panel shows the statistics of the difference between the first (low rating) and last (high rating) portfolio returns; the statistical significance of LMH is estimated using the Newey-West heteroskedasticity and autocorrelation-corrected standard error of that difference (NWSE). The panel shows that, regardless of the sorting methodology, LMH factors are positive and statistically significant. Consequently, there is a direct relationship between risk rating premia and country returns. LMH-CRR and its main sub-component, LMH-PRR, are always statistically significant at least at the 99 percent level; LMH-ERR and LMH-FRR are also significantly priced, but certainty fades as the percentile-sorting increases.

Next, for each month, the median of the three LMH-sortings is computed; then, a compounded LMH is calculated for each year. Descriptive statistics on annualized factors show that the average LMH for the overall period is approximately 8%, which is about as much as the average GRP (the average world risk premium is 7.23% over the same period), and much larger than the other Fama-French global average risk premia. Consequently, the equity risk premium in a country with a lower risk rating could be more than twice the size of the equity risk premium in a country with a higher risk rating. Paiwise correlations between the four LMH factors are very high and significant, indicating that composite rating embeds most of the information necessary to construct LMH. Pairwise correlations between LMH and global factors are low and not significant, indicating that LMH does not duplicate the information included in Fama-French global factors. It also demonstrates that global factors fail to capture local systematic risk effects; this is a significant result that corroborates the findings of Brockman et al. (2012) regarding emerging markets idiosyncratic risk, and Harvey (2004) who argues that country ratings are important in less integrated markets.

A two-step process is used to compare the output of equation (3) to Damodaran's 2017 estimates of global equity risk premia. First, the model is calibrated over an estimation period spanning from 1985:01 to 2008:07. The estimation period excludes the aftermath of the global 'great recession' of 2008-2013 which, arguably, had lingering effects in many countries after 2013. The exclusion of the post crisis period is motivated by Dubofsky and Stivers (2017), who found evidence of a structural break in 2008. The twelve sorted portfolios are matched with corresponding average composite risk ratings. Then, inherent LMH-CRR premia are expressed as a quadratic function of the ratings. The reason behind this quadratic fitting is to capture the convexity in the relationship between ratings and risk rating premia. Indeed, as Bekaert et al. (2007) explain, country risk fluctuations can be diversified away in integrated capital markets making the country-risk rating premium very low. In less integrated capital markets, investors face idiosyncratic risks that cannot be diversified away. Thus, the country risk premium gets increasingly greater when these risks become more critical. Second, each of the 140 countries' country risk premium is computed using composite risk ratings published on January 2017, then Damodaran's 'January 2017' global equity risk premium of 6.25 percent is added to obtain each country's ERP.

Figure 6 shows the 2017 scatter plot of 140 countries' equity risk premium against corresponding country composite risk ratings for the 'fitted' estimates (open dots), Damodaran's 'reported' estimates (closed dots), and the 12 'observed' LMH plus 6.25 percent (triangles). The overall difference between my ERP estimates and Damodaran's is about 23 basis points; it is not statistically significant at any conventional level. the R-squared of the regression

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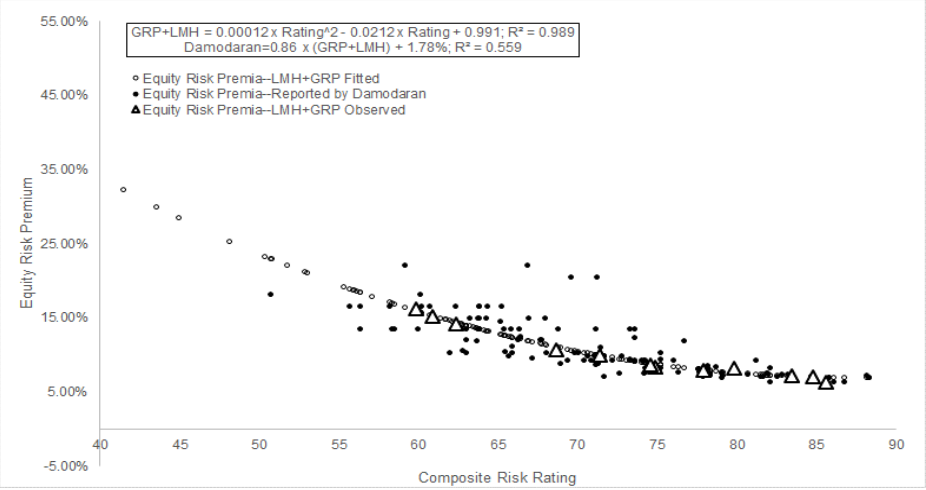
between the both model's ERPs indicate that 56 percent of the fitted estimates' variation explain the variation in Demadaran's ERPs. Looking closer, the fitted estimates deviate from Damodaran's ERPs by an average of 10 (40) basis points for countries with ratings below (above) 71; none of these deviations are statistically significant (detailed statistics are available upon request). In conclusion, my model is calibrated with data ten years older than the ones used by Damodaran; yet, ERP estimates are similar to those reported by Damodaran. This is an important result providing further evidence that country rating premia are systematic.

Figure 1: Cross-Section of Observed, Fitted, and Reported Equity Risk Premia in January 2017



CONCLUDING REMARK

The paper explores the information content of country risk measures and assess whether they can be used to evaluate equity risk premia in a multifactor framework. Monthly political, financial, economic, and composite risk ratings from the International Country Risk Guide for a period starting in January 1985 and ending in January 2017 are used. The analysis suggests that the information contained in risk ratings is priced in a cross-section of 85 equity markets. For instance, countries with lower ratings return approximately twice as much as countries with higher ratings. This excess return is found to be uncorrelated with Fama-French global fundamental factors. Thus, country rating risk premia could be used as to estimate CRPs. The model, calibrated using data before the global 'great recession', is used to estimate the ERPs of 140 countries as of January 2017. Estimates are found to be statistically similar to Damodoran's recently published ERPs.

Since it is impossible to know a 'true' equity risk premium, it is difficult to assess whether ERP estimates based on ratings are more reliable than those using market-based and fundamental data. Unlike market-based factors, country ratings are forward-looking, and change through time more often and independently from the ratings published by Moody's, Standard and Poor's, or Fitch—i.e., agencies tends to adjust sovereign ratings based on other agencies' upgrades and downgrades (Alsakka and Gwilym, 2010). More importantly, ratings can be used to evaluate CRPs of countries without a capital and debt markets.

Finally, ERPs estimates should be used cautiously. For instance, consider the valuation of an Iraqi and a U.S. venture as of January 2017; both provide a perpetual cash flow of 100 million USD per annum. The following two observations can be made: (1) The difference in valuation between the two approaches is approximately $900 million in the U.S. and $22 million in Iraq; (2) the same venture located in the U.S is worth 3.4 to 3.5 times more than the Iraqi one. In sum, since the size of CRP depends on the methodology employed, its measurement is somewhat arbitrary and equities could be systematically misevaluated (Kruschwitz et al., 2012). Moreover, looking back at geopolitical uncertainty in Iraq at the beginning of 2017, it is fair to assume that most investors would have considered the venture in the U.S. to be worth much more than three times the value of the Iraqi one. This perceived overvaluation of the Iraqi venture relative to the U.S. venture raises the issue of model calibration. Indeed, when markets are down-trending

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(up-trending), a riskier portfolio will lose (return) more than a safer one. In the process for estimating LMH, positive and negative premia are averaged out over time. Consequently, LMH's true size ought to be much higher. As a result, one can fairly assess that both approaches overvalue the equities of countries with higher economic, financial, and political risk.

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TRANSDISCIPLINARY STUDENT VALIDATION OF A MULTI-STAKEHOLDER WORK INTEGRATED LEARNING MODEL

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ABSTRACT

Work integrated learning (WIL) is designed to align theory to practice, expose future graduates to the workplace, and enable business and government to engage in a triple helix partnership, viewing future talent, advertising their employer brand, and meeting their organisational and national targets. Stakeholders in any WIL model or strategy include students, educators, business and government. Students are key stakeholders and should be consulted on the effectiveness of the model or strategy used. Empirical mixed-method research was conducted to determine whether and why students, as key WIL stakeholders, validated their WIL model. A single instrument was used to gather both quantitative and qualitative data in focus group sessions. The data were analysed abductively to include both inductive and deductive analysis. The findings reveal that most of the participants validated the Multi-Stakeholder WIL Model implemented in their study programme. Furthermore, most of the students validated all the phases and processes in the model, indicating that they found the model comprehensive, simple to implement and likely to be effective in providing them with a successful WIL experience. This validated model could be of benefit to all WIL stakeholders, especially educators, and the research method used to validate the model could benefit WIL project leaders. The study contributes to theory by adding to the body of knowledge on WIL, especially in Africa and South Africa. The research contribution is the single-instrument mixed method used to gather rigorous, rich data. The practical contribution is the awareness and strategy that managers and leaders can utilise in managing their WIL projects.

Keywords: multi-stakeholder, student, transdisciplinary, validation, WIL model, work integrated learning.

INTRODUCTION

University students are the future graduates and future talent for the workplace in any country. Graduates are educated to become employable and fulfil socioeconomic roles, including being future-fit leaders in organisations, marketplaces and societies. Universities aim to empower graduates to contribute to and grow the local and global economy effectively and efficiently (Nicholas, 2017). In order to best align theory to practice, educators are encouraged to include work integrated learning (WIL) as part of the teaching and learning curriculum. Although WIL is practised in most countries, it is not yet a common feature in all qualifications in all universities (Patrick et al., 2008).

Furthermore, although WIL provides opportunities for business and government to meet their recruitment targets, view future talent close up and advertise their brand, neither business nor government has taken advantage of the triple helix partnership initiatives recommended to fight the war for talent. The triple helix partnership encourages connections between education, business and government in order to grow the national, continental and global economies (Etzkowitz, 2010). There are many benefits to incorporating WIL into future graduate study programmes, especially in transdisciplinary WIL projects. There is a gap in empirical research in terms of stakeholder buy-in of WIL models. The purpose of this paper is to obtain student validation of a new conceptual WIL model (Wait and Govender 2016). This paper is the first in a series of four papers seeking stakeholder validation namely student, educators, business and government. There are also many benefits for the multiple WIL stakeholders. Since students are key WIL stakeholders, they should be vocal about the WIL model selected to

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empower them to become future-fit leaders. Transdisciplinary WIL models are fashionable, especially if they are validated by their stakeholders.

For the purpose of this article, work integrated learning refers to the assessed, practical workplace experience gained by undergraduate students, and the key WIL stakeholders are understood to be students, educators, business and government. The motivation for this article is the conviction that students, as key stakeholders, should be consulted on their perspectives on WIL. The WIL model that is implemented should be viewed and validated from the student perspective. Furthermore, it is critical to understand each student as a unique stakeholder with their own past learning experiences. This article is based on the perceptions of final-year undergraduate students who are completing WIL as part of their qualification.

Empirical research was conducted to answer this research question: Do South African higher education students, as key WIL stakeholders, support and validate the Multi-Stakeholder WIL Model that is currently implemented in their study programme? The research objectives were to determine whether students, as key WIL stakeholders, validated the transdisciplinary Multi-Stakeholder WIL Model implemented in their disciplines and to understand their reasons for validating the model.

At a theoretical level, this study contributes to the body of knowledge on the WIL programmes in South African and African higher education institutions. At a research level, the study presents WIL project leaders with a method to validate their WIL models. At a practical level, the study bears positive implications for students, educators, business and government that become partners in WIL experiences. At a managerial and leadership level, the study contributes to strategy on the stakeholders, phases and processes involved in a WIL project.

LITERATURE REVIEW

The literature trends explored in this article are presented under the subheadings ‘WIL stakeholders’, ‘Students as key WIL stakeholders’, ‘Stakeholder support for transdisciplinary WIL models’ and ‘The Multi-Stakeholder WIL Model’.

WIL stakeholders

Work integrated learning is commonly known as ‘experiential learning’ or ‘cooperative education’. Workplace learning, as part of an academic curriculum, lacks a commonly used definition and has limited shared terminology. In this article ‘WIL’ is considered the umbrella term for the varieties of visible and invisible models, strategies, approaches, practices and theories related to a purposefully designed curriculum that integrates theory with actual workplace practice and experience (Council for Higher Education, 2011; Coll and Zegwaard, 2011; Nicholas, 2017). WIL stakeholders manage to engage, connect, network and implement successful WIL projects no matter how visible or invisible, documented or unacknowledged are the many WIL activities undertaken by higher education institutions, WIL champions and practitioners. Furthermore, WIL practitioners benchmark their WIL projects via collaborative learning opportunities with peers, especially WIL project leaders, whereby they share expertise, best practice and resources (Nicholas, 2017).

Irrespective of the definition of WIL, the purpose of the WIL experience is to partner with the relevant stakeholders so that the key stakeholder, the student, is provided with the opportunity to bridge the gap between theoretical knowledge gained in the educational setting and practical experience in the world of work (Hall et al., 2017). Other WIL stakeholders include educators, business and government, who form partnerships designed to provide physical and/or digital workspaces that expose graduates-to-be to where and how professional work occurs (Oliver, 2015).

The WIL stakeholders are impacted by the expectations of students, employers, the profession, the university and government policy. Generally, WIL stakeholders report positive benefits from WIL, providing evidence of commitment to enhancing student learning experiences. There is evidence of strong partnerships between stakeholders that facilitate effective workplace learning for students (Patrick et al., 2008).

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While students gain workplace experience of theoretical concepts, educators enhance student learning through practical, workplace exposure; consequently businesses gain potential future talent, and government gains validation for financial investment in graduates who are holistically developed and employable (Cooper et al., 2010). Ultimately graduates-to-be gain the skills, competencies, values and personal attributes that empower them to find and engage in meaningful paid work that benefits their careers. WIL stakeholders should collaborate to achieve successful WIL projects that benefit themselves, the workforce, the community and the economy (Oliver, 2015).

Students as key WIL stakeholders

As key WIL stakeholders, students are expected to engage in a range of appropriate workplace tasks and activities that are relevant to their current study and future careers. Student perceptions of the WIL project differ depending on the specific WIL environment and their current cognitive, social and emotional levels (Illeris, 2003). The higher education student is especially visible as a key stakeholder in a WIL model. These students undergo preparation, learning through experience and assessment, and gain study-related employment that contributes to individual, societal and economic growth. Students should lead, control and manage their WIL experience while other stakeholders ensure an effective, efficient and successful WIL project. In most WIL projects, students are viewed as the key stakeholders who collaborate with business, government and civil society to improve their knowledge, skills, values and attitude (Wiek et al., 2014).

As key stakeholders in WIL programmes or projects, students must be aware of who the other key stakeholders are and what their roles are. They must also be familiar with their WIL model, strategy or approach and the phases in that model or project. WIL models begin with student preparation and placement, continue with successful workplace experiential learning, and culminate with the submission of WIL evidence that can be assessed for promotion in the module and for qualification. If students as key WIL stakeholders are not familiar with, do not support, and do not validate the WIL model implemented in their discipline, the WIL project is less likely to succeed without challenges (Jackson et al., 2017).

The benefits for students undergoing successful WIL experiences and assessments include the following: theory and practice alignment; motivation for holistic theoretical and experiential learning; the opportunity to be foregrounded as future workplace talent; increasing opportunities for graduate employment; and ensuring a skilled, knowledgeable workforce in South Africa, Africa, BRICS countries and the global market. Students who manage their WIL experience successfully begin to create their own talent brand. As key stakeholders with value as prospective employees, WIL students market themselves as knowledgeable but willing to learn through experience and skills development. Students present themselves to business, employers, industry, government and society as future-fit leaders worthy of employment upon graduation (Brackett and Rivers, 2014). According to Hall et al. (2017) students gain the following four attributes or traits from WIL experiences: communicative ability, global citizenship, discipline-specific knowledge, and professionalism. These traits are essential especially when youth unemployment is so high in South Africa, and nine out of ten businesses would rather hire people with experience than those without (Blom, 2015; Taylor and Govender, 2017).

Stakeholder support for transdisciplinary WIL models

Well implemented WIL models, especially those that create partnerships between educators, students, business and government, should be transdisciplinary or multidisciplinary in nature as this increases the chances of employability for graduates (Taylor and Govender, 2017). Transdisciplinary WIL models are those that can be used across different disciplines. The disciplines have similar stakeholders, phases and processes with different student cohorts. Stakeholders of the WIL model, especially in transdisciplinary academic contexts, should show support for the planning, preparation, implementation, monitoring and measuring of student success in the WIL process to ensure the success of the WIL project (Aini et al., 2016; Wait and Govender, 2016).

Stakeholders that support WIL models engage with other stakeholders, are aware of the WIL phases, enable the WIL processes and guide the WIL assessment. It is imperative that stakeholders agree, collaborate and jointly implement their specific roles in the WIL project (Klenk et al., 2015).

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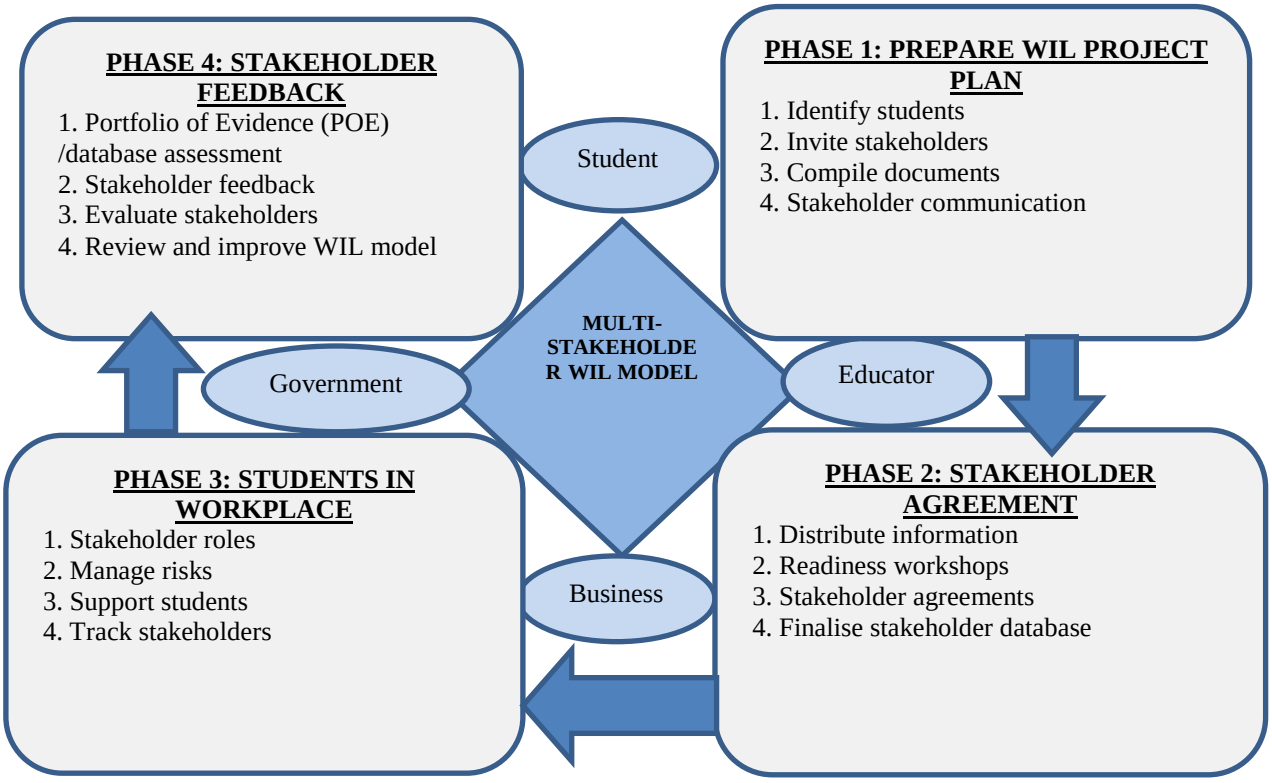
Transdisciplinary WIL practitioners benefit from seeking out expertise across disciplines to assist them to be more competent, knowledgeable and effective professionals. WIL practitioners who engage with and gain value from communities of practice (CoPs) also encourage students to form CoPs. Transdisciplinary WIL CoPs, in particular, have become valuable mechanisms for WIL practitioner development (Nicholas, 2017). Furthermore, WIL models that are implemented across disciplines in both the academic and the business contexts provide valuable research rigour. Research benefits for transdisciplinary WIL models include increased fairness, reliability, validity, relevance, sufficiency and opportunities for comparative studies (Reid et al., 2016).

The Multi-Stakeholder WIL Model

The WIL model on which this empirical study is based, named the Multi-Stakeholder WIL Model (Wait *et al* 2016), is currently implemented in two disciplines (Human Resource Management and Marketing Management) within one mega-faculty in an African city university. The model consists of four key stakeholders, namely students, educators, business and government. Current literature is abound with WIL models that consist of three stakeholders namely; students, educators and business. However, government as a legislative custodian and as a fundamental triple helix partner should play a substantial role in financing WIL implementation, especially on the African continent. There are four phases in the model: preparing and planning; stakeholder agreement; supporting students; and stakeholder feedback (Wait and Govender, 2016). The processes involved in the implementation at each phase are presented in Figure 1.

Figure 1: Multi-Stakeholder WIL Model (Wait and Govender, 2016)



According to the literature trends, the stakeholders of the WIL model should be identified and supported, especially if the transdisciplinary, multi-stakeholder model is to succeed. Literature is limited in expressing the voices of key WIL stakeholders especially of the benefactors, the students. The next section will present the empirical research methodology where-in feedback from the students were captured.

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RESEARCH METHOD

Empirical research was conducted to determine whether students validated the Multi-Stakeholder WIL Model and what their reasons were for doing so. The research method of this study is presented under the subheadings 'Design and paradigm', 'Sample and participants', 'Instrument and procedure', 'Analysis', 'Ethical considerations' and 'Limitations'.

Design and paradigm

The research design of the study was a single-phase, embedded, mixed-method design (Plowright, 2012; Saunders et al., 2012). A single instrument was used to gather both quantitative and qualitative data during two focus group discussion sessions in two different disciplines. Since this study aimed to validate an existing model, the Multi-Stakeholder WIL Model, the mixed-method design suited the study as it allowed the researchers to gather both statistical (whether or not) data and narrative (why/reasons) data. Qualitative questions were embedded within the quantitative variables in one instrument administered in a single setting to gather all data required (Plowright, 2012; Mouton, 2012).

The research paradigm of this study was guided by pragmatist philosophy. Pragmatism is aimed at finding practical ways to determine the nature of reality (ontology) and views the nature of new knowledge (epistemology) as a concrete, co-created process (Creswell, 2014). The axiology (role of values in research) of pragmatists involves guiding participants ethically towards making informed decisions without influencing their decisions, resulting in value-free research (Plowright, 2012).

Sample and participants

The research population extends to all students undertaking WIL as part of their university study programme. The sample population of this study comprised final-year undergraduate students in the two disciplines of Human Resource Management and Marketing Management within one faculty. The purposive sampling strategy was used to select the participants (Trotter, 2012; Creswell, 2014; Boddy, 2016; Koumanov, 2017).

The selection criteria for the participants included in the study were the following: being a registered student in the selected disciplines of the university; having completed or undergoing the WIL experience; and being exposed to the Multi-Stakeholder WIL Model. The research participants (n=90) consisted of male and female students between the ages of 20 and 35 years. Participants from the two disciplines were registered for a final-year module that contained a mandatory WIL component assessed as part of the semester mark.

Instrument and procedure

An independently designed questionnaire was used as the instrument to gather data for this research study. The questionnaire is a valuable tool and a primary source for obtaining closed-ended and/or open-ended data (Zohrabi, 2013). Closed-ended questionnaires lend themselves to ease of analysis, while open-ended questionnaires lend themselves to a greater level of discovery; thus the two types of question in the same research instrument complement each other. The questionnaire designed for this study consisted of four sections: 'Section A – Biographical data', 'Section B – Impressions of the Multi-Stakeholder WIL Model', 'Section C – Stakeholders and phases of the Multi-Stakeholder WIL Model', and 'Section D – Additional comments on the Multi-Stakeholder WIL Model'. Sections B and C comprised both closed-ended and open-ended questions. In the closed-ended questions, participants had to select only one response using the nominal scale of 'Yes', 'No' and 'Both'. Each closed-ended question had an attached open-ended question to probe the participant's reason for their response. Section D consisted of open-ended questions only.

The procedure of data gathering consisted of administering the instrument in a single phase or setting for each of the disciplines on two separate occasions. Participants were invited to the focus group discussion on the

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Multi-Stakeholder WIL Model. Both the closed-ended and open-ended questions were put to the group. The researchers acted as facilitators of the focus group discussions. The procedure applied for the data collection in this research study was as follows: invite participants; conduct a brief presentation on the Multi-Stakeholder WIL Model; distribute the questionnaire; ask a closed-ended question; request responses; request reasons; hold a brief discussion; request participants to complete the questionnaire to capture individual responses.

Analysis

Since both numerical and narrative data were gathered in this study, abductive content analysis was used to analyse and interpret the data (Plowright, 2012). Abductive analysis allows researchers to view the data both inductively (allowing meaning to emerge) and deductively (extracting meaning from the data). The numerical data were subjected to a frequency analysis (deductive), while the narrative data were scrutinised for the most common and appropriate reasons that supported and answered the research study questions (inductive). Triangulation of the quantitative and qualitative data concluded the mixed-method analysis (Creswell, 2014).

The responses of participants from the two focus groups were captured electronically using Microsoft Excel, allowing for easy manipulation of data both statistically and for narrative content. The quantitative data were assigned absolute values, while the qualitative data were assigned relative values (Mayring, 2015). The frequency responses of the quantitative findings are reported as percentages. The qualitative responses are reported as key words and phrases and in the direct quotations of participants. Quotes are followed by the participant's unique identifying number in brackets.

Ethical considerations

Ethical clearance to conduct the research study was granted by the university. Participants granted consent to participate voluntarily in the study. The anonymity of participants was guaranteed with each completed questionnaire being allocated a unique identification number before analysis. Since no participant names are used, the confidentiality of responses is guaranteed. All data were used for research and development purposes only. The completed questionnaires and electronic files were stored safely during the research and are accessible only by the researchers.

FINDINGS

The quantitative and qualitative findings are reported under the following subheadings: 'Biographical data', 'Impressions of the WIL model', 'Validation of key stakeholders', 'Validation of phases 1 to 4 of the model', 'Comments on the Multi-Stakeholder WIL Model'.

Biographical data

In the gender category, 42% of the participants were male and 58% were female. In respect of nationality, all of the participants (100%) were South African or African. In the age category, 82% of the participants were under 25 years of age and 8% were between 26 and 35 years of age. In terms of job experience, 40% of the participants had less than 1 year of experience and 59% had between 1 and 4 years of work experience. All participants had a school leaving certificate with university exemption, allowing them access to higher education.

Impressions of the WIL model

In terms of exposure to the Multi-Stakeholder WIL Model, 92% of the participants had had experience with this WIL model. The participants' impressions of the model were described as 'good', 'right' and 'useful'. The following are the direct thoughts expressed by the participants. Participant quotes are presented with the numerical identity of each participant in parenthesis.

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> It is a fantastic model identifying all stakeholders important in helping students gain knowledge of business. (P48)

> I would like to believe that it is a great initiative for students to learn about the world of work. (P66)

The participants' feelings on how the model impressed them were described as 'satisfied', 'helpful', 'motivating' and 'positive'. These are direct quotes from participants:

> I feel that it is helpful and important to every student participating. (P1)

> Validates my importance as a stakeholder. (P36)

Validation of key stakeholders

Most of the participants (91 to 100%) perceived that the key WIL stakeholders must include students, educators, business and government. Participants stated that including the student, educator, business and government as key WIL stakeholders is 'important' and 'applicable'. In the words of one participant: 'Yes because students are the future employers or employees of the economy' (P16).

With regard to the use of the Multi-Stakeholder WIL Model, 97% of the participants agreed with its use, and 94% stated that they would benefit from the implementation of this model. A majority of 66% of the participants stated that they would not change the Multi-Stakeholder WIL Model, and 24% stated that they would modify the model. In general, participants validated the model as 'excellent', 'supportive', 'helpful', 'easy to understand' and 'gives direction'. In the direct words of a participant:

> It is very helpful throughout the whole process of the programme. Especially in preparation and getting through it. It seems well thought through, put together and comprehensive. (P58)

Validation of phases 1 to 4 of the model

Phase 1 of the model is the preparation and planning phase, and 98% of the participants agreed that phase 1 should prepare and plan for WIL project implementation. Phase 1 of the model includes the following processes: identifying students; inviting stakeholders; compiling documents; and communicating to stakeholders. A majority of 98% agreed that these processes belong to phase 1. The reasons participants provided for these responses included the following:

> Important phase in designing and implementing the programme. (P7)

> Yes planning is part of everything we do in the workplace. (P24)

Phase 2 of the model is the stakeholder agreement phase, and 80% of the participants agreed that phase 2 should gain agreement from stakeholders for WIL project implementation. Phase 2 of the model includes the following processes: distributing information; conducting readiness workshops; signing agreements; and finalising all stakeholders. All participants (100%) agreed that these processes belong to phase 2. The reasons participants provided for these responses included the following:

> You have to select the best/most fitting organisation and they have to be ready to receive you. (P30)

> Because our agreement as students is regarded as important especially for the programme. (P68)

Phase 3 of the model is the phase that supports students in the actual WIL implementation, and 96% of the participants agreed that phase 3 should support students for WIL project implementation. Phase 3 of the model includes the following processes: stakeholder roles; managing risks; supporting students; and tracking stakeholders.

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A majority of 99% agreed that these processes belong to phase 3. The reasons participants provided for these responses included the following:

> Due to students being exposed to various challenges, support is needed. (P41)

> It is important for the learner to get some support from the stakeholders. (P63)

Phase 4 of the model gains stakeholder feedback, and 99% of the participants agreed that phase 4 should elicit stakeholder feedback during and after WIL project implementation. Phase 4 includes the following processes: assessing students; obtaining stakeholder feedback; evaluating the WIL project; and reviewing the WIL project. A majority of 99% agreed that these processes belong to phase 4. The reasons participants provided for these responses included the following:

> Review, fix and implement and improve (is necessary for successful WIL). (P34)

> Because it will help the student to see whether their performance was good or not. (P37)

Comments on the Multi-Stakeholder WIL Model

Section D of the questionnaire requested open-ended additional comments on the Multi-Stakeholder WIL Model. Participants' responses were as follows:

> It's simplified and provides guidance towards successfully part taking in the WIL programme. (P8)

> Very well planned, easy to follow. Guideline when feeling lost. Has a start and end objective in correct order. (P9)

> Very exciting, can't wait to do my WIL. (P17)

> It explains the different roles of the stakeholders and helps me to gain some understanding. (P25)

DISCUSSION AND IMPLICATIONS

Significant findings from the biographical data relate firstly to the gender category, in which the majority of the participants were female (58%), which corresponds with the broader South African demographics, where females are in the majority. In respect of age, it is significant that 82% of the participants were younger than 25 years, as this reflects the trend in the broader South African population, where the youth are in the majority compared to other age groups. An unexpected and surprisingly significant finding is that 59% of the participants had between 1 and 4 years of work experience, which could indicate that students are trying to become employable before graduation in order to avoid being unemployed after graduation, which is an increasing problem, as stated by Taylor and Govender (2017). This finding may lend credibility to this research study, as only students with work experience can validate this model comprehensively. This finding warrants investigation, as full-time university students do not normally have work experience.

The findings reveal that the Multi-Stakeholder WIL Model is beneficial. The key stakeholders (students) who were participants in this study were familiar with this model and believed it could achieve its purpose to advantage. It is significant that 94% of the student participants agreed that the four WIL stakeholders (student, educator, business, government) had been accurately identified. These participants, the students, are future employees and employers and, as such, are future implementers of the WIL model; they will therefore need to be familiar with the WIL strategy, as supported by Jackson et al. (2017). Findings indicate that this WIL model is a practical, uncomplicated model that is easy to implement in the workplace and in higher education institutions. The implication is that this model could be readily applied in other disciplines, faculties and institutions.

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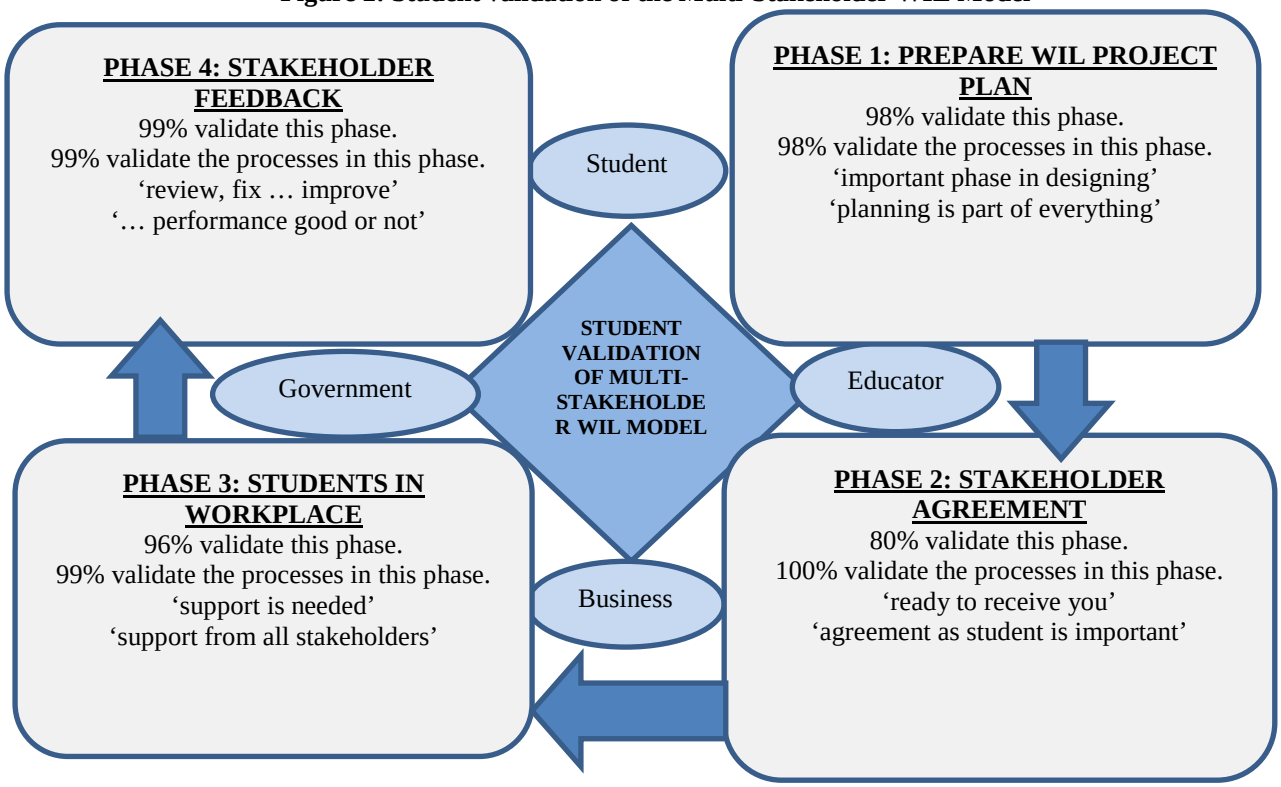
It is significant that 98% of the participants agreed that, in phase 1, WIL project leaders must plan and prepare for WIL implementation, as this phase prevents poor performance, failure of WIL implementation and ineffective WIL projects, as supported by Aini et al. (2016) and Wait and Govender (2016). It is significant that all participants (100%) agreed that phase 2 is where stakeholders should become willing stakeholders, indicating that they would adhere to agreement clauses in the WIL model, as supported by Klenk et al. (2015). It is also significant that 99% of the participants agreed that phase 3 concerns the implementation of WIL, allowing for the key stakeholders to manage their working relationships with each other, as supported by Wiek et al. (2014).

Concerning phase 4, it is significant that 99% of the participants agreed that this phase involves feedback from the implementation of WIL, allowing for effective communication between the key stakeholders. Furthermore, this allows eradication of ineffective and unsuccessful WIL implementation, as supported by Coll and Zegwaard (2011). Figure 2 presents the significant findings on whether and why students, as key WIL stakeholders, validate the Multi-Stakeholder WIL Model.

Figure 2: Student validation of the Multi-Stakeholder WIL Model



The first significant finding in the additional, general participant comments is confirmation that the phases and processes of this Multi-Stakeholder WIL Model are easily managed, meaningful to stakeholders and sequential in application. The second significant finding in this section is that this WIL model does motivate stakeholders to implement effective and successful WIL projects, as supported by Nicholas (2017).

There are five managerial implications of this research study. Firstly, higher education and business must collaborate and become stakeholders to promote WIL as part of the theoretical university curriculum, especially if future graduates are to be employable talent with the education and skills to grow the local and global economy. Secondly, educators and students must work as active partners during all four phases to ensure effective and efficient WIL projects. Thirdly, WIL students must form relationships with relevant government departments in South Africa in order to allow for funding of WIL projects. This would mitigate current concerns and protests, such as the 'fees must fall' issue and low graduate employability. Fourthly, this study has shown that the ease and

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sequential steps of the Multi-stakeholder WIL model allow other WIL project leaders to create a firm foundation for their stakeholders. Lastly, it allows for wider application of this model's phases and processes and for effective implementation of WIL internationally.

The significance of this study is that educators, business and government as WIL stakeholders are made aware of students' perception, roles and responsibilities. This will enable all WIL stakeholders to co-operate in synergy and to avoid pitfalls. This should ensure a closer working relationship amongst all stakeholders.

LIMITATIONS

The generalisability of the findings is limited due to this study being conducted in only one city university in a single country in Africa. Furthermore, although the study was conducted across two disciplines, the findings cannot be generalised across all disciplines as the student participants in the research were exposed to the Multi-Stakeholder WIL Model and other students were not.

CONCLUSION

WIL has multiple benefits, namely aligning theory to practice, exposing future graduates to the workplace, and advertising business and government organisations as employers of choice to future talent. While WIL allows business, government and education to engage in a triple helix partnership, all stakeholders can meet their organisational and national targets while educating and skilling graduates. Students, as key WIL stakeholders, should manage the effectiveness of their WIL model via awareness and validation of its processes.

This research study was conducted to determine whether and why students, as key WIL stakeholders, validated their WIL model. The conclusion from the findings confirms that the Multi-Stakeholder WIL Model and its phases and processes allow the WIL project leaders and stakeholders to easily manage the sequential application steps, each of which is meaningful to stakeholders, especially to students.

This paper recommends further research on the voices of other key stakeholders namely; educators, business and government to successfully validate the multi-stakeholder WIL model.

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THE EMERGING, EVOLVING SOCIAL MEDIA PLATFORMS AND SOCIAL IDENTITY: IMPLICATIONS FOR THE FASHION INDUSTRY

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ABSTRACT

The conception of social media induced a shift in brand-customer dynamics, causing consumers to possess more power. Brands have transferred communication to the virtual realm in being active pursuers of customers. The current paper presents a richer understanding of how social media has developed in the fashion industry. Industries are moving at a quicker pace and the fashion sector has become the frontrunner in generating a rapid turnover of ever-changing trends to feed the relentless demand of consumerism. The paper discusses the significance of social media as a marketing tool in remaining relevant within the modern world, as traditional methods can no longer sustain such power. This paper contributes to the existing literature on marketing to the technologically savvy generation of Millennials.

Keywords: brand perceptions, social media, social identity theory, millennial generation, fashion industry.

INTRODUCTION AND BACKGROUND

Marketing logics and developments have comparably and effectively progressed over the years to parallel the whirlwind innovations that primarily define the fashion industry. The dynamic nature of marketing means fashion companies are relentlessly on guard for the next groundbreaking development (Jayachandran, Gimeno, & Varadarajan, 1999; Lusch, 2007; Vargo & Lusch, 2004; Webster, 1992). One case of a sought after phenomenon that has dramatically revolutionised today's society is the technological Millennial approach to communication. Traditional marketing has gradually lost bearing, as the rigid form of one-way communication is superseded by active two-way interchange (Houman Andersen, 2001; Ozuem, Howell, & Lancaster, 2008). The shift in communication has consequently encouraged worldwide organisations to assume the likes of Internet technologies along with their varied manifestations, such as social media, as an outlet allowing brands to produce content for followers (Evans, 2012; Hoffman & Novak, 1996; Zarrella, 2009). An abundance of literature has consequently surfaced examining the evolution that social media has enthused in routine life (Fischer & Reuber, 2011; Hanna, Rohm, & Crittenden, 2011; Hoffman & Fodor, 2016; Huy & Shipilov, 2012; Kaplan & Haenlein, 2010; Kietzmann, Hermkens, McCarthy, & Silvestre, 2011; Michaelidou, Siamagka, & Christodoulides, 2011). Further studies have explored the application of social media within a brand's marketing strategy (Luo, Zhang, & Duan, 2013; Naylor, Lamberton, & West, 2012; Simmons, 2008; Tuten & Solomon, 2014).

The fashion industry has capitalised on the integration of social media in marketing operations in the hopes of deriving the profits two-way online brand-customer interchange promises to offer (Kim & Ko, 2012; Phan, Thomas & Hein, 2011; Helal & Ozuem, 2016, 2017). Kim and Ko (2012) addressed the promising relationship

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between social media marketing and resultant customer equity among luxury fashion brands. The study aimed to demonstrate the success luxury fashion brands gain from employing social media marketing activities including entertainment, interaction, or word-of-mouth. Based on the findings, the study concluded that the use of social media is directly correlated with subsequent enhanced purchase intentions and customer equity within the luxury fashion industry. However, the study paid limited attention to a demographic age that is familiar with social media and able to produce pertinent feedback that enhances the accuracy of research results. An analysis conducted by a statistic portal, Statista, on the worldwide daily usage of social media found that the highest degree of daily social media usage in 2016 was held by global users aged 25 to 34 years old (Statista, 2016). A more recent study revealed the highest time consumption of visual activities on social networking sites such as Facebook and Instagram to be among ages 16-34 years, while preceding generations demonstrated fewer percentages of average time spent participating in such activities (Statista, 2017). The Millennial generation outruns other age groups as the leading social media user. Despite the current extensive literature investigating social media, few studies have examined the use of social media in the luxury fashion industry, particularly by the Millennial generation.

THEORETICAL CONTEXT

Social media has shrewdly manoeuvred its way into people's lives over the past decade. While it may have commenced with the prime intention of socially linking people together, it later developed and was described using broader definitions spanning from connecting individuals to connecting industries. The extensive exploration of this communication portal through numerous studies has generated multiple definitions, all of which tend to highlight a parallel overview: social media comprises Internet-centred platforms that enable and promote a free flow of user-generated information (Kaplan & Haenlein, 2010; Safko, 2012; Kietzmann, Hermkens, McCarthy, & Silvestre, 2011; Hanna, Rohm, & Crittenden, 2011; Luo, Zhang, & Duan, 2013; Ngai, Tao, & Moon, 2015; Stokinger & Ozuem, 2014).

Kaplan and Haenlein (2010) define social media as a "group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and allow the creation and exchange of user generated content" (Kaplan & Haenlein, 2010, p. 61). This much celebrated definition has prevailed in acknowledging the key role of social media in facilitating the movement of content across a shared floor. Safko (2012) outlines a comparable explanation whilst emphasising the efficiency social media facilitates in allowing human interactions and relationships to develop. Social media has cultivated an environment driven by an open exchange between networks of users. Ngai, Tao and Moon (2015) recognise the capacity of social media networks to form relationships, but they also discuss the potential of networks to influence career prospects. Building on this progression of explanations, social media can be defined as an evolving phenomenon that continues to mature across society.

Mayfield (2008) describes five characteristics of social media which are: 1) *participation* that stimulates sharing, 2) *openness*, which eliminates barriers and enables free-flow of information, 3) *conversation* generated from the public stream of content shared, 4) *community* that develops from open interactions, and 5) *connectedness*, which describes the network created between users. Kietzmann et al. (2011) have likewise categorised social media into seven similar functional blocks and these are: 1) *identity*, that considers the degree to which a user is willing to reveal his/her identity, 2) *conversation*, which considers the level of communication between users, 3) *sharing*, which is the degree of content circulating between users, 4) *presence*, which refers to the access given to display available users, 5) *relationships* reflect the extent of users relating to one another, 6) *reputation* considers the degree to which users can identify their stance within settings, and finally 7) *groups* refers to the ability to form or belong to a community. The functional blocks social media are built on create its flexibility in producing an open environment that consolidates worldwide users and progresses relationships.

Before proceeding to the next section, it is imperative to address the connotation of social media with regard to social networking sites. While social media and social networking sites are frequently used interchangeably, the two terms hold separate meanings. Social media generally concerns collective construction and the circulation of media on a large scale, which can include countless applications and services such as social networking sites, wikis, or podcasts, to name a few (Collin, Rahilly, Richardson, & Third, 2011; Dewing, 2010; Weinberg & Pehlivan, 2011). Social networking sites are web-based services, which are a part of social media and

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which are crafted for sharing media between networks of users (Collin, Rahilly, Richardson, & Third, 2011). Boyd and Ellison (2007) define social network sites as "web-based services that allow individuals to 1) construct a public or semi-public profile within a bounded system, 2) articulate a list of other users with whom they share a connection, and 3) view and traverse their list of connections and those made by others within the system" (Boyd & Ellison, 2007, p. 211). Social networking sites comprise websites such as Facebook, Instagram or Twitter that characteristically require users to primarily register on the website and create a network, after which content can be shared with networks of connections. The virtually interactive platforms that social media create have induced a shift in the web towards a more people-driven community, whereby regular users influence the content produced (Berthon, Pitt, Planger, & Shapiro, 2012; O'Reilly & Battelle, 2009; Smith, 2009). Account holders now have the liberty of broadcasting (receiving) any message on a global scale with the click of a button. This self-expression encourages a dynamic and democratic setting through which users feel more inclined to engage and share their own opinions (Susarla, Oh, & Tan, 2012). This study focuses on exploring how social media has influenced Millennial brand perceptions through social identity theory.

Social media has progressively emerged on marketing agendas as an influential promotional tool within business operations (Fischer & Reuber, 2011; Luo, Zhang, & Duan, 2013; Mangold & Faulds, 2009). This communication portal has compelled organisations to combine different marketing strategies, such as outbound marketing (dispensing promotional messages) with inbound marketing (receiving consumer messages through social media), to achieve an optimized balance of promotion (Smith & Zook, 2011). The viral chatter and ample exposure that social media incites cues brands to capitalise on potential networks as part of founding strong brand-customer relationships within brand communities, while amassing critical customer feedback (Chiu, Hsu, & Wang, 2006; Enders, Hungenberg, Denker, & Mauch, 2008). Brands benefit from eliciting social ties with customers that evoke an exchange of resources, such as trust between users, and facilitate a shared vision for companies that extends beyond overpowered geographic distances and broken organisation-customer barriers (Ngai, Tao, & Moon, 2015; Heinonen, 2011; Tsai & Ghoshal, 1998).

Certain axioms are applied in designing attractive platforms for consumers when implementing social media within organisational marketing strategies. These axioms allow companies to reflect on each nation's local economic, political, and cultural stance in communicating with users on social media, while also maintaining consistency of content produced at a global level (Berthon, Pitt, Planger, & Shapiro, 2012; Hinz, Skiera, Barrot, & Becker, 2011). Brands form a universal norm of social network activities that produce memorable content pertaining to worldwide customers. Corresponding touch-points are employed to connect with customers throughout the day and ultimately ensure incessant brand awareness (Ashley & Tuten, 2015; Tsimonis & Dimitriadis, 2014).

SOCIAL MEDIA AND SOCIAL IDENTITY

Social media has granted individuals a large platform in relaying identities (Bagozzi & Dholakia, 2002; Bargh & McKenna, 2004; Dholakia, Bagozzi, & Pearo, 2004; Hogg & Reid, 2006; Pentina, Prybutok, & Zhang, 2008; Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004; Kane, Alavi, Labianca, & Borgatti, 2014; Schivinski & Dabrowski, 2016; Veletsianos, 2013). By route of social media and subsequent online brand communities, current and aspirational customers are emboldened in voicing affiliation with a brand and consequently augmenting self-presentation. Consumers seek to rely on brands, among the public network of social networking sites, to enhance the self. Customer engagement is consequently heightened and relationships are formed within brand communities as such interchanges promise customers the symbolic benefit of social placement (Algesheimer, Dholakia, & Herrmann, 2005; Ma & Agarwal, 2007; Ren et al., 2012; Zhu & Chen, 2015). Individuals are more compelled to express affiliation with a brand that empowers them to climb the ladder of social enhancement.

Social identification of the self is comprised of two identities, personal and social. Personal identity refers to an identification of personal characteristics, whereas social identity considers a collective identification of the group that the individual belongs to (Luhtanen & Crocker, 1992; Nowak, Szamrej, & Latané, 1990; Onorato & Turner, 2004). Individuals seek to enhance both identities by embracing behaviour that accentuates their individuality; however, individualism that is socially commended. Customers pursue brands that convey personal attributes, while maintaining societal compliance over a public scale. Drawing on Onorato and Turner's (2004) study to investigate the weight individuals place on either identity, their findings revealed that greater importance is

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placed on social identity, since personal identity has more of a context-driven, variable nature. Individuals altered their behaviours according to societal standards, especially within circumstances involving high salience. Conspicuous situations influenced individuals to assert behaviour that complied with the salient identity.

Social media is a prime example of a public setting that may exert such social influence. The consolidated global network of users, under a common platform of user-generated content, encourages individuals to express any personal opinion or preference. However, personal identity is shared under the premise that it parallels the salient identity held by the public (Clement & Krueger, 2002; Haslam, Oakes, Reynolds, & Turner, 1999; Hogg & Turner, 1987; Kietzmann, Hermkens, McCarthy, & Silvestre, 2011). Individuals adopt social media as a platform to enforce social inclusion by expressing identical behaviour among the desired social group.

CONCLUSION

The outcome of this paper is that it offers an insight into a relatively unexplored area of how social media influences brand perceptions in the fashion industry, particularly among Millennials (Colliander & Dahlen, 2011; Gensler, Volckner, Liu-Thompkins & Wiertz, 2013; Kim & Ko, 2012; Moore, 2012; Singh & Sonnenburg, 2012; Taken Smith, 2012). The results suggest that there is much for the fashion industry to be optimistic about in reaching customers through social media, by identifying a relationship between social media and social identity in influencing brand perceptions. Millennials (today's main users of social media) express social identity through brand affiliation on social media, depending on that brand's social status.

Brands benefit from the use of social networking sites such as Instagram or Snapchat as dynamic platforms to maintain relevance in real-time events. The consistent brand presence allows for powerful resonance as the brand asserts its existence in the consumers' social world. Brands supplement awareness and image through marketing efforts produced on social media (Godey et al., 2016). Instagram, for example, can be used to entice customers, develop relationships and to draw them to the website or, more conventionally, to stores. Lifestyle bloggers, for instance, use Snapchat and Instagram stories to document authentic day-to-day associations with fashion brands through fashion weeks, promotional events, or product endorsements that assist both brand and blogger in preserving social status among audiences. The fashion industry would benefit from employing social networking sites in promoting never-ending new collections, seasons, runways, and campaigns that define the fashion businesses.

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FEMALE LEADERS' EXPERIENCE OF TOXIC LEADERSHIP IN HIGHER EDUCATION INSTITUTIONS IN SOUTH AFRICA

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ABSTRACT

There is limited literature available on the negative aspects of leadership and very few empirical studies exist on toxic leadership. Toxic leadership causes, either abruptly or gradually, systemic harm to the health of both individual employees and the organization, impairing organisational performance. This study explores the phenomenon of toxic leadership in higher education institutions in South Africa. In particular, the investigation explored the experiences of female leaders of toxic leadership by means of the Schmidt Toxic Leadership Scale to observe the prevalence of specific toxic leadership behaviours. The results of the study confirmed that toxic leadership is indeed, a prevalent phenomenon with all participants reporting various degrees of previous or current experience with toxic leaders.

Keywords: toxic leadership, higher education, abusive supervision; gender, leadership development, leadership selection.

INTRODUCTION

The traits and behaviours that make leaders effective and how good leaders influence and motivate their subordinates to achieve organizational goals has been a focal point of scholarly research for decades (Northouse, 2007). Although in-depth insight into effective leadership and the attributes and behaviours of good leaders is imperative for developing managers, it is just as important to identify the behaviours of leaders who either unintentionally or deliberately inflict enduring harm on their subordinates and consequently, the organisation (Mehta & Maheshwari, 2014). However, only a few studies has been conducted that have directly attempted to understand the nature and consequences of dysfunctional leadership (Ashforth, 1994; Kellerman, 2004; Padilla, Hogan, & Kaiser, 2007; Schmidt, 2007, 2014). As a result there is limited literature available on the negative aspects of leadership and very few empirical studies exist on the dark side of leadership (Pelletier, 2010). Some of the theories of effective or good leadership seem to equate dysfunctional leadership simply to the absence or opposite of effective leadership (Hunter, Bedell-Avers, & Mumford, 2007). However, various authors (Goldman, 2006; Kellerman, 2004; Lipman-Blumen, 2005a; Lipman-Blumen, 2005b; Lipman-Blumen, 2005c) have suggested that there is a distinctive, more insidious type of dysfunctional leadership. According to Lipman-Blumen (2005a), toxic leaders show dysfunctional personal characteristics and act in a wide range of destructive behaviours. This unique blend of negative behaviours and attributes is called "toxic leadership" because of the particularly negative consequences of this leadership style for both individual subordinates and organizations. This type of leader is captured in a statement by Kets de Vries when he explained that 'some leaders go far beyond the abnormal ways of functioning...they go off the deep end' (Kets de Vries, 1995, p. 217). However, it is only recently that the phenomenon of toxic leadership has become a focal interest for many organizations in an attempt to understand the leadership behaviours which are harmful to employees as well as for the organization (Mehta & Maheshwari, 2013).

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On an organisational level, Reed (2004), states that leaders who use their position power to display negative and destructive leadership tendencies tend to propel their organizations towards destruction. In the same line Lipman-Blumen (2005a) asserts that toxic leadership cause the fragmentation of the organization and risks the values and the norms of the organization (Aubrey, 2012). This is confirmed by Mitchell and Ambrose (2007) who provides evidence that reporting to a toxic manager leads to an increase in workplace deviance by subordinates which can be attributed to negative reciprocity. Organizational outcomes include negative effect on organizational performance (Ashforth, 1997) by invoking dysfunctional group behaviour (Wilson-Starks, 2003). A study by Schmidt (2014) found that found that toxic leadership had negative direct effects on four job outcomes: job satisfaction, work group productivity, organizational trust, and organizational commitment.

On an individual level, it creates a seriously effectual pressure on the personality of the employee (Lipman-Blumen, 2005a). This leads to higher levels of anxiety, burnout, depression, and work-family conflict in subordinates as well as diminished self-efficacy that could lead to deteriorations in performance and morale (Kusy and Holloway, 2009). In addition, it results in low staff morale, sexual harassment, decrease in job satisfaction, high turnover and low productivity and performance (Mehta and Maheshwari, 2014; Schmidt, 2008). Research by Zagross and Jamileh (2016) provides evidence of the relationship between toxic leadership and job stress of knowledge workers. Toxic leadership therefore creates an environment wherein employees are rewarded for agreeing with the leader and reprimanded for challenging his/her authority. Lipman-Blumen (2005a) described this as 'stifling constructive criticism and teaching supporters (sometimes by threats and authoritarianism) to comply with, rather than to question, the leader's judgment and actions' (p. 20). Wilson-Starks (2003) concurs and states that in a toxic leadership environment, 'yes' people are rewarded and promoted to leadership roles, while people who more fully engage their mental resources, critical thinking, and questioning skills are shut out from decision-making and positions of influence" (p. 2). As a result employees' enthusiasm, creativity, autonomy, and innovativeness – all important characteristics for university staff - are curtailed due to the fact that the leader's self-interest assumes prime importance. Similarly, participants with toxic leaders reported feeling less trustful of the organization and less committed to it blaming their organization for condoning the leadership behaviours that were so distressing (Schmidt, 2014). This is in line with earlier findings (Bowling & Michel, 2011; Folger & Cropanzano, 1998, 2001) that subordinates associate destructive leadership with negative organizational cultures and blame their organizations for tolerating or even encouraging and rewarding these behaviours. These negative effects on both an individual and institutional level demonstrate the importance of understanding and curtailing toxic leadership. While Reed (2004) investigated toxic and destructive leadership existing in the military, this issue was found to exist in the corporate sector as well (Pelletier, 2010). Toxic leadership has recently emerged in organisations as a silent killer and the evidence is mounting on the impact of toxic leadership both at organizational and individual levels. However, there is a paucity of research on the prevalence of toxic leadership in higher education institutions world-wide.

This study explores the phenomenon of toxic leadership – leadership that causes, either abruptly or gradually, systemic harm to the health of an organization, hampering the organization from achieving its objectives. In particular, the investigation focused on toxic leadership in higher education institutions in South Africa - the prevalence thereof, as well as the characteristics and behaviour of toxic leaders. The study employed the *Schmidt Toxic Leadership Scale* (2008), which is a 30 item questionnaire designed to observe the prevalence of specific toxic leadership behaviours. The survey measures the following five dimensions of toxic leadership: *self-promotion; abusive supervision; unpredictability; narcissism*; and *authoritarian leadership*. Respondents to the survey were all female leaders in higher education institutions in South Africa attending the HERS-SA academy. The HERS-SA ACADEMY is a week-long interactive professional development opportunity for women employed in higher education both in South Africa and internationally.

The results of the study confirmed that toxic leadership is, indeed, a prevalent phenomenon with all participants reporting various degrees of previous or current experience with toxic leaders. Thus, toxic leadership occurs with high frequency in higher education institutions, just as it does in other types of organizations. Furthermore, the evidence shows that the behaviours of toxic leaders are concrete. In the open-ended responses participants described toxic leadership in terms of what toxic leaders did, especially how they influenced and interacted with others. However, given the small sample (N = 48), this study can be viewed merely as exploratory. Due to the emotionally charged nature of the questions some delegates could have been discouraged from

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participating. Even so, the data portray a bleak reality that toxic leadership is prevalent in higher education institutions and that it conforms to observable patterns of behaviour.

EXPLORING TOXIC LEADERSHIP

Although the term "toxic leader" first appeared in 1996 (Wicker, 1996), as yet no standard definition of toxic leadership exists. Indeed, a variety of terms like destructive, incompetent, bullying, toxic, and abusive are used interchangeably but describe the same phenomenon: leaders who are engaged in gravely destructive behaviours and who exhibits dysfunctional personal qualities inflicting severe physical and psychological damage to followers and undermine the best interest of the organization. However, "toxic leadership" increasingly is becoming the preferred label for leadership that harms an organization or the individuals reporting to such a leader.

Schmidt (2008) added to the extant literature by showing that toxic leadership includes a broader spectrum of behaviours than had been studied previously. He describes toxic leaders as 'narcissistic, self-promoters who engage in an unpredictable pattern of abusive and authoritarian supervision' (Schmidt, 2014: 57). This view is confirmed by Pelletier (2010) and Dobbs, 2014) that toxic leadership is a multi-dimensional structure that contains flawed leadership components such as narcissism, authoritarianism, self-promotion and unpredictability. Whicker (1996) defines toxic leadership as a leader who is incompatible, anxious and malevolent. They are 'maladjusted, malcontent, and often malevolent and malicious people' who succeed by tearing others down and 'glory in turf protection, fighting, and controlling others rather than uplifting followers' (Whicker, 1996: 66). The common behaviours demonstrated by toxic leaders can include the leader criticizing employees' performance, taking the credit for employee's ideas and humiliating employees in front of their colleagues (Kellerman, 2004). Wilson-Stark (2003) defines the characteristics of a toxic leader in three ways. First of all, toxic leaders suppress the creativity of staff through their need to be in control. Secondly, they increase distrust by isolating people and withholding information from people. Thirdly, they prevent the development of productive relationships and produce polarisation and division. For example, Pelletier (2010) wrote that toxic leaders '…promote divisiveness between work groups or individuals' (p. 373), suggesting that toxic leadership would erode work group cohesion and team work. According to Reed (2004) toxic leaders have an evident lack of concern for the welfare of subordinates and a personality that negatively affects the organizational culture. This results in a belief by subordinates that their superior's actions were driven primarily by selfish motives and self-interest. Organisational cultures can also be toxic and lead to the emergence of toxic leadership when the personal agendas of individual leaders take precedence over the long-term well-being of the organization resulting in an ineffective organization (Atkinson & Butcher, 2003).

It is evident that providing a single definition of 'toxic leadership' remains an exasperating task primarily due to differences in perceptions about how leadership is viewed. What might be perceived as toxic leadership by one employee might viewed by another as good leadership (Lipman-Blumen, 2005). To add to the complexity, a toxic leader does not necessarily display toxic behaviours in all situations and varying degrees and types of toxicity are demonstrated by different toxic leaders. However, all toxic leaders have a 'deep–seated but well–disguised sense of personal inadequacy, selfish values, and cleverness at concealing deceit' (Whicker, 1996: 12). They usually exploit four basic needs and two main fears, i.e., the need of authority, safety, feeling oneself special and the need of belonging; and the fear of exclusion and the fear of weakness (Lipman-Blumen, 2015a). Goldman, (2009) defines toxic leadership as 'being destructive, disturbing, and dysfunctional acts of supervision that spread among members of the workforce'. In a similar line, Lipman-Blumen (2005b: 30) describes toxic leaders as 'those individuals who, by virtue of their destructive behaviors and their dysfunctional personal qualities or characteristics, inflict serious and enduring harm on the individuals, groups, organizations, communities and even the nations that they lead'. It is importance to note that toxic leaders are good impression managers and are often viewed as competent, charming and influential leaders by their superiors and organisation (Reed, 2004). This makes it even more difficult for their subordinates to complain about their toxic behaviour. Whicker (1996) and Lipman-Blumen (2005a) explain how toxic leadership often creates short-term boosts in productivity as a result of subordinates acting out of fear. But these bursts of productivity quickly result in burnout, withdrawal, and attrition, which are ultimately very costly to the university.

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The brief discussion above can be summarised with this following statement by Reed (2004: 71) that 'a toxic leader is poison to the unit – an insidious, slow-acting poison that complicates diagnosis and the application of an anecdote (2004, p. 71). When these leaders are placed in senior positions in the organization, the impact of their behaviour is even more devastating (Kets de Vries, 2014).

METHOD

Participants

Data were collected from a group of female leaders (N=82) employed at 18 different higher education institutions in South Africa using the Schmidt Toxic Leadership Scale (2008). Respondents to the survey were all female leaders in higher education institutions in South Africa attending the HERS-SA academy. The HERS-SA ACADEMY is a week-long interactive professional development opportunity for women employed in higher education institutions both in South Africa and internationally. This programme is aimed at those women in, or aspiring to hold, senior leadership positions and typically attracts on average 80 women. The instrument was distributed electronically by the HERS-SA administrative office to all delegates attending the academy in 2017 (N=82). A total of 48 participants responded to the survey indicating a response rate of 58%. Due to the small sample size and to protect the identity of the participants no biographical data, apart from their job level, was collected. Of the 48 participants, 2 (4.17%) were a member of the executive management committee (EMC), 3 (6.25%) were executive deans, 6 (12.5%) were heads of academic departments, 16 (33.33%) were heads of support departments, 11 (22.92%) indicated that they are in non-management positions (other), and 10 (20.83%) were lecturers. All participants signed an informed consent ensuring them that their responses would be dealt with extreme confidentiality and that their anonymity would be safeguarded at all times.

Measuring Instrument

The study employed the *Schmidt Toxic Leadership Scale* (2008), which is a 30 item questionnaire designed to observe the prevalence of specific toxic leadership behaviours. The survey measures the following five dimensions of toxic leadership: *self-promotion; abusive supervision; unpredictability; narcissism*; and *authoritarian leadership*. The scale measures the prevalence of each of the 30 toxic leadership behaviours on a 6-point Likert scale response format, with answers ranging between 1 = "Strongly Disagree" to 6 = "Strongly Agree." All items begin with the phrase "My current supervisor…". In addition, a series of open-ended questions were included that asked participants to use their own words to describe their experiences with toxic leaders, with attention given to their personal description of toxic leadership behaviours and incidents that typified toxic leadership. This paper however only reports on the quantitative data obtained. Cronbach's alpha reliability coefficient (α) conducted on the instrument have confirmed the reliability of the instrument. All five toxic leadership dimensions are reliably testing their respective latent constructs since their respective Cronbach's alpha values are greater than 0.7. The Cronbach's alpha values for each of the five toxic leadership dimensions were as follows: Self-promotion (0.7371); Abusive supervision (0.8301); Unpredictability (0.8808); Narcissism (0.7186), and Authoritarian leadership (0.8435).

RESULTS

The STATA statistical software package was used to analyse the data.

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Table 1: Summary statistics per toxic leadership dimension

TOXIC LEADERSHIP DIMENSIONS	Rank mean	Median	Chi-Squared	DF	p-value	Multiple Comparison		
1. Abusive supervision	672.74	6				1-2 4-5*	2-3	3-4
2. Unpredictability	690.89	6	28.226	4	0.00010	1-3*	2-4*	3-5
3. Self-promotion	778.22	6				1-4*	2-5	
4. Narcissism	822.42	6				1-5		
5.Authoritarian leadership	677.73	6						

**significant difference between dimensions*

The high rank mean for each of the five dimensions indicate that the majority of the participants either "agreed" (5) or "strongly agreed" (6) that their line manager demonstrated the 30 toxic leadership behaviours measured by the instrument. The median for each of the 30 questions ranged between 5 and 6 with a median of 6 for each of the five dimensions of toxic leadership.

Table 2: Wilcoxon-Mann-Whitney test - Comparison between management and non-management staff for each of the toxic leadership dimensions

TOXIC LEADERSHIP DIMENSION	Median		Rank Mean		z-score	p-value
	Management	Non-management	Management	Non-management		
1. Abusive supervision	6	5	184.3201	148.1599	-3.695	0.0002*
2. Unpredictability	6	6	173.5053	162.0646	-1.180	0.2382
3. Self-promotion	6	6	121.0815	119.7524	-0.175	0.8608
4. Narcissism	6	6	117.8333	123.9286	0.842	0.3996
5. Authoritarian leadership	6	5	158.1883	126.9008	-3.478	0.0005*

*$p<0.001$**

The Two-sample Wilcoxon rank-sum test was performed to compare the management and non-management participant ratings on the toxic leadership scale. As illustrated in Table 2, the results indicate that position has no significant effect on the toxic leadership ratings of *Unpredictability*, *Self-promotion* and *Narcissism*. The rating for these three dimensions does not differ between the two groups. However, rating with regards to *abusive supervisio*n differs significantly between the two groups ($p<0.001$, $z=-3.695$) as well as the rating for *authoritarian leadership* ($p<0.001$, $z=-3.478$). In particular, the score for managers is higher than the score for non-management staff for these two dimensions of toxic leadership. The rank mean of 148.1599 and 184.3201 for non-management and management respectively indicate that the *abusive supervision* score for managers is significantly higher than the one for non-management staff. The same applies for *authoritarian leadership* with rank means of 158.1883 for management and 126.9008 for non-management staff.

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DISCUSSION

The results of this study confirms that toxic leadership is indeed a prevalent phenomenon in universities in South Africa. The high rank mean for each of the five dimensions indicate that the majority of the participants either "agreed" (5) or "strongly agreed" (6) that their line manager demonstrated the 30 toxic leadership behaviours measured by the instrument. The extremely high ratings might be attributed to the fact that the sample included only females. Chau and Murray (2015) state that due to inherent differences in how men and women process information (i.e. the selectivity hypothesis by Putrevu, (2001) posits that women are more elaborate processors as opposed to men who are heuristic processers of information) the perception and interpretation of a message from a toxic leader will be influenced by gender. This elaborate processing typical to women leads to greater imagery creation, making the source or the person conveying the message as important as the information itself. Furthermore, women more than men, are highly attuned to inconsistencies in information presented and as a result they are more accurate in identifying deceitful or false cues in a situation involving a toxic leader that are subtly inconsistent with the message (Meyers-Levy & Maheswaran, 1991). Research by Chau and Murray (2015) confirmed that women perceive the toxic leader more negatively than men, elaborating more on negative message connotations, while men emphasized positives. From both an individual as well as an institutional health perspective, the findings of this study is problematic. The advancement of women to senior positions is currently high on the transformation agenda in higher education institutions in South Africa (CHE, 2016) and elsewhere (Shepherd, 2017). Various reasons for women's continued underrepresentation at senior leadership levels in HE are mentioned in the literature (cited in Moodly & Toni, 2017). Further research is needed to determine whether toxic leadership and institutional cultures within higher education institutions might be added to the list of barriers to women's advancement.

The high rank mean for all five toxic leadership dimensions is concerning since researchers are beginning to show how such behaviours cascade throughout organizations and create toxic organisational cultures and impact the performance of the organisation. For example, Mawritz, Mayer, Hoobler, Wayne, and Marinova (2012) showed that abusive supervision among senior managers was positively related to this same leadership style among front-line supervisors, which in turn was positively related to interpersonal deviance among employees. This 'trickle-down' model of abusive supervision explains how negative leadership behaviours can be replicated downward throughout the organization, creating a highly destructive leadership climate and a toxic organisational culture. For organizations like universities with hierarchical structures these findings are especially pertinent. Lian, Ferris, and Douglas (2012) found that subordinates within such organisations were more likely to tolerate and emulate abusive supervision. This necessitates proactive interventions to identify and correct destructive leadership before it becomes a pervasive part of the university culture.

As indicated in Table 1, the two dimensions with the highest rank mean are *Narcissism* and *Self-promotion*. This is alarming since Schmidt's (2008) definition of the narcissism includes a lack of skill of developing empathy with others and underestimating other's abilities. The majority of findings (cited in Braun, 2017) regarding narcissism in leaders point to its negative effects (e.g., undermining perceived innovative behaviour, eliciting counterproductive work behaviour directed against the leader. In addition research by Schmidt (2014) revealed that *self-promotion* was the most predictive of the five dimensions of the toxic leadership survey. Tal-Or (2010) states that people who self-promote often induce resentment and jealousy in those around them. It makes sense that leaders who self-promote would incite such feelings in their subordinates, particularly when taking credit for their or the team's success. Leaders who engage in self-promotion reduce potential resources (recognition, rewards, and feelings of accomplishment/competence) from their subordinates. In fact, item 3 of the self-promotion scale, 'My leader accepts credit for successes that do not belong to him/her,' is an action that directly reduces the beneficial outcomes that subordinates have earned. Although all five toxic leadership dimensions results in reduced psychological and emotional resources, *self-promotion* has a unique potential to directly reduce more tangible resources (e.g., financial bonuses, promotions, etc.).

Furthermore, Schmidt (2014) is of the opinion that due to the direct and hostile nature of *abusive supervision*, it exhausts employee resources the most. Because the behaviours associated with abusive supervision are more individually-focused than behaviours in the authoritarianism, narcissism, and self-promotion dimensions of toxic leadership, they most probably require more resources to process. Supervisors who engage in abusive behaviours micromanage their employees and use public humiliation, repeated reminders of employees' past

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mistakes, and hostile language (e.g., calling people "stupid") to verbally and emotionally assault their victims (Tepper, 2000; 2007). In the same line, Schmidt (2014) argues that *unpredictability* - implying unexpected behavioural changes displayed by toxic leaders - would require subordinates to be on constant alert expending more resources. Employees can never let down their guard and need to be ready to cope with volatility at any moment. As revealed in research by Schmidt (2008) employees would rather have a supervisor who was predictably abusive than one who was sometimes positive and sometimes negative.

The findings as indicated in Table 2 that management staff experienced a higher degree of toxic leadership than non-management staff in four of the five toxic leadership dimensions confirms the finding by Frost (2003) that managers embedded within a department or organization led by toxic leaders serve the unfortunate role of being 'toxin filters'. It is evident from the results of this study that toxic leadership in universities could hamper the progress of transformation in higher education institutions in South Africa especially addressing the current gender disparity at senior levels. This is a challenge facing higher education institutions world-wide, including universities in developed countries (Shepherd, 2017; Manfredi, 2017). Female leaders who resign due to toxic leadership not only drain the university of valuable institutional knowledge, they also leave vacancies that can take significant amounts of time and money to fill. Therefore, as universities seek to attract, engage, and retain top female academic leaders they should proactively think about how to prevent toxic leadership in their universities.

Implications for practice

The most obvious implication of the findings of this study is that because toxic leadership is related to decreased employee morale and performance, commitment, and job satisfaction (Lipman-Blumen, 2005a; Mitchell & Ambrose, 2007; Schmidt, 2014; Tepper, 2000, 2007), universities should make every effort to reduce the likelihood of the occurrence of these harmful behaviours. Leadership is a paradox and the same attributes that describe effective leaders can corrode into qualities that we associate with toxic leadership. For example, 'arrogance,' one of the trademarks of toxic leadership can easily be misinterpreted as 'self-confidence,' which is a trait shared by all good leaders. However, while the self-confidence of an effective leader inspires trust, the arrogance of a toxic leader is offensive to subordinates. Therefore, the results of this study argue on behalf of better training given to faculty and other administrators who assist in the screening of candidates for senior leadership positions. Likewise, they need to be made aware of research on toxic leadership. Indeed, there is even a case for the involvement of specialised staff (i.e., personnel specialists or psychologists with expertise in organizational leadership) during the selection process. By advancing knowledge of toxic leadership, there may be increased opportunity to decrease its prevalence and reduce its destructive impact.

Furthermore, in line with the recommendation by Chau and Murray (2016) it is important from a management standpoint to understand that men and women process information differently. Therefore, leadership development programmes could focus on gender-specific communications to counterbalance perceptions of toxicity toward leaders. Training leaders to tailor their communication could potentially minimize misinterpretation of communication as toxic. In addition universities also need to formulate checks and controls for early identification of toxic leadership behaviours within the university. This will allow the university the opportunity to intervene and assist in re-educating aberrant leaders by means of coaching or mentoring. Early identification also decreases the possibility of fostering strong toxic behaviours. Once toxic leadership behaviours have been exposed, recognized and appropriate action taken within the university, the growth of toxic leadership may be curbed. Furthermore, performance management systems should not only reward managers who get the best results, but it is also important to understand and assess how these results were achieved. The behaviours of leaders need to be monitored and assessed to ensure that their interactions with followers results in a healthy work environment. In this regard 360-degree assessments can be helpful. In line with the recommendation by Pelletier (2010) universities should also consider establishing an ethics ombudsperson who, in addition to investigating institutional corruption, could also investigate allegations of leader toxicity.

Finally, since this investigation was intended to be exploratory in nature, there are certain limitations with regard to the issue of the generalisation of the results of this study to all sector employees. Sampling of the study comprises only females and it is suggested that future studies may bring forth more effective results with larger and

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more diverse sampling. The will shed more light in terms of gender differences regarding toxic leadership. The findings do, however, support the need for more research into the area.

CONCLUSION

This study was an opportunity to explore the prevalence of toxic leadership and obtain empirical evidence regarding the prevalence of toxic leadership in higher education institutions in South Africa. The findings of the study are of interest to human resource and leadership development practitioners in higher education institutions to enable them to develop policies and leadership development processes to recruit, retain and develop talented and ethical staff for management positions. The study offers recommendations that include raising the awareness and the training of staff who participate in the recruitment and selection process for management staff in universities. This will better equip them to assess not only leadership potential, but also the potential for toxic leadership. Furthermore, the findings of this study will contribute to the literature on leadership and extend the literature about the effect of toxic leadership in higher education institutions. Finally, although this investigation was intended to be exploratory in nature the findings do however support the need for more future research into the area.

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CULTURAL DIVERSITY AND EMPLOYEE MOTIVATION IN LABOUR MARKETS

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ABSTRACT

Employee motivation is essential for organisational operations, as the productivity of any organisation is dependent upon the employees. Globalization plays an important role in the productivity of any organisation. As a result of globalisation, Dubai has emerged as a multicultural hub, thus creating a challenge in the form of employees' satisfaction and motivation in the workplace. In this regard, the aim of this study is to understand the impact of cultural diversity and employee motivation in labour markets (public sector). This paper offers reflections on the existing body of knowledge about employee motivation and provides new insight into the under-researched area of employee motivation in cross-cultural environments. Employee motivation is an important area of study which is profoundly affected by cultural background and society settings.

Keywords: employee motivation, cultural diversity, labour market, public sector, employees' satisfaction.

INTRODUCTION AND BACKGROUND

The concept of culture is still ambiguous among researchers; different researchers describe culture in different ways. Kroeber and Parsons (1958) state that human beings are shaped through values, thoughts, symbols, and other factors. Others have identified culture as that something that is continuously shaped by events and circumstances via symbolling (White, 1959/2007). Cultural symbols may create patterns and ways of thinking, responding and emoting, which can help groups successfully develop cultural trends that reflect their cultural values (Kluckhohn, 1951). Segall (1984) suggested that researchers should not attempt to conceive culture; instead, they should focus on reality and the links between different variables and human behaviour. This suggestion sparked controversy, where others contended that using the word 'should' is pointless, since one theoretical concept is no better than another. Van de Vliert (2009) stated that a culturologist could study climate to understand the impact climate has on behaviour, values, and beliefs, even though climate is not considered a part of culture. Others have suggested that we cannot say that culture influences behaviour, because behaviour is part of culture (Jahoda, 2014; Ozuem et al, 2016). Similarly, we cannot consider values to be a part of culture, but we can say that culture affects values (Fischer and Schwartz, 2011).

CONTEXTUALISATION

Scholars have many different reasons for studying culture, and each researcher has his or her own interest in the topic, which may itself be influenced by his or her cultural background (Hofstede, 1980, 2001; Minkov, 2012; Minkov and Minkov 2017; Minkov and Hofstede, 2014). Investigations are more significant when researchers are able to agree on a single definition of culture, since this makes the information that researchers provide more valuable (Fischer, 2009; Gelfand et al., 2017). Child (1981) suggested that it does not make sense to consider the cultural consequences of companies' operations in different countries unless one is sure to be studying phenomena relevant to each country's culture (Maleki and Hendriks, 2015; Oyserman, 2017).

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Leung and Van de Vijver (2008) identified two types of culture: causal and holistic. In causal cultures, all cultural characteristics are correlated, whereas in holistic cultures, different characteristics cannot be separated, since they rely on one another. It is important for researchers to use this model to determine whether their cultural perspectives are causal or holistic. Van de Vijver and Leung (1997) identified several variables relevant to culture, such as health care, gross national product, and educational systems. Society's wealth can be a cultural variable as well (Javidan and Houser, 2004). Culture can also be categorized into two groups based on the point of focus: outside of individuals or inside of them. The first point of focus can include anything a person participates in his or her environment, such as art or institutions. The second is related to individuals' minds, and it includes thoughts, values and beliefs (Singelis et al., 1999). Rohner (1984) suggested two other categories of cultural concept: culture as meaning, and culture as attitude. The second category considers the difference between realistic researchers and nominal researchers.

Minkov (2012) classified the concept of culture into six categories: subjective culture, objective culture, culture as a system of behaviours, culture as a set of meanings, culture as an independently existing phenomenon, and culture as a subjective human construct. Minkov points out that these differences are not obvious; discerning them depends on the researcher's perspective. Hofstede (2001) identified subjective culture as a form of mental programming: "the collective programming of the mind that distinguishes the members of one group or category of people from another". Minkov (2012) described objective culture as things that come from individuals' minds, such as laws, marriage systems, tools, art, traditions, and constructions. Additional activities could also be considered part of culture, such as rice cultivation. All these are transferred from one generation to another (Brown, 1991; Inglehart, 1997; Lukaszewski et al., 2016). However, the concept of culture as a behaviour not be accepted by others, such as Murdock (1940) and Haviland (1990). Cultural diversification is often associated with either *individualism or collectivism*. A fundamental dilemma in cross-cultural organisational interaction is whether one should focus on oneself or consider what is good for the entire team (Degens et al., 2016). Individualism, in which much individual freedom is allowed, is common. In an organisation where individualism is appreciated, an employee receives rewards, such as salary increases, for excellent individual performance, but suffers individually for non-performance. In collectivist societies, people work as a team; they rely on one another and stick together (Kuehn and Al-Busaidi, 2002; de Vries, 2016). Group opinion overrides personal opinions; collectivist organisations appreciate the importance of working as a group, and performance is judged collectively, with the reward system recognising the collective efforts of the group (Deery, 2008; Kemp and Zhao, 2016). The nature of the organisational system affects the motivation of employees by enhancing or failing to meet the expectations of individual employees. Triandis (1994) states that situations can determine the existence of a dimension. However, Hofstede (2001) claims that this dimension means collectivism is the opposite of individualism, and vice versa. In other words, they are two sides of the same coin.

The dimension of *power distance* indicates that society is unequal, and that inequality and unfairness exist among people and in society. In reference to Hofstede's cultural dimension, people have different physical and intellectual capabilities, and these discrepancies are important (Cascio, 2006; Shan et al., 2016). Organisations that are more centralised are considered to have a high power distance scale. In societies where hierarchy is strongly embraced, the power distance is high. By contrast, companies with a low power distance have a small gap between the company head and employees, in turn affecting the methods of communication and information flow in the organisation. In an organisation where the power distance is high, information from top-level management must pass through middle managers before it reaches employees (Darwish, 2002; Huang et al., 2017). Conversely, in an organisation where the power distance is low, information flow from management may go directly to rank-and-file employees, as organisational hierarchy is not considered important. Employee motivation in these two scenarios may differ because of the level of employee satisfaction in response to these forms of information flow. Hofstede describes this dimension based on his cultural background, as he mentioned low power distance is modern and high power distance is traditional (Fougère and Moulettes, 2006). However, Hofstede claims these indicators are either good or bad.

Cultural diversification also results in differences in the levels of *uncertainty avoidance* among employees. People from different societies have different cultural backgrounds and may prefer to play safe or take greater risks when achieving personal goals (Maertz and Griffeth, 2004; Slawinski et al., 2017). In societies where the

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uncertainty avoidance is high, employees are willing to work harder to secure their future, and they prefer to avoid risking what they have already acquired. Such environments are characterised by heavy risk avoidance, and organisations avoid risk by protecting their employees (Debrah and Budhwar, 2004; Chen et al., 2017). In societies where the uncertainty avoidance is low, people do not worry about the future, and they live in the present. Taking more risks is a common feature of such societies, and working hard is deemed unnecessary because people feel secure about their future. Depending on the cultural background of an employee, the motivation to work may be affected negatively or positively by the corporate culture of an organisation. Whilst employees whose cultural backgrounds are associated with high risk avoidance may be motivated easily, those from societies with low risk avoidance are difficult to motivate because they feel that their future is secure (Deckop et al., 2006; Kim, 2017).

According to Francesco and Gold (2005), high uncertainty avoidance may reduce innovation, as it prioritises strong policies and hard procedures. Moreover, there could be more innovation in low uncertainty avoidance societies. The uncertainty dimension was also criticised by Shane (1993), as countries that have a low score in this dimension seem to be more innovative, with more trademarks issued than in high uncertainty avoidance countries. In addition, there can be variation in the differences of interpretation of the assertion that 'rules should not be broken', from one culture to another (McSweeney, 2002).

Masculinity versus femininity is another cultural aspect that can significantly affect the level of employee motivation in a multicultural setting. The social roles played by the members of either gender are constructs of a society and can influence the level of employee satisfaction and motivation in an organisation (Lund, 2003; Din and Ghetany, 2016; Fatima, 2016). Societies with a small difference between what is considered feminine and masculine have low masculine versus feminine scores (Davies, 2001; Sveningsson and Persson, 2017). In feminine societies, emphasis is given to such factors as employees' feelings about work, the environment, and quality of life. In a masculine society, where men are considered dominant, they are expected to perform better than their female counterparts, and they are automatically in charge of everything (Kur, 1995; Kemp and Zhao, 2016). In such a society, women are expected to play roles in housekeeping and childcare, and they generally take responsibility for tasks focusing on services (De Cieri and Kramar, 2008; Keller et al., 2017). In a multicultural context, employees who are subjected to unfamiliar social sex roles in an organisation may feel dejected, demoralised, and frustrated. This situation can affect their productivity and the overall performance of the organisation. Hofstede (2001) states that some researchers have different perspectives towards social gender roles; however, Fougère and Moulettes (2006) criticise that dimension as it is ambiguous and leads to discrimination based on gender roles. This dimension has sparked the most controversy amongst scholars (Piepenburg, 2011).

CHARACTERISTICS OF CULTURAL DIVERSITY

Numerous studies nowadays are interested in the science of cultural diversity; this interest may reveal benefits or characteristics of cultural diversity. Minkov (2012) identified nine main characteristics of culture: sharedness, normalcy, integration (functionality, rationality, and logic), stability and changeability, transmittability, complexity, diffuseness, uncontrollability, and predictability. Whenever culture stated, the discussion is about group of people and their sharedness (Dorfman and House, 2004; Salmela and Nagatsu, 2017). Similarly, wherever there are members who communicate together or are interrelated, culture exists (Boyacigiller et al., 2007; Fischer 2009). Inglehart (1997) defined culture as a collective of knowledge, attitudes, and value in a society.

Between different societies, activities that are normal in one may be considered abnormal in another, or activities considered deviant in one may be considered normal in another (Haviland, 1990; Kropf, 2017). For example, one society may consider murder a social disease, while another views it as a means to improve the fitness of society (Barber, 2006; Minkov and Beaver, 2016). Similarly, corruption might be a tradition in some poor countries, as opposed to suspicious behaviour (Minkov, 2011; Baez-Camargo et al., 2017). According to anthropologists, integration means that studying one part of culture may lead to studying other parts of it (Haviland, 1990). Functionality, in this sense, may come from a society's environment or its circumstances (Inglehart, 1997). Some studies emphasise that cultural characteristics are stable and unlikely to change even over the course of years (Dorfman and House, 2004). Inglehart and Baker (2000) believe that obedience to the government might be related to national religiousness and may contribute to stability.

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There is an argument among scholars as to whether national and ethnic culture is genetic or whether it is social. Anthropologists and social scientists believe culture is social (Brown, 1991; Inglehart, 1997; Fischer, 2009; Neisser et al., 1996; Sternberg, 2005), whereas biologically it is learned and not transmitted (Murdock, 1940). Others claim that cultural differences are genetic (Arvey et al., 1994; Lynn and Vanhanen, 2002, 2006; Rushton and Jensen, 2010). According to Murdock (1940), it does not make sense that there was once only one culture in the world, as some anthropologists think. It is observable that when people travel to another nation they encounter different cultures.

MANAGERIAL IMPLICATIONS AND CONCLUSION

Society consists of a set of experiences common within a nation, which forms everyone's values. Boundaries may not be sufficient to separate national culture, as a large nation has many subcultures (House et al, 2004; Boyacigiller et al., 2007). Individuals, in this regard, show ethnic, cultural, and regional differences within a single nation, and structural theories have therefore been challenged. According to Weber (1930), religious denominations may shape cultural values. Some have agreed with Weber's suggestion (Ralston et al., 2008; Schwartz, 1994), whereas others have found that there are differences in cultural values (Esmer, 2002; Inglehart and Baker, 2000). An interesting phenomenon is the correlation between national personality traits and national culture (Hofstede and McCrae, 2004). In other words, an individual's differences may influence a group of people, or there is a common relationship between genetic and cultural traits. Nevertheless, there are some endeavours to use dimension individualism versus collectivism as an indicator to associate the prevalence of genetic polymorphisms (Chiao and Blisinsky, 2010; Way and Lieberman, 2010). According to Newson, Richerson, and Boyd (2007), culture is dominant in individuals. In other words, culture that is cultivated inside people is not easy to change, even if an individual wishes to (White, 1959/2007; Schumpeter, 1942/2003). Another perspective looks at culture as something that occurs outside of people's control, yet at the same time it does not occur randomly. It is the result of a set of choices and balance from numerous individuals (Parsons et al., 1951/2001). Thus, governments may not be able to change culture or to shape people in a particular culture. Changing circumstances in a culture does not mean that it is evolving or changeable. Nevertheless, some scholars believe that change in some cultures can be predicted based on their economy and income.

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REORGANISING FOR SUCCESS: OPPORTUNITIES IN THE FOOD RETAIL INDUSTRY IN BANGLADESH

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ABSTRACT

The aim of this research paper is to analyse the interconnection between Foreign Direct Investment (FDI), performance, and contribution of the food industry to the Gross Domestic Product (GDP) and total labour force in Bangladesh. This study is informed by secondary data sets which were already available in the public domain and were analysed using associative techniques. The result demonstrates a significant interconnection between FDI, contribution of the food industry to the GDP and total labour force in Bangladesh. Despite the strong interconnections, the food industry in Bangladesh faces uphill challenges such as a lack of skilled labour, dominance by unorganised retailing, supply chain management problems, and an IT infrastructure that needs further development. Drawing from the finding, it is suggested that organised food retailing has the potential of helping to boost the GDP figures further through improved transparent accounting reporting practices, and thereby attracting more FDI. This finding will help managers to think more deeply about re-organising the food retail industry and to adopt transparent accounting reporting practices.

Keywords: FDI, Performance, Food retailing, Economic activities, Organised retailing

INTRODUCTION

This study contributes to a deeper understanding of the interaction between Foreign Direct Investment (FDI), performance, and contribution of the food industry to the Gross Domestic Product (GDP) and total labour force in Bangladesh. Whilst food trading remains a traditional family business in Bangladesh, there are increasing concerns about the reporting practices of organisations that operate as little fragments (Chen, Ding and Xu, 2014). This is cause for concern as economic activities these open-air temporary shops; roadside shops, and small family businesses are often unreported in most accounts of food industry activity in Bangladesh.

Whilst studies have been conducted to provide a snapshot of the current situation of the food retail industry and recent developments in the competitiveness of the food retail sector in Bangladesh (Hollingsworth, 2004; Vignali et al., 2001), there is still a dearth of literature in this area. In this vein, Kahkonen (2012) identified how food companies can obtain remarkable benefits by utilizing value nets. However, none of these studies have focused on analysing the interconnection between FDI, economic growth, labour force and performance of the food retail industry in Bangladesh. Thus, this study seeks to understand how these interconnections can be of strategic importance to managers in the food retail industry.

LITERATURE REVIEW AND RESEARCH QUESTION

Whilst Nandonde and Kuada (2017) provided an overview on the evolution of modern food retailing, their focus was on Africa. Rudawska and Bilinska-Reformat (2018) provided interesting insights into the development of food retailing formats in Poland. Similarly, Stanton (2018) provided a historic perspective on the food retailing within the USA and Europe. Such developmental understandings of food retailing are important to establish within the context of Bangladesh.

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Previous studies suggest that FDI provides substantial benefits, principally because it provides the host country with a relatively more stable flow of funds, helps augment productive capacity, and increases employment, generates positive knowledge through labour training and skill acquisition (Iamsiraroj and Ulubasoglu, 2015). Further, FDI is a significant vehicle for the transfer of technology, contributing relatively more to growth than domestic investment (Borensztein, De Gregorio and Lee, 1998). However, it is of concern that such benefits have not really accrued to the food retail industry in Bangladesh because of structural and organisational issues. Yet, these intangible assets would be beneficial for host countries to stimulate productivity and economic growth.

A major barrier to attracting FDI in the Bangladesh food retail industry is the fragmentation of the industry, and that has meant that most of the economic activity remains unaccounted for in the GDP. Previous studies (Chen, Ding and Xu, 2014; Azudin and Mansor, 2017) emphasised on transparent accounting reporting practices, and view this as a strategic resource for business sustainability. In fact, transparent accounting reporting practices of economic activity are positively associated with FDI inflows (Chen et al., 2014), and yet, fragmentation in the food retail industry means that accounting reporting practices in many cases not transparent. In course of this research project, the following central research question has to be answered: *what is the relationship between Foreign Direct Investment (FDI), contribution of the food retail industry to the Gross Domestic Product (GDP) and total labour force in Bangladesh?*

METHODOLOGICAL APPROACH

This study is informed by secondary data sets which were already available in the public domain. These data sets were re-analysed with the aim and purpose of the current paper in mind. Data gathered covered an 18-year period, and included, Economic growth statistics; industry growth statistics of the food retail industry; number of organised food retail outlets statistics; and FDI statistics for Bangladesh. This information covered a period, all these ranging from the year 2000 to 2017. A non-systematic review of the literature was conducted and included the Bangladesh government databases, Bangladesh statistical information. The literature search was conducted on a few databases, predominantly Google Scholar and Emerald Insight. The quantitative data sets collected were analysed using associative analysis techniques in using SPSS (Statistical Package for Social Sciences).

RESULTS AND DISCUSSION

Food Retailing: Contextual understandings in Bangladesh

It was found that in terms of attracting Foreign Direct Investment (FDI) in Bangladesh, the food sector in ranked 7th, with Telecommunication, Textiles and Apparel, Power, Banking, Gas and Petroleum and Trading being better ranked as sources of FDI. In 2017, the food sector attracted $103.09 million net FDI (Bangladesh Bank, 2017). This is illustrated by Figure 1.

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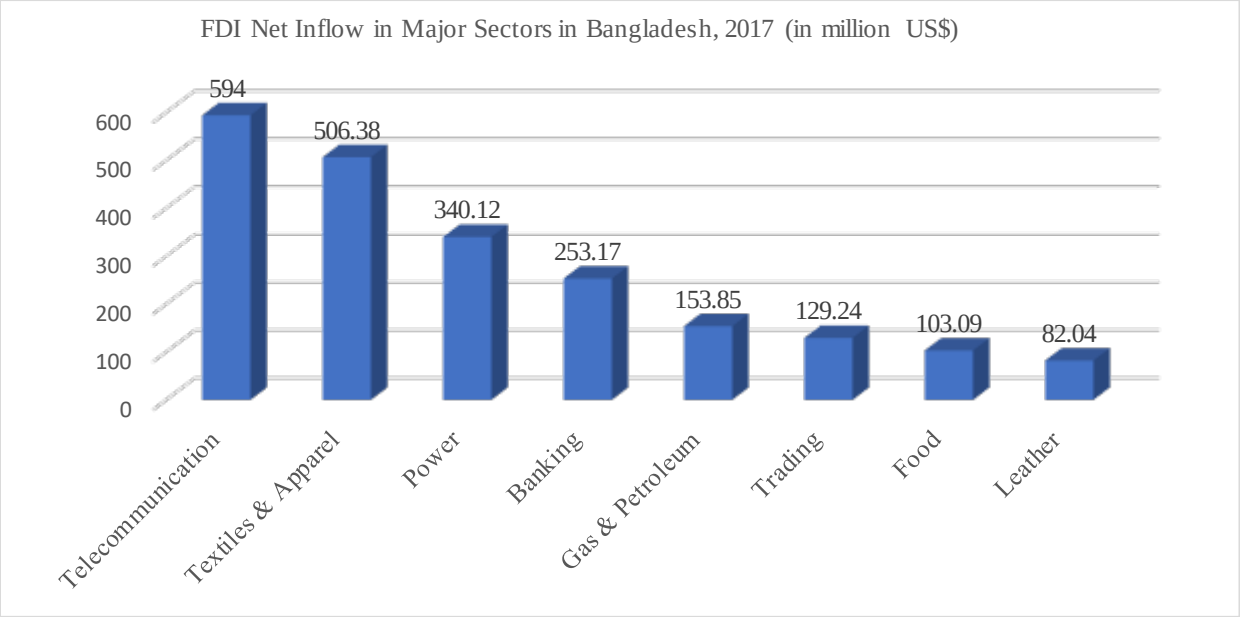
Figure 1: FDI net inflow in Bangladesh in 2017 (Bangladesh Bank, 2017)

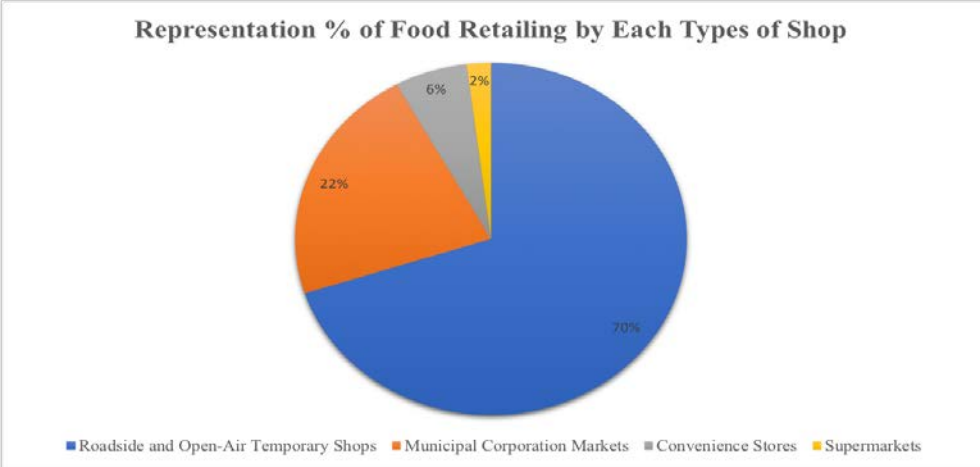


Although the food products sector is a significant source of FDI, the industry is comprised of a few organised retailers and a higher number of unorganised food retailers. This implies that there are a lot of missed opportunities that could have been exploited to further contribute to the growth of the food industry. Of concern is the dominant perspective of food retailing as an individual or family business (Hussain and Leishman, 2013).

Types of Food Retail Outlets

It was found that the food retail industry in Bangladesh is dominated by unorganised roadside and open-air temporary food retail shops. It emerged that the economic activity of these unorganised food retailing is often not recorded and remains unaccounted for in the reporting of economic activity in the food retail industry. This is cause for concern as the industry output and potential may be underestimated.

Figure 2: Percentage of representation of food retaining by each types of shop



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Those organised sections of the food retail industry include a convenience stores and supermarkets, and together constitute only 8% of food retailing. Thus, in fact, the growth statistics captured for GDP purposes could thus be only about just 8% of the industry's economic activity, thereby missing out on 92% of potential economic activity which often takes place but is unrecorded.

Relationship between FDI and other selected economic indicators

Correlational analysis was used to examine the relationship between FDI in the food retail sector and other selected economic indicators. The correlation between food retailing FDI and labour force of Bangladesh was found to be statistically significant: r (16) = +.752, p<.01, two tailed. The correlation between food retailing FDI and total FDI of Bangladesh was found to be statistically significant: r (16) =+.903, p<.01, two-tailed. The correlation between total labour force and total GDP of Bangladesh was found to be statistically significant: r (16) =+.929, p<.01, two-tailed. The correlation between total FDI and total GDP of Bangladesh was found to be statistically significant: r (16) =+.975, p<.01, two-tailed. The correlation between food retailing GDP contribution and total GDP of Bangladesh was found to be statistically significant: r (6) =+.931, p<.01, two-tailed. Despite the strong interconnections, the food industry in Bangladesh faces uphill challenges such as a lack of skilled labour, dominance by unorganised retailing, supply chain management problems, and an IT infrastructure that needs further development.

Despite the strong interconnections, the food industry in Bangladesh faces uphill challenges such as a lack of skilled labour, dominance by unorganised retailing, supply chain management problems, and an IT infrastructure that needs further development. Drawing from the findings, it is evident that organised food retailing has the potential of helping to boost the GDP figures further through improved transparent accounting reporting practices, and thereby attracting more FDI. Fragmentation has meant that most of the economic activity remains unaccounted for in the GDP figures, and as such it is necessary important to embrace a transformational agenda for the food retail industry in Bangladesh.

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

The findings reveal an overall dominance of unorganised roadside and open-air temporary shops in the food retail sector, whose economic activity is unrecorded in most statistical computations of economic output. The findings suggest that there is an opportunity to adopt organised food retailing as a vehicle to improve the performance and promote transparent accounting practices. It is argued that organised food retailing has the potential of helping to boost the GDP figures further through improved transparent accounting reporting practices, and thereby attracting more FDI. Fragmentation has meant that most of the economic activity remains unaccounted for in the GDP figures, and as such it is necessary to embrace a transformational agenda. All this unrecorded economic activity within the traditional or family business is important to give a true picture of the economic outlook for Bangladesh. Therefore, improved transparent accounting and reporting practices need to be introduced to record these unrecorded economic activities. Considering this, future research should focus on developing mechanisms that can be used to develop and implement transparent accounting reporting practices in the food retail sector. This study contributes to a deeper understanding of the interaction between Foreign Direct Investment (FDI), contribution of the food industry to the Gross Domestic Product (GDP) and total labour force in Bangladesh. Further, this finding will help managers to think more deeply about re-organising the food retail industry and to adopt transparent accounting reporting practices.

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THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND ORGANISATIONAL ATTRACTIVENESS

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ABSTRACT

Corporate Social Responsibility (CSR) is one of the most studied research topics worldwide has been applied to explore organisational behaviour, mainly in western cultural contexts. To date, the internal stakeholders of CSR (e.g. customers and employees) have been the main focus of research, while little attention has been given to external stakeholders including prospective employees. Existing literature focuses keenly on students as prospective employees and investigates the links between CSR and organisational attractiveness. Based on organisational behaviour and human resource management studies, this paper identifies the need for new research to investigate CSR perceptions amongst job seeking populations. Such research is important to understand the micro foundation of CSR and its possible connections to prospective employees as external stakeholders. The paper also posits that the mediating variables between CSR and prospective employees have reciprocal influences on the possible linkage. The managerial and theoretical implications are discussed in the context of CSR research.

Keywords: Corporate social responsibility, Organisational attractiveness, Recruitment, Job search behaviour, Job choice intention, Organisational behavior.

INTRODUCTION

Corporate Social Responsibility (CSR) gained prominence as a research topic about six decades ago (Bowen, 1953; Carroll, 1979; Greening & Turban, 2000; Backhaus et. al, 2002). Over time, CSR has been studied in various contexts to examine how its attributes can exert influence over management approaches (Aguinis and Glavas, 2012; Campbell, 2007); sales and marketing strategies (Vlachos et al., 2009) and human resources (e.g. Greening & Turban, 2000; Joo et al., 2016). The latter has become a particularly popular research topic over recent years, predominantly in western countries.

Job applicants seek out potential employers that best fit their skills profiles. Future generations of talent are not only concerned about salary and promotion, they are also ambitious about working for companies with strong values (PwC, 2012). Researchers have identified the key influencing factors between organisations and the career selection process, for instance, person-organisation fit (Gully et al., 2013), employee retention (Coldwell et al., 2008), career prospects (Wang, 2013), organisational justice (Joo et al., 2016) and organisational citizenship behaviour (Jamali, Georges, Lamberto & Cristiano, 2018). However, most of these studies focus on the links between CSR activities and their impact on current employees, while there has been less effort to understand the perceptions of CSR and its implications for potential employees.

Some studies (see for example Ray, 2006; Kan, 2013; Rowley et al., 2013; Sohn et al., 2015; Dawkins et al., 2016) have attempted to explore the relationship between CSR and job search behaviour. Perhaps surprisingly, almost all of them have focussed on students as potential employees. However, it can be argued that students

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represent only a minority of prospective employees, and are not therefore representative of the whole job seeking population when attempting to generalise the relationship between CSR and job searching behaviour. Thus, away from students, very little is known about perceptions of CSR amongst prospective employees, and how it might influence organisational attractiveness amongst this population.

Accordingly, the science of employer attractiveness demands further explanation to understand how to attract new talents and how to recruit prospective employees (Backhaus et. al., 2002). Research is therefore required to understand what makes an employer attractive to potential employee and to explore the extent to which CSR influences job search behaviour. Thus, potential employees may have intrinsic expectations about future employers who are committed to CSR. Therefore, further research is required to investigate the importance given to CSR by prospective employees while performing job searches.

LITERATURE

Contextualisation: corporate social responsibility

CSR has been a long debated topic in global research and has stimulated much debate between academics and practitioners (Carroll, 1979; Albinger & Freeman, 2000). Research into CSR dates back to at least the 1930s (Glavas & Kelley, 2014), however, the idea of giving back to society through activities was identified as far back as 5000 B.C. (Anderson, 1989). Over time, CSR has come to be considered as a moral thing to do (Luce et al., 2001) while some believe it is a business necessity to leverage organisational growth and meet the expectations of society (Bowen 1953; Webb & Mohr, 1998).

Accordingly, Brammer et al., (2012) argue that there is no commonly accepted definition of CSR, even after 30 years of research. Definitions vary according to contexts (Balcerowicz, 2015, p16). Some believe it is a legal responsibility or liability while others consider CSR to be an ethically motivated behaviour. Some consider CSR to represent a charitable contribution and for others CSR is about being 'socially conscious' (Votaw, 1972; Cited in Fryzel, 2015; Dunkwu, Egbunike and Ozuem 2016). Waddock (2004) labelled suggests that "parallel and sometimes confusing universes exist" when it comes to understanding CSR. One of the reasons behind such diverse views of CSR is that scholars have studied the concept under different disciplinary and conceptual lenses (Aguinis and Glavas, 2012; Ozuem, Howell and Lancaster, 2014).

In addition, studies into CSR have further fragmented understanding about its meaning. For instance, CSR was initially studied at the organisational level (i.e., macro level) and then at the individual level (i.e., micro level) (Aguinis and Glavas, 2012). Nonetheless, according to Balcerowicz (2015, p15), there are two main difficulties that are associated with expression of CSR. First, it is emotionally loaded and secondly, it is very vague. The former observation may obstruct clear thinking about the concept due to the use of the crucial word 'social' whereas the latter indicates a lack of clear information to identify CSR (Balcerowicz, 2015, p16). The word 'social' is a useful definition for many as it evokes positive emotions (Aquinis and Glavas, 2012). Any opposing view might approach CSR as negative or inferior (Balcerowicz, 2015, p16). This is why the popular juxtaposition 'social versus economic' is very sensitive and may lead to hasty judgements about what CSR refers to (Balcerowicz, 2015, p16).

To date, Carroll's (2016) conceptualisation of CSR is widely used and cited as a fully-encompassing attempt at a universal definition in some studies. He defined CSR as *"the social responsibility of business encompassing the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time"* (Carroll, 2016, p2). He latter designed these four elements as a form of pyramid and argued that a firm, to be considered as socially responsible must reflect these four factors in its practices (Carroll, 2016). However, Carroll's pyramid failed to provide absolute clarity regarding the concept (Glavas & Kelley, 2014). For instance, the philanthropic or discretionary component of the theory is defined as the expectations of all other responsibilities of a firm that are not listed as economic, legal and ethical responsibilities (Glavas & Kelley, 2014). The proposition "all other responsibilities'' is very broad and vague in nature and so clarification of the concept is not constant. Therefore, a universal definition for CSR stands not be feasible and must, at the very least be arrived at in a way that refers to specific contexts and scenarios. Hence, CSR can be defined as

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an independent value construct for stakeholders that is achieved through the specific actions of firms under the generic label of societal well-being.

CSR and organisational attractiveness

Past studies have focused on the mediating variables between organisation and career selection processes, for instance, person-organisation fit (Gully et al., 2013), career prospects (Wang, 2013) and organisational justice (Joo et al., 2016). However, little focus was given to investigate the mediating variables between CSR and employer attractiveness to potential employees. Consequently, the extent to which potential employees can be motivated by perceptions of CSR and its consequences can arguably be understood according to the ways in which they interpret the motives of CSR actions (Evans and Davis, 2011; Ozuem, Lancaster and Sharma, 2016). For instance, if an organisation is involved in environmentally motivated CSR activity, such as air pollution mitigation, this might not be attractive to potential employees as they might consider such engagement is simply a means to avoid government sanctions. Therefore, it is crucial to consider how applicants perceive of discrete examples of CSR activities.

In contrast, the underlying purpose of CSR can vary from organisation to organisation, regardless of the influence on stakeholders. Past studies have extensively critiqued these motives which can be grouped into two streams; self-centred and other-centred (Ellen et al., 2006; De Roeck and Delobbe, 2012).

Self-centred motives consist of the economic gains of promoting business objectives whereas; other-centred motives consist of altruistic intentions and moral duties that emerge from social obligations (Ellen et al., 2006). The effective communication of these motives can generate favourable stakeholder attitudes, such as employee attraction, investment and sales (Du et al., 2010). Thus, organisational motives for CSR also need to be considered while understanding the possible ways that it is communicated to prospective employees.

Accordingly, the theory of planned behaviour has been used in past studies to investigate the links between CSR and job choice intentions (e.g. Van Hooft et al., 2006; Schreurs et al., 2009; Dawkins et al., 2016). Such studies mainly posit that preferences to work for a socially responsible firm will result in higher job search intentions for such firms. In addition, individuals facing pressure to work for socially responsible firms will be more motivated by the idea of working for a firm that practices CSR. Finally, individuals with high confidence about their ability to perform for socially responsible firms are more likely to search for such firms. Thus, the theory mainly argues that behavioural intentions are the main determinants of behaviour (Ajzen, 1991). However, intentions may not be necessarily attributed to actual behaviour. This leads to a knowledge gap between what we know about job choice intentions and how they have been escalated in terms of actual behaviour. This is something needs to be considered in future research.

MANAGERIAL IMPLICATIONS AND CONCLUSION

The key notion of CSR pertains to social activities that benefit a range of stakeholders (Joo et al., 2016). CSR influences both external stakeholders, and internal stakeholders, such as potential employees (Kan, 2013; Ellen et al., 2006). Past studies have suggested that potential employees in an organisation are also affected by CSR (Joo et al., 2016; Wang, 2013, Kan, 2013; Ray 2006). CSR practices can be crucial factors in attracting and retaining talent in a tight labour market (Vaiman et al., 2012).

Additionally, Backhaus et al. (2002) argued that job applicants are likely to search for and evaluate organisational features based on the CSR activities that they are presented with. Thus, proactive CSR engagement can be useful for attracting talent (Jones et al., 2014). Corporate citizenship behaviour can attract potential employees as they perceive feelings of enhancing self-image (Turban and Greening, 1997) and foster optimistic expectations (Lin, 2010) while working for a socially responsible firm. Accordingly, Turban and Greening (1997) consider CSR as an effective recruitment tool.

Thus, a new school of thought has been developed that advocates that a firm's social responsibility initiatives can leverage attractiveness amongst potential employees. However, the extent to which CSR is attractive

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to prospective employees warrants further investigation. Self and other centred motives need to be investigated through primary research in a number of areas. However, there is evidence to suggest that organisations that showcase their CSR activities on recruitment websites gain the attention of prospective employees, but this trend needs to be rationalised by avoiding traditional student-biased findings. In so doing, human resource management can benefit from having greater control over understanding how prospective employees perceive of organisations that practice CSR. Such research could enhance our understanding of how to recruit and retain human capital.

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PRIORITISING THE MAINTENANCE OF INFRASTRUCTURE IN LEARNING ORGANISATION: A CHALLENGE IN SOUTH AFRICA

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ABSTRACT

We explore main critical issues which are directly linked to infrastructure maintenance in learning organisations in South African schools. Therefore, the purpose of this study was to explore whether the school managers prioritise the maintenance of infrastructure in their learning organisations. A qualitative research method was used in this study. One – on – one interviews were used to collect data. The results show that school managers identified infrastructure maintenance, safe learning environment and vandalism as critical in teaching and learning environment. These issues have a potential of influencing learners' achievement in schools. In most cases, school managers painted a bleak picture regarding the maintenance of infrastructure in their learning organisations. Therefore, it is recommended that school managers should develop a strategy for ensuring constant maintenance of infrastructure in their learning organisations.

Keywords: Infrastructure maintenance, learning environment, vandalism, learning organisations.

INTRODUCTION

After 1994, prioritisation of infrastructure has emerged within local and international scholarship to become one of the most prolific and exciting areas of research. In fact, infrastructure maintenance is the process of investing and preserving the basic school buildings (Karydas & Girun, 2006). This poses a mammoth challenge to some school managers in so far as maintaining and managing the infrastructure in some learning organisations. The significance of infrastructure maintenance to learning organisations is recognised worldwide to the extent that many departments have dedicated organisational structures or units responsible for infrastructure management and maintenance and it is reported in numerous international studies (Xaba, 2012). Maintenance of school infrastructure in some schools is generally unacceptable, resulting in collapsing and deterioration of school buildings. Most importantly, well-maintained infrastructure systems are imperative for improved schooling results. This can be done by preventing deterioration, restoring and recovering the immovable assets and replacement of all components as acknowledged by Department of Education [DoE, RSA] (2012). In actual fact, provision of effective learning in an increasingly competitive environment results in learners being successful in future careers (Read & Bick, 2014). However, the ignorance in prioritising the maintenance of infrastructure and rehabilitation for the existing learning organisations pose a challenge. For example, the challenges to infrastructure maintenance are scarcity of funds allocated for maintenance, lack of well-designed and updated infrastructure maintenance database to reflect school condition and maintenance history and works executed by minor grade contractors (Knapp, Noschis, & Palsalar, 2007).

Creating sustainable quality infrastructure in learning organisations create effective learning environment and positively influence the delivery of quality education. For instance, well-maintained infrastructure in any organisation is influenced by the systematic management, monitoring and evaluation procedure adopted to ensure that the learning environment satisfy expectations of the institution's customers (Ayeni &Adelabu, 2011). It is worth to point out that quality education can be achieved in an environment that is both safe and secure (Masitsa, 2011). In this regard, South Africa is beginning to recognised infrastructure maintenance with its prescription as a school governance function in the Schools Act and, secondly, with the proclamation of the Schedule for the National Policy

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for an Equitable Provision of an Enabling School Physical Teaching and Learning Environment (Xaba, 2012, p. 216), which states that:

A well-maintained and managed organisational infrastructure provides conducive environment that translate into quality education. If well-maintained and utilised they can realise substantial efficiency gains … also deepen national and sector values of school community relationships and community ownership of schools. It should be pointed out that the significance of infrastructure maintenance provides evidence of a link between organisational building adequacy and learner achievement (Xaba, 2012). The demand for quality education in learning organisations is a priority. Therefore, organisational infrastructure facilities maintenance must be prioritised to promote teaching and learning goals and effectiveness. Also, the Constitution (South Africa, 1996), the South African Schools Act (South Africa, 1996) and various policy documents emphasise that all South African learners should have access to the same quality of learning and teaching, similar facilities and educational opportunities. In addition, South Africa is a signatory to the United Nation's Convention on the rights of the Child, 1989, which compels the country to pass laws and take social, educational and administrative measures to protect the child from all forms of physical and mental violence, injury or abuse, neglect or negligent treatment or exploitation, including sexual abuse (Prinsloo, 2005). Thus, learners' rights to a well-maintained, safe and secure school environment are protected by law.

Considering the huge investment needed to build and maintain schools, it is important that communities should guard against any criminality within these. This means that the school (educators, parents and learners) and the community in general have the responsibility of ensuring proper management and maintenance of school buildings and prevention of vandalism. This is a very critical issue because a lack of physical resources may, for example, affect the teaching and learning processes within the classroom. About this matter it is opined that suitable and well maintained buildings will have a direct bearing on learners' performance (Kruger, 1999).

LITERATURE

Infrastructure Maintenance

Education has always been an important subject but the condition of our educational infrastructure and its ability to meet current learning demands has become an international concern (Knapp, Noschis, & Palsalar, 2007). Therefore, school infrastructure can be broadly classified into buildings, grounds and service systems. In this regard, school buildings consist of the external building envelope that needs to be maintained, which comprises the building foundation and external walls of buildings, which, in conjunction with the roof, windows and external doors, separate accommodation from the external environment (Xaba, p. 216). The goal for infrastructure maintenance is to create a physical setting that is appropriate and adequate for learning. It is worth to point out that school infrastructure maintenance basically refers to the programme of repairing, replacing and general upkeep of physical features as found in school buildings, grounds and safety systems (ibid). In fact infrastructure maintenance programme is an organisational activity carried out by the school community in order to prolong the life expectancy of school buildings, its furniture and equipment for normal use and also to ensure safe conditions for learners, educators, staff, parents or guests. Most important, according to Xaba (2012), for infrastructure maintenance to be carried out effectively, the following important aspects need to be put in place:

- Creating an organisational structure for facilities maintenance, which should clearly define duties and responsibilities of the school community;
- Preparing maintenance inspection checklist to monitor school building in order to prepare a school maintenance plan; and
- Formulating a maintenance strategy for achieving a better use of school infrastructure.

Safe Environment

Safe infrastructure relates to providing facilities that are needed to promote the culture of learning and teaching. In terms of section 24 of the Constitution, everyone has the right to an environment that is not harmful to his or her health and well-being. This means that learners have a constitutional right to receive education in a safe school

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environment. Paragraph 4.6 of the Guidelines for the consideration of governing bodies in adopting a code of conduct for learners (Xaba, 2012) states that "… learners have a right to a clean and safe environment that is conducive to education". In fact, well secured property with well-maintained infrastructure, school furniture and equipment, clean toilets, water and a green environment create an atmosphere that is conducive to education. In South African rural schools, it is pointed out that thousands still have poor physical infrastructure and many are dilapidated, dangerous, and unfit for human habitation (Ralenala, 2003). Generally, there is a strong belief that infrastructure has an important impact on educators' effectiveness and learners' academic performance (Ayeni & Adelabu, 2012). The quality of infrastructure and learning environment facilitate effective teaching and learning in a school.

THE PROBLEM

The present focus in the educational arena at national, provincial and institutional levels is to provide quality education in an environment that is safe. In fact, schools' infrastructure are supposed to be well-maintained so that effective learning and teaching can take place in an environment that is conducive for learners, educators and non-educators (Prinsloo, 2005). In this regard, maintaining school property is essential for ensuring that buildings and facilities are safe. However, if one considers non infrastructure maintenance, unsafe environment and vandalism in schools, prioritisation of infrastructural maintenance remains a challenge. The poor educational infrastructure is caused by the educators, learners and community members who are unable to ensure proper management and maintenance of school buildings. Regarding this, in some schools there is no repair, replacement and general upkeep of the grounds and buildings that require immediate attention (Xaba, 2012). This suggests that quality education is compromised if the infrastructure is not maintained. In actual fact, we wanted to investigate whether the maintenance of infrastructure is prioritised in schools. Ultimately, the goal was to recommend plausible solutions that would possibly address the maintenance of facilities in education system.

Study site

This study was conducted in a rural district in Northern Kwa-Zulu Natal where the first author also works. This in a sense means that he has first-hand information knowledge of what goes on in this rural area's schools. The majority of schools in this district are not well-maintained and school buildings are vandalised. In some cases, the walls have no windows and the doors are non-existent. This situation means that schools do not prioritised the maintenance of infrastructure and the maintenance policy is not implemented. What this situation illustrates is that rural schools at the study site are poorly maintained. Compounding this is the fact that the environment is not conducive for effective teaching and learning.

RESEARCH QUESTION

The main research question of this study was: *What are school managers" perceptions towards the maintenance of infrastructure in South African rural schools?* To answer this question, three sub-questions were used in one-on-one interviews with the participants. These were: (i) *How do you perceive the prioritisation of infrastructure maintenance in South African rural schools? (ii) How does infrastructure maintenance contributes towards the poor performance of learners? (iii) Which factor identified by school managers that impact negatively on the maintenance of infrastructure?*

In this regard the objectives of the study were therefore to:

(a) Find out the perception of school managers on prioritisation of infrastructure maintenance.
(b) Explore challenges associated with poor learning environment in rural schools.
(c) Find out the factor which impacts negatively on the maintenance of infrastructure.

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METHOD

The study used the qualitative approach because qualitative research, as defined by McMillan and Schumacher (2006), is an inquiry in which researchers collect data in face-to-face situations by interacting with selected persons in their settings. This approach was seen as ideal, because the aim was to capture in-depth views of school managers. Such views would hopefully put into perspective the perception of school managers on infrastructure maintenance in schools. Although a large amount of data was generated from interviews which were tape recorded, only relevant information was used in the data analysis. This process also helped to improve data analysis efficiently and encourage bias reduction. The views would also provide empirical evidence whether infrastructure is well-maintained by school managers in their institutions. To collect data, three techniques were used. These were interviews, observations and document analysis. The three were used in order to collate and make sense of the information collected from different perspectives. This process of collecting and analysing data from different techniques is referred as triangulation. The qualitative nature of this study limits the generalisation of the results to all schools, but we intend that the instruments used be valid and that the findings be generalizable to school settings working under similar difficult education contexts (Moloi, 2010).

PARTICIPANTS AND PROCEDURE

Sample

The population comprised the school managers involved in infrastructure maintenance from different learning organisations. The population comprised of 50 secondary schools. The researchers in this study used the non-probability sampling to find out the daunting challenges facing school managers in prioritising infrastructure maintenance to create sustainable learning environment in schools. Ten school managers were interviewed from schools who participated. For logistical reasons, such as the ability to have access to all schools and to minimise transport costs, the intention was to interview a sample of 15 members of the population. The school managers were purposefully selected because they were able to provide first-hand information and they were the first implementers of policies on their schools. Moreover, school managers were selected because they are accountable within the school system. However, five participants were unavailable to be interviewed on the appointment dates. Therefore in this qualitative study, the interviews were limited to being conducted with ten school managers.

Instrument and procedure

Data were collected by means of open ended interviews. The aim of the interviews was to give an independent voice to the participants. In particular, each participant was encouraged to provide as honest a view as they felt was applicable to them. In collecting the data we ensured that we visited the participants in their schools. In doing this, we were mindful of the argument that a researcher has to go to the setting of the study because if participants are removed from their setting, this may lead to contrived findings that are out of context (Cresswell, 1998).

RESULTS

Here, an analysis of the collected data, its interpretation as well as the findings from the participants' perspective is provided. In particular, participants' perceptions regarding the maintenance of infrastructure in their learning organisations is outlined. Their views were coded into a themes or categories with the aim of deriving meaning from these. The themes were labelled using in vivo coding. In other words, responses that were judged to convey the same or similar views were grouped together. Importantly, actual words or phrases used by the participants were then used to name the emerging themes in this study. Table one records the participants' biographical information.

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Table 1: Biographical data of the sample (N = 15)

Category	N	%
Gender		
Women	5	50
Men	5	50
Age		
30 – 39	5	50
40 +	5	50
Highest academic qualification		
Diploma (e.g. Diploma in primary education)	4	40
Degree or higher (e.g. B.A. or B.A. Honours)	6	60
Teaching experience (Educators)		
0 – 9	4	40
10 or more	6	60

Participants' Views

Here, pseudonyms are used for all the fifteen participants. The participants are referred to as: Ms Mabaso, Ms Khumalo, Ms Thwala, Ms Zulu, Ms Gama, Mr Hadebe, Mr Zitha, Mr Hlatshwayo, Mr Khoza, Mr Zikode. Here participants were asked: *How do you perceive the prioritisation of infrastructure maintenance in South African rural schools?* There was only one theme emerging from this question. This was named: *Infrastructure maintenance*. It is very important to understand that infrastructure maintenance is a challenge in many learning organisations. In this regard, Ms Mabaso said … in my school, buildings are falling apart and in a state of disrepair. Sharing the same sentiment Mr Hadebe indicated that … sustainability in learning organisations is compromised. For example, Ms Khumalo said "… poor infrastructure maintenance pose a danger to learners and educators. The majority of the participants indicated that infrastructure maintenance need urgent attention. …" On the same view, Ms Zulu indicated "… my school need to be given a fresh lick of paint. I have worked in this school for more than 10 years and all those years it has never been painted. Furthermore, some participants identified the maintenance of school grounds and landscaping as important. About the school ground Mr Khoza a school manager said "… look at the soccer fields grass is overgrown, and he gave the reason that it is not maintained because they have no lawnmower due to insufficient of funds from the department. The school environment is not clean. On the same view, Ms Gama said … school buildings are in poor state. For instance, Mr Zitha commented "… in my school the windows are broken and door knobs are missing because the school is operating without maintenance policy. In addition Mr Zikode said that "… it is the responsibility of the school manager to ensure that the school is well maintained, there is no maintenance committee and the inspection for the purposes of repair is done by the school manager. In this regard, the majority of the participants indicated that "… schools are poorly resourced and have old buildings in need of large-scale renovations …"

In the second interview question, participants were asked: *How does infrastructure maintenance contributes towards the poor performance of learners in learning organisations?* Most participants expressed their views on how unsafe learning environment affects quality teaching and learning. Based on the responses this theme was named: *Safe learning environment.* Almost all the participants mentioned that they have a problem with the provision of safe learning environment in their learning organisations. For example, Mr Hadebe indicated that "…the Department of Education is responsible for providing safe learning environment in schools." Mr Jiyane, expressing his disappointment, said "... my school had to wait for its turn to receive desks and chairs. The waiting period could not be predicted." When the researchers accessed the school correspondence, they discovered that in certain instances schools have to wait for a period of more than 10 years. The waiting period after the initial date of processing application by the physical planning section cannot be predicted. In this regard, Ms Khumalo said "…the school property is not well secured, the infrastructure is not well-maintained, school furniture and equipment are broken, no clean toilets and water to create an atmosphere that is conducive to education. On the same view Mr Hadebe voiced his concern about the conditions of the toilets which need consistent maintenance. He said "… the provision of running water makes it possible to meet sanitary requirements." Sharing the same sentiment Mr

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Hlatshwayo argued "… every school must have elements that make the environment healthy. He also argued that "… sufficient number and well-maintained toilets will decrease health concerns." Also, Ms Zulu expressing similar view as articulated by Mr Hlathwayo said, "… I think if sanitary requirements are lacking the school will certainly be affected …" Asked in what way, she said "… what do you think will happen if there is a diarrhoea outbreak among learners for instance, … it will be a crisis … that's all." When the schools possess well- maintained infrastructure teaching and learning is improved. For example, Mr Zitha indicated "… I would like my school to be filled with fully equipped with necessary resources in order to promote effective teaching and learning."

When responding to question: *(iii) Which factor identified by school managers that impact negatively on the maintenance of infrastructure?* The participants identified vandalism as a matter that needed urgent attention in schools. This theme was referred to as: *Vandalism in learning organisations.* School vandalism affects the provision of quality education in rural schools. For example, Mr Hlatshwayo mentioned that "… school vandalism is committed by learners and community members with a purpose of causing damage to school properties." On the same vein, Ms Mabaso indicated "… in secured schools and security guards lead to vandalism". Security guards play a crucial role in the maintenance of school buildings. Furthermore, Mr Hadebe commented "… vandalism is caused by high rate of unemployment and poverty. On the same view Ms Thwala said "… it appears as if socio-economic, social, historical, psychological and school factors cause vandalism.

STUDY SUMMARY

In this study, the aim was to explore the prioritisation of the maintenance of infrastructure by school managers in their learning organisations. It should be noted that the research site of this study is one of the twelve districts under the KwaZulu-Natal provincial department of education. There has been a slow progress in the maintenance of infrastructure as a result the sustainability of quality teaching and learning remains a challenge. Regarding this, one of the challenges that the post – apartheid South African democracy faces is to transform education and create excellent conditions for effective teaching and learning (Lethoko, Heystek & Marie, 2001). In this study, the results indicated that participants identified the maintenance of infrastructure, safe learning environment and vandalism as critical factors in providing sustainable quality improvement in learning organisations. What this shows is that lack of appropriate infrastructure has an impact on students' performance.

DISCUSSION

The analysis of data collected revealed a number of important factors and challenges regarding the maintenance of infrastructure in schools. The prioritisation of the maintenance of infrastructure has become a critical factor in transforming schools as learning organisations. When infrastructure is well-maintained by the school, it improves quality and establish a new direction for the learning organisation (Govender, Moodley & Parumasur, 2005). This is important because it is argued that the infrastructure maintenance in a school is an important aspect in promoting good health, safety, and a conducive learning environment among learners (Jones, Brener, & McManus, 2003). For example, situations where there is no windows, learners catch cold and get ill with ailments like flu and pneumonia in winter. Regarding this, infrastructure maintenance provides a clean and safe environment, as well as creating a physical setting that is appropriate for learning (Xaba, 2012).

The second theme to emerge is related to safe learning environment in schools. Here the participants identified poor provision of safe learning environment in their learning organisations as problematic. This is because they have buildings which are in a state of disrepair and may be dangerous for human habitation. For instance, Mr Jiyane revealed that he had to wait for a period of more than 10 years for the school buildings he had applied for. This is a very important issue about which Clarke (2009, p. 11) points out that "... effective schools are characterised by the environment that is attractive and inviting physical landscape necessary for teaching and learning." It is argued that there is a greater incidence of vandalism at schools due to educators' negative and/or authoritarian attitude towards learners (de Wet, 2004). For instance, Mr Hlatshwayo mentioned that "… school vandalism is committed in order to obtain money for and alcohol abuse. According to the participants, unemployment and poverty are the most important cause of vandalism.

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CONCLUSION AND RECOMMENDATIONS

The empirical data in this study indicated that participants' perceive that inability to prioritise infrastructure maintenance compromises the sustainability of quality education. In fact, educational environment quality depends on school buildings designed to provide appropriate learning and safe environment (Knapp, Noschis, & Palsalar, 2007). This study's participants seem to suggest is that good infrastructure will assist learners to perform better. In this regard, good virtues of good infrastructure at school enhance teaching and learning. For example, it is pointed out that good buildings are essential in improving student academic achievement (Fisher, 2001). Furthermore, the UNESCO Educational Buildings and Furniture Programme reports that:

> Furniture is an integral component of providing learning environment … unsuitable furniture can cause problems varying from backache to writing difficulties, thus reducing learning opportunity.

The implications of the issue raised here mean that there is an urgent need to address the participants concern. Therefore, it is recommended that school managers should: develop a strategy for the constant maintenance and upkeep of school buildings; provide clean and safe learning environment; establish a special renovation fund; and train staff to undertake constant and regular maintenance.

About vandalism, it should be pointed out that school vandalism is a school and community problem. Factors that are often beyond the control of the school such as poverty and unemployment are considered to be the most important causes of vandalism. Therefore, it is recommended that the government should provide security guards in all the schools, address issues related to socio-economic and community upliftment.

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INFLATION AND PROBLEMS OF ECONOMIC GROWTH

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ABSTRACT

The article deals with the selection of targets by central banks of countries economic growth.

INTRODUCTION

Banks and governments of many countries in the focus of their policies had, above all, the problem of combating inflation. At the same time, it was stressed that the minimum rates of price growth create favorable conditions for economic activity, investment processes, and, ultimately, provide the best economic opportunities for stable balanced accelerated growth.

STATE SITUATION

From the theoretical point of view, there is a negative dependence between the development of the economy and inflation as a whole. However, the specific relationships of these variables are not so unambiguous. Of course, much depends on the impact of price increases, but also on the current state of the economy, the main processes taking place - both at the macro and micro levels. Clearly, because of inflation, it is difficult to predict price changes. There is uncertainty that prevents optimal decisions, both in the real sector of the economy and in the financial sphere. Market equilibrium is disrupted.

The Bank of Russia, as well as in a number of other countries, has adopted an inflation targeting regime in the fight against inflation, in which the benchmark for price increases is put on the first place. Achieving it should ensure the successful development of the economy. However, inevitably, with this approach, economic growth turns out to be secondary roles and, at best, leads to its slowing down. In the worst case, there is a threat of economic decline. A similar danger was warned by well-known economists (Stiglitz J., 2008).

Usually, the benchmark for inflation is set by the level of consumer prices. That's just the question arises, which price level is considered optimal. Formally, the general economic equilibrium assumes zero inflation. However, in practice, this is fraught with a slide into deflation, which is the worst situation for the economy. Market fluctuations between supply and demand also can not correspond to zero inflation. One cannot but note the fact that the minimum level of inflation stimulates, due to some excess of demand over supply, economic growth and full-time employment. At one time F. Hayek already remarked that after World War II "we really succeeded in maintaining full employment (and even over-employment), created by credit expansion and prolonged, at the expense of open inflation." (Hayek F., 1991, p.58). As a result, the inflation benchmark may be different and depend on various factors that do not depend only on monetary factors. If the authorities do not have reliable information about the national economy and are not able to predict its development, they are not able to determine the optimal level of inflation and choose its exact benchmark.

The influence of inflation on the size of economic growth can also be different. Investigations of the impact of inflation on economic growth in many cases give mixed results. Thus, S.R. Moiseev, analyzing the relevant data for different countries for 1990-2000, came to the conclusion: 1) the critical negative threshold for developed

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countries is 3%, for developing countries from 10 to 50%; 2) the effect of inflation is determined by the phase of the business cycle; 3) abnormal cases are possible (Moiseev, 2004, p. 71-75). In addition, it is inevitable to allocate such an indicator as the "basic consumer price index", which excludes seasonal prices and administratively set tariffs. All this means that the Bank of Russia can only partially control the consumer price index. All this shows that it is very difficult to predict the exact level of inflation, especially in circumstances where its causes are rooted not only in the monetary sphere, but also largely outside it. One cannot ignore the factors of cost inflation, which are of special importance in the Russian conditions.

The effectiveness of monetary policy depends on the functioning of the transmission mechanism, which would ensure the achievement of the set goals. The developed transmission mechanism of influence on the size of investments and economic growth includes influence, both on volume of crediting, and on the prices of various assets. These are not only traditional channels of influence - interest rates and exchange rates, but also changes in the share price. Here the theory of q Tobin is known, when the relationship between the market value of firms and the replacement cost of capital changes. At high q, the market value of firms exceeds the replacement cost of capital and a new plant or equipment is cheap compared to their market price. They can issue shares, the cost of which will be higher than the cost of new capacities and equipment. At a low q, firms will not buy investment goods. There is also the wealth effect of F. Modigliani. Here an important component of the resources of consumers is their financial wealth. The change in the share price affects the amount of financial wealth, and hence the volume of consumption. Similarly behave and other components of wealth - the price of land and housing. An important role is also played by the channels of exposure associated with lending: bank lending, net value of firms and households, cash in hand, an uncertain change in the price level and liquidity of households (Mishkin F.S., 2006, p.735-742).

But if there is no normal transmission mechanism, then the most unexpected consequences of politics are possible. And uncertainty accordingly can have the most opposite consequences.

The Russian economy can hardly correspond to a situation in which all its potential is used, that is, all available resources. But can modern Russian conditions be identified with a state of equilibrium and balance, for which the fully exploited potential is characteristic.

Back in the 30-ies. JM Keynes concluded that in an economy that is underemployed, an increase in the amount of money may not lead to inflation if this increase is associated with an increase in industrial investment, which in turn will lead to an increase in employment in the economy. In other words, not every growth of the money supply, along with the easing of monetary policy, is dangerous for economic growth and even vice versa.

DYNAMICS OF INFLATION IN LATIN AMERICA

It is interesting to see what happens with inflation in emerging economies, in the growing markets of Latin America (Table 1).

Table 1: Macroeconomic variables. Inflation (Dec-Dec, in %)

	2009	2010	2011	2012	2013	2014	2015
Argentina	14.9	26.4	23.2	25.2	27.9	37.1	34.8
Bolivia	0.3	7.2	6.9	4.5	5.7	6.3	6.5
Brazil	4.3	5.9	6.5	5.8	5.9	5.8	5.7
Chile	-1.5	3.0	4.4	1.5	3.0	3.4	3.3
Colombia	4.0	5.8	4.7	4.6	3.7	5.3	5.2
Costa Rica	2.0	3.2	3.7	2.4	1.9	3.2	3.0
Dominican Republic	5.8	6.2	7.8	3.9	3.9	4.1	4.3
Ecuador	4.3	3.3	5.4	4.2	2.7	3.7	4.0

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El Salvador	-0.2	2.1	5.0	0.8	1.2	2.4	2.7
Guatemala	-0.3	5.4	6.2	3.4	4.4	4.7	4.2
Honduras	3.0	6.5	5.6	5.4	4.9	5.8	5.8
Mexico	3.6	4.4	3.8	3.6	4.0	3.4	3.4
Nicaragua	0.9	9.2	8.0	6.6	5.5	6.6	7.2
Panama	1.9	4.9	6.3	4.6	3.8	4.0	3.6
Paraguay	1.9	7.2	4.9	4.0	3.8	4.6	4.4
Peru	0.2	2.1	4.7	2.6	2.9	2.7	2.6
Uruguay	5.9	6.9	8.6	7.5	8.5	8.6	7.0
Venezuela	27.1	28.2	26.1	20.1	56.2	68.3	29.4

Source: Compiled by the author according to Policy Brief (Policy Brief, 2017)

As can be seen from the table, two countries – Argentina and Venezuela occupy a special place with a very high level of inflation. Honduras, Nicaragua, Uruguay also have a relatively high level of inflation, but it exceeds 8-10%. In some countries, such as Chile, El Salvador, Guatemala, deflation was observed in 2009.

DEVELOPMENT OF THE SITUATION

It is important for what purposes the monetary injections are used. Of course, excessive state budget expenditures lead to inflation. But if these costs are aimed at developing the real sector of the economy, its modernization, rather than non-production expenses, or even simply their plundering in this case the basis of economic growth, will only get stronger. Analysis of various economic models based on a diverse theoretical basis allows us to conclude that money undoubtedly plays a significant role in economic growth, and the actual impact of the amount of money on economic growth depends on the specific economic situation that is currently taking shape. With regard to Russia's experience, economic estimates show that economic growth is becoming negative at approximately the inflation rate of 44.5% per annum (Moiseev SR, 2004, p.72). Thus, to make inflation out of scare for economic growth is far from being justified in all cases. Naturally, we are talking about inflation processes under the control of state institutions. Nobel laureate J. Tobin rightly emphasizes that "a dangerous mistake is the belief that monetary stability is a sufficient condition for the revival of production, industrial restructuring and the achievement of the necessary re-lation of resources... One should never forget that the primary economic activity is the production of goods and services of value to individuals and society. Financial markets are a means to achieve this goal, but not the very goal" (Tobin J., 1996, p.71).

Actually, the fact that the economy can grow and in the conditions of relatively high inflation is recognized by the Bank of Russia (6, p.6). But at the same time it is indicated that such inflation is unstable and conceals the threat of acceleration. However, the term "non-standard" monetary policy appeared in Western economic literature. This term is used to "denote massive monetary interventions by centralized banks of Western countries aimed at combating crisis processes in the banking sector and stimulating business activity in the real economy" (Usokin, V.M., 2016, p.12).

And finally, the level of inflation in 2017 fell to 2.2% below the approved benchmark of 4%. The Bank of Russia is gradually reducing the key rate, although it is still much higher than the price level. The Central Bank asserts that inflation expectations remain high, although their definition is really difficult. This is not just the result of sociological research.

But the glorious thing is that there is no expectation of improvement in the economy, which means that there is no confidence in the policy of the government, including the Bank of Russia. By the way, everything is not all right on the world market either. Despite the growth of global GDP and trade, foreign direct investment in 2017 fell by 16%. The value of announced new projects fell by 32%, and this is a very negative long-term indicator. (Forward to the crisis, 2018).

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Although world economic growth accelerated to 3.7% in 2017 and early in 2018, experts optimistically assessed the state of financial markets, the decline in the spring of 2018 global stock markets, the threat of a trade war raises doubts that the world economy will continue to accelerate. At the beginning of the year, retail sales in the US declined, while in many countries there was a decline in business activity indices. And in February, there was an unexpected decline in industrial production in Germany. Many specialists begin to lower their estimates for the current year.

In March 2018, annual inflation in Russia is 2.3%. Experts believe that its level will be below the benchmark of 4%. However, where is the promised economic recovery; and what is more, a "breakthrough in economic development"? In 2017, GDP grew by only 1.5%. In order for GDP to grow at a minimum level of 2% this year, it follows that the share of investments in GDP should increase to 25-27%. Is there any hope for such development? Moreover, the task is to "breakthrough" the development of the economy and ensure the growth of the economy at a pace higher than the world. However, low investment persists, fixed assets are worn out, the demographic situation is not favorable, there is outdated infrastructure, and the continuation of international sanctions puts obstacles in the way of accelerating development.

CONCLUSION

The possibility of such development certainly exists. Only whether it is possible to rely on the efforts of private capital, which continues to export capital abroad and does not show special efforts in activating investment activities in its country. At this time, our liberals continue to reiterate the need to free up the business and allow the economy to develop on its own. The 1990s showed clearly what "development" could be in this case. It seems that it will be very difficult to achieve the set ambitious goals without decisive measures by the state.

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RESEARCH ON KNOWLEDGE MANAGEMENT IN GLOBAL SCENARIOS

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ABSTRACT

The aim of this article is to demonstrate how the opening of economies to the international market has intensified the need for companies to prepare themselves for the challenges and opportunities of globalization, as well as the knowledge of theoretical, technical and cultural strategies that contribute economically and socially to the population. In this way, this phenomenon demonstrates a dynamic way of doing business, which should be the object of extensive study by the company as well as the academic community, thus enabling reflection and the correct management of the globalization process as well as professionals with specific practices and national and international experiences. Obtaining this knowledge stems from technical and behavioral skills as well as skills presented by the individual. In the latter case, the competence models arise to integrate people in organizational models. We applied qualitative research, with consultant testimonials who work in international fields, for the development of this article. We concluded that management knowledge as well as intellectual capital management become the greatest challenge for everyone seeking sustainability and success in international business.

Keywords: knowledge management, scenarios, global, internationalization, competences, capital intellect.

INTRODUCTION

Internationalizing careers is closely linked to the professional training of the individual. One can see that it has become an instrument for governmental bodies on the evaluation of higher education institutions. In addition to being an encouragement for young people who are starting their careers. Hengemuhle affirms "in the development of competent persons and entrepreneurs, one easily deduces that we cannot educate them only through the ability of repeating the legacy that has been passed on to them" (2014, p. 35). Therefore, people need to be attentive to new situations or with the expectation of turning away from routines. The growth of the production market for goods and services crossed borders and, with this, the universities were forced to diversify graduate and post-graduate courses, because it is the current requirement of individuals and entrepreneurs. Knowledge management arises, then, as a linking tool between the market and the educational institutions in molding a professional that will be fit for a new scenario and aware of his/her technical and behavioral skills. These characteristics have a dynamic based on technological innovation and the field of knowledge development. Scientific breakthrough allows technology to change social behavior, especially in people, because it is closely connected with art, creation and intellectual development. The new business environment is composed of numerous variables that imply for more diversified training. We included, in this study, the internationalization that involves new concepts for negotiation and that require a knowledge of these dynamic markets.

Knowledge management is currently one of the most studied topics in terms of internationalization, mainly by leveraging the competitive advantage. According to Ribeiro, "in today's world, knowledge has become the raw material of competitive advantage" (2012, p. 20). Other aspects that interfere with knowledge, as mentioned by Takeuchi and Nonaka (2009):

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- Socialization: sharing and hands on knowledge through direct experience. This happens between one individual and another.
- Outsourcing: articulation of tactical knowledge obtained through dialogue and reflection. Occurs when an individual multiplies knowledge for the group.
- Combination: systematization and application of knowledge with the explanation of the group to the organization.
- Internalization: learning and obtaining new knowledge transmitted from the organization to the individual.

Therefore, we see that knowledge management involves interaction between people and demonstrates that an organization does not create knowledge by itself however; it does so with the people. Educational institutions need to walk aligned with this innovation, by establishing projects that allow their students to study and research the generation of knowledge at national and international universities.

THEORETICAL FRAMEWORK

Concept of Competencies

The concept of competencies presented by Dutra gives basis to the discussion about knowledge management and conceptualizes it as a "... set of knowledge, skills and attitudes necessary for the person to develop his/her roles and responsibilities" (2004, p. 28). Queiroz defines it as "a set of correlated skills, knowledge and attitudes where action adds value to the individual and the organization, in what we call delivery" (2008, p. 21). Organizations are contained within a systemic approach, where one finds support on the theory that "sees the organization as a complex meeting of parts oriented towards a given order, continuously relating itself with an external environment" (MEIRELES, PAIXÃO, 2003, p. 169). The author complements this with the concept that "the organization is seen as a set of elements, dynamically linked in search of a purpose, operating on data, energy and matter" (2003, p. 169). It is the holistic view of the health services. Morin, as well, using Pascal`s thoughts, states that the understanding of all is possible only through the knowledge of the parts and one can only know the parts from the moment one knows everything. Companies, for example, work in this way because they have units that do not act in isolation. Complemented with the experience of Queiroz (2008), which discusses technical and behavioral competence, focusing on knowledge, skill and attitude (know, know how to do, want to do). Chiavenato conceptualizes skills as the characteristics that are needed for obtaining and sustaining a competitive advantage (2009, p. 312). The focus of the author is on organizational competence, aiming at the strategy and is related to the articulations for obtaining resources. The study is divided into two phases: the organization on one side and people on the other. However, both walk parallel to each other when aiming for the proposed objectives. Queiroz quotes variables that are evident in a competent individual, as shown in table 1.

Table 1: Variables of a competent individual

Knowledge	**KNOW.** Encompasses the knowledge learned in college courses, by reading, at work and in the school of life. Example: knowing the different swimming strokes.
Ability	**KNOW HOW TO DO. It is** the practical dimension that we developed as we employ the acquired knowledge. Example: exercise in the pool, swimming, and training the skill of swimming.
Attitudes	**WANT TO DO.** It is the personal predisposition to do an action. It is what leads us to put into practice our knowledge and skills. Example: discipline and persistence in learning and practicing swimming.
Delivery	**DO.** Is to run effectively. Put into practice. Example: swim effectively.

Source: QUEIROZ, 2008, p. 22.

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The demonstration of these variables is evidenced through the description of positions and functions and are evaluated throughout function development. The managers draw up the corrective actions in order to align behavior with the variables mentioned. In table 2, we see the distinctions between technical competence and behavior. An individual can demonstrate great technical competence, however on the behavioral phase demonstrates certain misalignment that needs to be evaluated.

Table 2: Distinctions

Knowledge	Know	**Technical Competence**
Ability	Know-how	
Attitude	Want to do	**Behavioral Competence**

Source: QUEIROZ, p. 22

In service companies, for example, we find knowledge, which is the knowledge retrieved from educational institutions and empowering the individual to exercise his/her technical activity (**know how to do**); and the **want to do**, which is his/her behavioral competence, the moment of dedication to his/her activities, and that takes the professional on to humanization.

Models

The study of skills includes two models: individual and organizational. According to Fernandes, organizational competence is "a set of articulated resources that generate value for the organization and that can be transferred to other areas, products or services of the organization and impact organizational performance in a key factor of success "(2013, p. 19). On the other hand, individual competence is "a set of knowledge, skills, attitudes and values that an individual mobilizes and applies, in a repeated manner, within a professional context, adding value to the organization and him/herself" (FERNANDES, 2013, p. 48).

Table 3: Skills Definition per Axis

ORGANIZATIONAL SKILLS	INDIVIDUAL SKILLS
Cost	Cost orientation and qualities
Quality	Resource and deadline management
Productive process	Teamwork
Distribution	Planning
Market monitoring	Multi-functionality
Strategic partnership	Interpersonal relationships
Innovation of products and processes	Capability for innovation
Quality	Effective communication
Technological monitoring	Internal and external coordination
Image	Absorption and transfer of knowledge
Strategic technological partnerships	Leadership and teamwork
Meet the needs of expectations	Troubleshooting
Decisions based on facts and data	Use of data and technical information

Source: Framework developed and adapted by the authors based on the reflections made by Fleury and Fleury (2000).

Organizational and individual skills need, for their existence and survival, skills and organizational knowledge and are closely linked with the strategic management of the organization, being part of the elements that make up the competitive success of each sector. For Fernandes (2013), “enlightenment, skills, attitudes and values". The individual may be hired for his/her skills and competence; however, the company needs to offer space for that person`s performance, because demotivation at work can prevent the two variables, resulting in low-quality service.

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In table 3, we see a differentiation of competences, although it is important to remember that both go hand in hand. Thus, we are able to assess the team by checking if the competences imposed by the organization are being met in their entirety. If not, corrective actions are established for improving service quality. The selfsame customer points out the intercurrences of this service. An example of this evaluation is the service of a hotel reception, as it is the first contact that the guest establishes with the institution. The reception personnel must be well trained, "like people", demonstrate cordiality, respect, ethics, politeness and empathy. The information must be reliable and true and show efficient solutions for any possible complications. In this case, we glimpse the technical and behavioral skills.

Evaluation

The assessment consists of the following items, as quoted by Dutra (2004):

- Analysis of the persons stemming from their individuality: when the person cannot deliver what is expected of him/her;
- Analysis of individual shortcomings: when one can detect the reason for not fulfilling the job.
- Analysis of the effectiveness of development actions: when it is possible to measure the complicity between the action and the plan of action;
- Suitability of developing actions: in the same way that one analyzes people while respecting their individuality and uniqueness, it is important to think about their development.

The role of the manager, as an evaluator, is to be an integrator, as well. In this way, the appreciation and professional development of the person encourages both personal and professional growth. Limongi-França (2005) shows us a study carried out by some companies, such as: American Express, Alcoa, AT&T, General Electric, Unilever and others, in which two types of skills are identified: practices and attributes. One refers to practices**,** as the activities that people perform in their work environment, aiming for results. Atributes are knowledge, skills, and other features that people should have to carry out their work. Therefore, the academic vision offers a theory, knowledge and the need to seek new horizons. Professional vision, know how to do, experience, ethics and the knowledge that the individual is able to internationalize his/her career, is obtained through career development.

The internationalization of an enterprise

With the success of the activities of the companies in the domestic market, it is possible for business expansion from the internationalization processes. In general, enterprises reach economic growth using local and regional domestic opportunities, concentrating their strategic positioning in such a way as to differentiate themselves and achieve a required competitive advantage. After the exhaustion of domestic market opportunities, the companies can opt for competitive repositioning, migration to other business segments and/or seek their economic development through the extension of their overseas activities, once they are properly enabled and have conditions to assume all the responsibilities of the steps in the process of internationalization. An extremely important diagnostic tool is the SWOT analysis, which seeks to identify the strengths and weaknesses related to the internal environment of a company, as well as the opportunities and threats regarding its external environment. However, because it is an analysis with various qualitative variables, mainly related to human capital and knowledge, the important points are not always covered, causing a bias in the interpretation, analysis and execution of the strategy. One of the main points is based on pillars relating to marketing, finance and knowledge.

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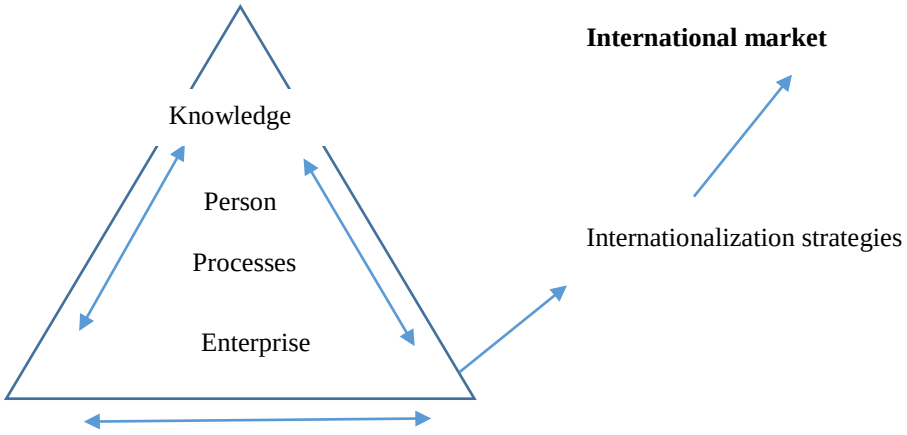
Figure 1: Basic pillars for internationalization.



Source: Authors

Management of knowledge and intellect capital in internationalization processes

It is agreed that every company and its respective internal collaborators add value and quality to their professional profiles, mainly arising from the accumulation of knowledge gained from unique experiences afforded by challenges that the professionals are submitted to in the internationalization processes. In addition to technical and market knowledge, added to this is a deeper study of planning and management tools, consolidated within human and professional skills. Therefore, the way to build knowledge management and intellectual capital should be related to a career plan, highlighting essential management skills. A major challenge lies in the fact that the company must have a systematic behavior for learning to learn, and systematically registering the experiences acquired, regardless of the staff that produced them. With the growing need for obtaining results combined with the turnover, it is common for companies to lose control of their experiences, whether they are positive or negative, as well as the results that have been acquired. Experiences are not tangible goods that can simply be photographed and measured physically; experiences are individual, subjective and intangible knowledge, which must be properly studied, analyzed, monitored and used in decision-making and strategic processes.

Case management is a systematic way, of a company, for registering activities, particularities and outcomes of each stage, until their accomplishment. The intention is not to bureaucratize or stifle the steps of an activity, but to look for ways of making, what the company actually does, each time more manageable. One of the contributions is the better use of resources and the achievement of better productivity. This term is generally related to the quantity produced in relation to the resources of raw materials and supplies, for example. However, the greatest gain lies in human productivity, mainly resulting from problem solving.

METHODOLOGY

According to a survey conducted by the authors, with 09 professionals, listed by order of citation, from midsize businesses, with at least 5 years' experience, as main indicators of this management:

- Academic training and other forms of obtaining specific technical knowledge within a career plan.
- How the internal employees obtained technical updating and deepening, be it through the company, as well as proactively.

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- Time of experience at the company, including indication of any job rotation (processing in other areas of the company).
- Results earned effectively from "business" goals and objectives.
- Ability for interpersonal communication, logical reasoning and policy articulation.
- Ability and ease for working in teams.
- Cultural education, which provides for discussion and argumentation when facing different scenarios and multicultural environments.
- Development of knowledge, skills, attitudes, abilities and competencies deemed as necessary, as well as those considered emergent.

The sample was chosen through criterion accessibility, that according to Vergara, is one that, "far from any statistical procedure, selects elements for the ease of their accessibility" (2014, p. 47).

Gramigna, (2004, p. 50), states that competencies can be observed routinely in three other indicators:

- Knowledge (knowing), which is directly related to academic training, to the complements provided by other sources of education and culture, as well as ones self-development and learning within the organization.
- Abilities (know how to do), which is in the application of instrumental knowledge in an organized and planned manner. In other words, put into practice, with due quality, theoretical knowledge, at times subjective, in actions that meet, in a powerful, efficient, and effective way, the different demands according to the expected results.
- Attitudes (willingness), associated with behavior, human principles and values that positively direct the actions toward the business`s goals and objectives.

Daniels and Daniels (1996, p. 136) contribute to the discussion on management skills:

> "Companies bring employees from many areas of the company to go through the experience of working together on inter-geographic and cross-functional issues. While developing confidence, employees are able to create networks used for conducting business and they gain experience while working on process issues. They also develop awareness in relation to other employees and their capabilities that extends and accelerates the communication process."

The ability for relocation, the adaptability to new realities and situations, and emotional intelligence are relevant to those participating as expatriates in the processes of internationalization. In addition, Lowman states (2004, p. 269): "Read the meaning of interpersonal communications and empathize with the variety of human experiences is second nature to some individuals".

In addition to tracking and monitoring through indicators, companies must establish, within a career plan that is transparent and known by all, the means for reciprocating and rewarding the efforts of an individual and a group for their organizational talents. This career path is derived from the effective and fair performance evaluation. Cavusgil, Knight and Risenberger (2010, p. 420) state:

> "In the course of performance evaluation, the managers compare the expected results with the actual performance. Multinationals normally elaborate diagnostic procedures to assess the performance of individual employees making sure that all problems are attributable to inadequate levels of qualification, as well as providing the training and resources needed, and laying off employees who fail to achieve the set goals."

This complexity highlights the importance of strategic planning and monitoring of the implementation of macro strategies and micro strategic plans, especially considering that the company must have the resilience needed to identify in advance and overcome barriers and obstacles relating to international business.

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All this movement gives rise to a number of benefits. According to Dicken (2010, p. 587):

> "The diversity of existing economies in the world offers many possibilities for generating satisfactory and fair communities, in a more generic manner, to reconsider globalization as a transformable social process and not a force of nature".

Analogically to the author's claim concerning business migration, the possibility of expanding to international markets implies in benefits for everyone, through the option for new products and services, but primarily for local and regional development brought on by the need for cultural and technical improvement and new experiences that they have had. Many of the business experiences are part of the historical and strategic framework of the organizations, having been disclosed through journalistic communication or case studies directed at academic circles, which somewhat reduces the prospects for a deeper discussion on the research and results of the management of knowledge and intellectual capital in internationalization processes.

CONCLUSIONS

Knowledge management involves aspects that require people to be able to take on national and international challenges. As regards to the global scenario, one expects a complete education with research items demonstrating the mutation of the market as well as the need of professionals who are prepared to meet international challenges. For this, skills and abilities is the subject of analysis of the professionals who will take on knowledge management. The responsibility of the institution of higher education is to demonstrate what the paths are for developing skills, presenting the international scenario as a goal to be attained for career growth, in other words, theory and practice need to walk side by side.

Internationalization practices of companies and businesses involve long-term commitments, especially when it comes to economic, financial and human resources. Under the latter, it is considered to be the most important, since they involve behavior and situations that are not always well defined or having accurate metrics, depending a lot on the perception and sensibility of the collaborators and human talents involved. Knowledge management, as well as intellectual capital, become the greatest challenge for all those who seek sustainability and success in international business.

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THE MODERATING EFFECT OF CONSUMPTION EXPERIENCE ON INTENTION TO LEAVE RESTAURANT REVIEWS

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ABSTRACT

With the emergence of the Internet and mobile technology, people can use their handheld devices at any time and place to transmit information and read review on social media. In particular, today's consumers commonly first browse restaurant reviews when choosing a restaurant, and companies have taken online word of mouth as an important means of spreading publicity and conducting marketing activities. Although consumers who leave business reviews and ratings in Google receive no monetary compensation, many people still like to provide reviews and ratings for others to read. Accordingly, this study investigates the question of what motivations influence users to leave restaurant reviews in Google.

Based on self-determination theory, this study sought to investigate how intrinsic and extrinsic motivation affect consumers' intention to leave restaurant reviews, and analyzed the moderating effect of satisfaction in this process. This study employed the questionnaire survey method; the subjects consisted of Google users, and the questionnaire survey was administered online.

The results of this study indicated that the extrinsic motivations reputation and reciprocity both affect users' intention to leave reviews, and the intrinsic motivation enjoyment also affects users' intention to leave reviews, while the intrinsic motivation altruism does not affect users' intention to leave reviews. Among the motivations to write reviews, reciprocity had the greatest effect, followed by reputation, with enjoyment having the least effect. Satisfaction has a negative moderating effect on the influence of the extrinsic motivations reputation and reciprocity on intention to leave reviews, which implies that when the consumption experience is unsatisfactory, consumers will be more motivated by reputation and reciprocity to leave reviews. In addition, satisfaction has a positive moderating effect on the influence of the intrinsic motivations altruism and enjoyment on intention to leave reviews, which implies that when consumption experience is satisfactory, consumers will be more motivated to leave reviews by their altruism and enjoyment.

The results of this study can help us to understand users' motivations to leave restaurant reviews in Google reviews, as well as how users' consumption experience at restaurants moderates their intention to leave reviews. This study's findings can help restaurant managers to make good use of Google business reviews to increase the impact of positive reviews and lessen the impact of negative reviews on their restaurants.

Keywords: Consumption experience, Leave reviews, Moderating effect, Motivation, Word of mouth.

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INTRODUCTION

Word of mouth which use network as the basis called Electronic Word-of-Mouths (e-WOM) (Erber & Fiske., 1984). Electronic Word-of-Mouths spread faster than traditional word of mouth. The effect is more lasting also in communication. e-WOM has become an important tool for corporate marketing activities nowadays. If companies can grasp e-WOM, the marketing of products and services can do more with less. Conversely, if there is a negative public opinion about the company flowing on the Internet, it will be difficult to do more marketing efforts.

With the popularity of the Internet and the advent of Web3.0, the Internet platform has become the new darling of customers and businesses, and Google is almost the default search engine for all mobile phones and computers. Whether it is food, clothing, accommodation, transportation, or entertainment, as long as it is a physical business, it is easy to search for and display business information on Google Maps. Many users like to leave comments and scores in businesses listings in Google Maps, so business reviews and ratings in Google Maps have become an important source of word-of-mouth for many people choosing a store. Thus, many customers are accustomed to browsing restaurant information and reviews on Google as a basis for selecting a restaurant.

Although writing business reviews and ratings on Google won't get paid for money, many people still like to write reviews and ratings, and why do users like to write reviews on Google? The purpose of this research is to investigate (1) What is the motivation for Google restaurant reviewers to write restaurant reviews? (2) What is the relationship between customer experience and composing Google restaurant reviews? (3) What are the factors that influence the importance of Google restaurant reviewers writing restaurant reviews?

LITERATURE REVIEWS

Self-determination theory, SDT

The self-determination proposed by Deci and Ryan (1985) explores the motivational process of individuals' self-determination. The theory of Self-determination see the willing as the gift of birth, and the reactions are the way of fulfilling the needed Self-determination thinks that people's inherent growth tendencies and innate psychological needs are the basis for self-motivation (intrinsic motivation), personality integration, and cultivation of positive life process conditions. The three psychological needs are: Autonomy, Competence and Relatedness. It is very important to promote the natural growth and integration tendency and constructive social development and personality health (Ryan & Deci, 2000).

Amotivation in the left side of self-determination theory is the type of motivation most devoid of self-determination, which means that the behavior is lack of intention and purposelessness. Amotivation individuals may be due to the accumulation of past failure experience. Incompetent and uncontrollable expectations. The rightmost part is intrinsic motivation. The individual does this for internal satisfaction. This motivation is the most highly autonomous and typical example of self-determination. The middle part is extrinsic motivation. The extrinsic motivation is that the individual participates in an activity because the activity may lead to some specific results.

Expectation Confirmation Theory

Expectation Confirmation Theory (ECT) is often used to evaluate and measure consumer satisfaction with products or services and post-purchase behavior (Oliver, 1980; Anderson & Sullivan, 1993). This is the basic structure of the research model for general consumer satisfaction. The basic concept of Oliver's (1980) expectation confirmation theory is that when consumers purchase a product or service, they have a certain degree of expectation of the product or service. The level of expectation will directly affect the consumer's willingness to buy. When consumers use a product or service over a period of time, they will use their own experience and understanding of the performance of the product or service. Then create new cognition. Consumers will compare their perceptions of the products or services themselves with their initial expectations, and whether the assessments are consistent is called confirmation.

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When the consumer's expectations are lower than the performance perception after actually experiencing the product or service, it is called positive confirmation. If the expectation of performance is higher than the actual experience of products or services, it is called negative confirmation (Bhattacherjee, 2001a). The degree of confirmation will affect the degree of customer satisfaction, and the level of satisfaction will affect the customer's repurchase intention and continuous use intention (Oliver, 1980).

Satisfaction and word-of-mouth relationship

Consumption activities do not necessarily appear on word of mouth.Research points out that the Expressive Movements will make consumers want to publish word of mouth (Dichter, 1966), and the most impressive reason may be satisfied or dissatisfied with the product or service. The motivation for publishing word-of-mouth communication has a significant correlation with customer experience. Positive word-of-mouth is mostly based on customer satisfaction with product performance and the interaction experience between employees and customers. Negative word-of-mouth results from improper responses to product issues and the perception of customers that the product or service lacks value (Sundaram et al., 1998). In the relationship between satisfaction and word of mouth, is satisfaction or dissatisfaction leading to consumer word of mouth? Some studies have analyzed the relationship between satisfaction and word of mouth from the perspective of Bipolar Conceptualization. They think that the source of positive and negative word of mouth is different. . Therefore, satisfaction and dissatisfaction must be viewed separately. When the level of customer dissatisfaction is higher, more negative word-of-mouth can be found; when satisfaction is high, positive word of mouth is more than negative (De Matos & Rossi., 2008; Soderlund, 1998). Because satisfaction and dissatisfaction can cause word of mouth, satisfaction leads to positive word of mouth, and dissatisfaction leads to negative word of mouth. As for the negative word-of-mouth caused by dissatisfaction, whether it will be more positive than the satisfaction of positive word-of-mouth, the relevant research does not have very consistent conclusions. In general, dissatisfaction with negative word-of-mouth is more than satisfactory positive word-of-mouth (Anderson, 1998).

RESEARCH METHODOLOGY

Research model and hypothesis

Reputation, reciprocity, and self-development in extrinsic motivation may affect users to provide knowledge sharing on the Internet. For another thing, possible intrinsic motives include altruism, enjoyment, ideology, and belongingness (Xu & Li, 2015). In the motivation to write a Google restaurant review, this research will explore the two extrinsic motivations: reputation and reciprocity, as well as the two intrinsic motivations: altruism and hedonism, and their influence on the intentions of composing reviews in Google restaurants.

Because the Google Merchant Review mechanism uses points and hierarchies, when the points reach a certain level, they will receive medals and benefits. Therefore, this research believes that gaining reputation will affect the intentions of composing Google restaurant reviews. The hypothesis 1 of this study is as follows:

Hypothesis 1: Reputation will positively affect the intention of writing restaurant reviews.

The Google restaurant reviewer must be a Google user and he will also use Google restaurant reviews to select restaurants. Based on the spirit of reciprocity, the reason why Google restaurant review writers write reviews is to help other Google users. It also expects other Google users to provide helpful restaurant information to help them choose a restaurant. Therefore, the hypothesis 2 of this research is as follows:

Hypothesis 2: Reciprocity positively influences the intention of writing restaurant reviews

Altruism refers to helping one another at a certain cost to himself and does not expect to receive compensation (Ozinga, 1999). In an open system, altruism is an important driver of participation in content contributions because participants believe that contributions to the system are correct and that they have the desire to help others (Cho et al., 2010; Hars, 2002; Peddibhotla & Subramani, 2007; Prasarnphanich & Wagner, 2009). Google Merchant Reviews is an open system and Google users can contribute reviews. Therefore, this research proposes:

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Hypothesis 3: Altruism will positively influence the intention of writing restaurant reviews.

Enjoyment is an intrinsic psychological reward. The study of virtual communities by Koh & Kim (2003) found that enjoyment is an important factor in driving participants and a key factor in the success of virtual communities. Von Hippel & Krogh (2003) believes that the participation of open content is a self-reward behavior, and participants feel that the contribution is essentially a pleasure. Therefore, this research proposes hypothesis 4:

Hypothesis 4: Enjoyment will have a positive impact on writing restaurant reviews.

This research intends to explore why Google restaurant review writers write reviews, and the research object is set to have been written by Google restaurant reviewers. The "Expectation Confirmation Theory" confirms that the level of satisfaction will affect the satisfaction of consumers, and the level of satisfaction will affect the consumers' willingness to purchase and the intention of continuous use (Oliver, 1980).

Consumer experience can have a significant impact on the motivation of word of mouth. Most of the positive word of mouth come from consumers' satisfaction with product performance and the interaction experience between employees and customers; Negative word of mouth comes from inappropriate responses to product problems and makes customers feel that the product or service is worthless (Sundaram et al., 1998). Satisfaction and dissatisfaction can cause word of mouth. Satisfaction causes positive word of mouth and dissatisfaction leads to negative word of mouth.

This study deduces that consumer experience may interfere with the relationship between motives and the intention of writing reviews. That is, when satisfaction is high, the impact of motives on the intention to write positive comments will increase. On the contrary, when satisfaction is low, the motivation has an increased impact on the intention to write negative comments. Therefore, this research proposes Hypothesis 5:

Hypothesis 5-1: Satisfaction has a moderating effect on the reputation of writing restaurant reviews.

Hypothesis 5-2: Satisfaction has a moderating effect on the intention of reciprocity in writing reviews for restaurants.

Hypothesis 5-3: Satisfaction has a moderating effect on altruism's intention to write a restaurant review.

Hypothesis 5-4: Satisfaction has a moderating effect on enjoyment intent of writing restaurant reviews.

This study used questionnaires to conduct research on respondents who were Google users and had previously written restaurant reviewers on Google Merchant Reviews. The method of information collection is to adopt an online questionnaire survey method, and to conduct data verification and hypothesis verification in the structural equation model.

RESULTS

This research collected data using AMOS statistical analysis, study the relationship between variables.

DISCUSSION

The results of this study indicated that the extrinsic motivations reputation and reciprocity both affect users' intention to leave reviews, and the intrinsic motivation enjoyment also affects users' intention to leave reviews, while the intrinsic motivation altruism does not affect users' intention to leave reviews. Among the motivations to write reviews, reciprocity had the greatest effect, followed by reputation, with enjoyment having the least effect. Satisfaction has a negative moderating effect on the influence of the extrinsic motivations reputation and reciprocity on intention to leave reviews, which implies that when the consumption experience is unsatisfactory, consumers will be more motivated by reputation and reciprocity to leave reviews. In addition, satisfaction has a positive moderating effect on the influence of the intrinsic motivations altruism and enjoyment on intention to leave reviews, which

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implies that when consumption experience is satisfactory, consumers will be more motivated to leave reviews by their altruism and enjoyment.

CONCLUSION

The results of this study can help us to understand users' motivations to leave restaurant reviews in Google reviews, as well as how users' consumption experience at restaurants moderates their intention to leave reviews. This study's findings can help restaurant managers to make good use of Google business reviews to increase the impact of positive reviews and lessen the impact of negative reviews on their restaurants.

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HUMAN RESOURCE MANAGEMENT AND LABOUR RELATIONS MANAGEMENT VARIABLES SIGNIFICANTLY ASSOCIATED WITH JOB SATISFACTION AT A STATE-OWNED COMPANY

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ABSTRACT

The purpose of this study is to quantify human resource management (HRM) and labour relations management (LRM) variables significantly associated with job satisfaction at a state-owned company (SOC). The literature reviewed indicated that theories of job satisfaction used in South Africa and internationally focused on social and psychological variables, and did not focus on LRM variables. The research approach was quantitative and the research design was a cross-sectional survey. A validated questionnaire was used to collect data, and out of the population size of eight hundred (N=800), two hundred and four (n=204) respondents participated in the study. The response rate was therefore 25.50%. Pearson's chi-square test of association (χ^2) was used to quantify HRM and LRM variables that were significantly associated with job satisfaction. Seven variables, comprising five HRM variables (i.e. failure to use relevant experience for recruitment, finding fault with what the organisation does at all times, lack of confidence that goals will be achieved, lack of recognition for relevant past experience, and lack of recognition for relevant managerial experience) and two LRM variables (i.e. the perception that sexual harassment is rife at the workplace and use of affirmative action [AA] for recruitment implementation) were significantly associated with job satisfaction. The implication for managers is AA should be used as a recruitment criteria coupled with experience or potential to reach desired performance standards.

Keywords: Human resource management, labour relations management, job satisfaction, state-owned company, affirmative action.

INTRODUCTION

In this paper, human resource management (HRM) and labour relations management (LRM) variables that adversely affect the job satisfaction of employees working at a state-owned company (SOC) are quantified. Research has conceptualised that the lack of effective implementation of HRM practices has the potential of negatively affecting job satisfaction (Mudor & Tooksoon, 2011). Trends of a study conducted at the South African Ministry of Home Affairs showed that around 73% of the respondents disagreed that there was proper human resource (HR) planning at their organisation (Gamedze, 2012). However, a study of Kenyan teachers found that factors that adversely affect job satisfaction were not necessarily a lack of HRM practices, but lack of facilities (Kanuki, 2007:27). Malik, Danish and Munir (2012) and Rasiq and Maulabakhsh (2015) found that employees were disgruntled because of unfair promotions and recruitment practices. LRM matters also emerged as adversely affecting job satisfaction (Ramasodi, 2010). Similarly, Rasiq and Maulabakhsh's (2015) study revealed that poor LRM practices adversely affected employee satisfaction.

Even though job satisfaction studies have been conducted in South Africa, the focus of these studies was either on psychological or social variables (Castro & Martins, 2010; Mafini & Dlodlo, 2013; Hansen, Buitendach & Kanengoni, 2015) instead of contextual HRM and LRM variables. As can be observed from Table 1, developed by South African and international scholars, most of the previous job satisfaction studies were influenced by either content or process theories, which focus on psychological and social variables.

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Table 1: Content and process theories

Content theories		Process theories	
Theory	**Variables**	**Theory**	**Variables**
Maslow's Hierarchy of Needs	Physical needs, job security, affiliation, recognition, growth.	Locke's Goal-setting Theory.	Goals-performance relationship, goal commitment, task characteristics, national culture, feedback.
Herzberg's Two-factor Theory	Advancement, responsibility, recognition, supervision, pay, working conditions, job security, interpersonal relations.	Adams' Equity Theory.	Work effort, experience, salary levels, raises, recognition.
McGregor's X and Y Theory	Participative decision making, responsible, and challenging jobs.	Vroom's Expectancy Theory.	Performance appraisals, pay, raises, promotions, incentives, recognition, personal goals, status.
McClelland's Three-needs Theory	Personal responsibility, power, affiliation.	Skinner's Reinforcement Theory.	Quality and quantity of work, persistence of effort, absenteeism, tardiness, accident rates.

Source: Robbins, Judge, Odendaal and Roodt (2009, p.249-272)

This study adds value to the job satisfaction body of knowledge by contributing to the South African context by quantitatively showing how LRM variables (i.e. AA and sexual harassment) affect job satisfaction. The gap in the literature is that previous South African studies (see Maleka, 2012, and Maleka & Rankhumise 2014) conducted at SOCs, which identified AA as a variable associated with job satisfaction, were qualitative instead of quantitative in nature. In order to address this lacuna (i.e. investigating HRM and LRM variables instead of only psychological and social variables) in the South African job satisfaction literature, the research question is: What is the association between HRM and LRM variables and job satisfaction at an SOC?

THEORETICAL FRAMEWORK

Discussed in this section are the definitions of job satisfaction and HRM and LRM variables associated with job satisfaction.

Job satisfaction

Job satisfaction is defined as a feeling or work attitude (Locke, 1976) caused by perceived unfair recruitment processes (Kumari, 2012) or the implementation of workplace recruitment giving preference to AA candidates (Mhambi, 2014), where employees are recruited disregarding their work experience (Brock & Buckley, 2013) but recruited based on their gender (Ng & Sears, 2017, p. 133) and who they know in the organisation (Shabbir & Siddique, 2017). Job satisfaction is adversely being affected by sexual harassment being rife in the workplace (Cheteni & Shindika, 2017), management trusting employees achieve organisational goals (Baer *et. al.*, 2015), and finding fault in organisational practices (Kararti & Yuksekbilgili, 2014). The following section discusses HRM and LRM variables associated with job satisfaction.

HRM variables associated with job satisfaction

Transformational leadership is a construct of job satisfaction that elevates employee motivation and consideration, such that the leader develops trust that employees will achieve the goals of an organisation (Top, Akdere & Tarcan, 2015). According to Kumari (2012), recruitment is sourcing employees, and selection is a process where a suitable candidate is chosen by a panel after interviewing short-listed candidates (Mustapha, Ilesanmi & Aremu, 2013).

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Previously it was found that managers who are not charismatic, i.e. a trait of transformational leadership, and who use unfair recruitment and selection practices negatively affected job satisfaction (Atta & Khan, 2016). Managers who did not have confidence in their subordinates, did not assist to them to reach organisational objectives, and constantly lampooned or ridiculed employees negatively affected employees' job satisfaction (Maleka, 2012). Employees who are extremely negative and constantly find fault in everything the organisation did, disaffected other employees (Creasy & Carnes, 2017). Based on the abovementioned research, the following hypothesis can be made:

H_1: Failure to use relevant experience for recruitment, lack of confidence that goals will be achieved, lack of recognition for relevant past experience, finding fault with what the organisation does at all times, and lack of recognition for relevant managerial experience are significantly associated with job satisfaction.

LRM variables associated with job satisfaction

AA is an intervention organisations implement to address racial imbalances, that gives non-white non-male employees an opportunity to be appointed and developed (Finnemore, 2013). Watson (2012, p. 340) opines that sexual harassment is "unwanted and offensive expressions of sexual interest in a person or persons through words, gesture or touch". Previous qualitative research conducted in a South African SOC revealed that some employees were disaffected because AA was implemented and they were sexually harassed (Maleka & Rankhumise, 2014). The following hypothesis can therefore be made:

H_2: Sexual harassment and use of AA are significantly associated with job satisfaction.

The literature reviewed showed that HRM and LRM variables associated with job satisfaction are under-researched in South Africa. Another observation from the literature was that previous LRM studies conducted in SOCs were qualitative instead of quantitative. The methodology followed to quantify HRM and LRM variables associated with job satisfaction is discussed in the next section.

METHODOLOGY

The study design was a survey and cross-sectional (Creswell, 2014) because the researchers wanted to quantify the factors significantly associated with job satisfaction. At the SOC, the population size was 800, and a stratified sample of 204 respondents was selected by gender using the following statistical formula:

$$n = \frac{Z^2_{1-\frac{\alpha}{2}} \times P(1-P)}{d^2}$$

In the formula shown above, n denotes the adjusted sample size of study. The letter Z denotes the standard normal random variable. The symbol alpha denotes the level of significance (5%). The letter P denotes the percentage of employees who are not satisfied with their jobs (50%), and d denotes the margin of error (0.048).

The data were collected using a validated questionnaire (Lekgothoane, 2017), which comprised two sections. Section A contained biographical items (refer to Table 2) and Section B entailed the following HRM constructs: gender, labour relations, job satisfaction, interactive justice, organisational culture, organisational citizenship behaviour, recruitment, and selection. Each construct in Section B had five items, which were measured on a four-point Likert scale where 1 = strongly disagree, 2 = disagree, 3 = agree, and 4 = strongly agree. Before analysis of the data, the researchers collapsed strongly disagree and disagree into disagree, and strongly agree and agree into agree. Prior to data collection, the researchers piloted the questionnaire on 10 respondents at the SOC, and since the Cronbach's alpha per item was above 0.7, all the items per construct were retained and used for the actual data collection (Field, 2013). The researchers were given ethical clearance by the university before data collection.

Data were coded in Microsoft Excel and exported to Stata version 13 for statistical analyses. Descriptive statistics (refer to Table 3) used in this study were frequencies. As suggested by Hair, Black, Babin and Anderson (2014), Pearson's chi-square test of association was used to measure the strength of association between two or more categorical (discrete) variables. P-values of 0.05, 0.01, and 0.001 were used to measure the significance level. Seven variables that were significantly associated with the dependent variables are displayed in Table 3. The dependent variable in the study was job satisfaction, and gender, labour relations, interactive justice, organisational culture, organisational citizenship behaviour, recruitment, and selection were the independent variables. Content

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validity was achieved by giving the questionnaire to experts at the university to validate the construct items (Spector, 2012). Since the overall Cronbach's alpha was above 0.7 during the pilot study, the researchers deemed it fit not to calculate either exploratory or confirmatory factor analysis to achieve construct validity.

Results

This section comprises descriptive and inferential statistics. As can be observed from Table 2, the majority (61.27%) of the respondents were male and this did not come as a surprise since the business units where the study took place had a high presence of males. The majority (62.25%) of the respondents were younger (18-35 years) and in HRM literature they are known as Millennials (Ertas, 2015). Of the respondents 87.25% were in non-management positions, and 84.80% had five or more years' experience.

Table 2: Biographical information of the respondents

Variable	Frequency (Percentage)
Gender of respondents	Male: 125 (61.27%) Female: 79 (38.73%)
Age category of respondents in years	18 to 35 years: 127 (62.25%) 36 to 50 years: 63 (30.88%) 51 years or older: 14 (6.86%)
Occupational level	Senior management: 5 (2.45%) Management: 21 (10.29%) Non-management: 178 (87.25%)
Duration of service in years	Two or less: 19 (9.31%) Three to four: 12 (5.88%) Five or more: 173 (84.80%)

Source: Study data

Earlier it was hypothesised that there were HR constructs that have a significant association with job satisfaction: failure to use relevant experience for recruitment, lack of confidence that goals will be achieved, lack of recognition for relevant past experience, finding fault with what the organisation does at all times, and lack of recognition for relevant managerial experience (H_1). Based on the results in Table 3, H_1 is supported. It was also hypothesised that sexual harassment and the use of AA were significantly associated with job satisfaction. As can be observed from Table 3, H_2 is supported.

Table 3: HRM and LRM factors associated with job satisfaction at an SOC

Variables	Chi-square value	P-value
Failure to use relevant experience for recruitment	13.0692	0.004**
Lack of confidence that goals will be achieved	11.7366	0.008**
Lack of recognition for relevant past experience	10.1019	0.018*
The perception that sexual harassment is rife at the workplace	9.6204	0.022*
Use of AA for recruitment	9.4025	0.024*
Finding fault with what the organisation does at all times	8.6735	0.034*
Lack of recognition for relevant managerial experience	7.8106	0.049*

Legend: Significance of association at * P<0.05; ** P<0.01; *** P<0.001
Source: Study data

DISCUSSION

The purpose of the study was to identify HRM and LRM variables that have an association with job satisfaction. Both the literature and the data showed that failure to use relevant experience for recruitment, lack of confidence that goals will be achieved, lack of recognition for relevant past experience, finding fault with what the organisation does at all times, and lack of recognition for relevant managerial experience are significantly associated with job

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satisfaction. This study replicated international and national studies (Kanuki, 2007; Ramasodi, 2010; Gamedze, 2012; Malik *et al*., 2012; Raziq & Maulabakhsh, 2015).

Limitations and recommendations

Even though this study has contributed to identifying variables that are significantly associated with job satisfaction, it had limitations. One of the limitations was that the results cannot be generalised to the whole SOC, because it was conducted in only two business units. The other limitation is that it used a cross-sectional research design, which only gives a snapshot of the employees' perceptions. Based on the study's limitations, it is recommended that a longitudinal study be conducted, and that mixed-methods research be used to determine constructs significantly associated with job satisfaction. Furthermore, similar studies can be conducted at the other business units of the SOC. The following are recommended for management to enhance job satisfaction:

- An awareness campaign on the organisation's achievements should be conducted in order to silence the fault finders;
- Experience, past and present, should be considered as recruitment and selection criteria at non-management, management, and senior management levels and across all genders;
- Managers must show confidence that employees are capable of achieving the SOC's strategic goals;
- Strict and decisive action should be intensified to address the rifeness of sexual harassment; and
- AA should not be used as the only criterion for recruitment.

Implications for managers

The study has implications for managers and policymakers. Recruitment and selection policies should be revised in order to ensure that AA should be used as criteria as a recruitment criteria coupled with experience or potential to reach desired performance standards. Employees who do not have experience must have potential of working productively after they have been trained, mentored, and/or coached. The implication for managers is that when they only focus on AA, and neglect candidates with experience, they will cause disaffection because managers who are appointed would not be competent and would not be able to inspire employees to reach the SOC's strategic goals. If managers do not have a no-tolerance approach to sexual harassment, the SOC's reputation can be negatively affected if such information reaches print, online, and social media.

Conclusion

The variables that were measured against job satisfaction in this study were both HRM and LRM issues. Frequency descriptive statistics and Pearson's chi-square test of association were used. Almost all of the results coincided with the literature in that that there was an association between HRM and LRM practices and job satisfaction. The HRM and LRM issues that were proven to affect job satisfaction are unique and not the usual variables that have been identified by motivation and satisfaction theories. In conclusion, if recommendations made in this study are not adequately addressed, the SOC will struggle to keep employees satisfied and the unintended consequence is that productivity might be adversely affected because employees are demotivated. Also, employees might take the SOC to dispute resolution institutions for unfair labour practices (i.e. perceived biased recruitment and selection practices, AA implementation, and sexual harassment).

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TRUMP ADMINISTRATION TRADE POLICIES NEW DIRECTIONS FOR U.S. TRADE

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ABSTRACT

This paper discusses the trade policy of the United States of America during the presidency of Donald John Trump. In fact, the Trump administration has brought significant change in direction to this policy which impacts the nation, various regional groupings, and the world at-large. After approximately one and one-half years of the Trump Administration these policies remain in flux. Therefore, this study will discuss the changes that have been made, those that are contemplated, and particularly those which concern membership in international trade organizations, specifically, the WTO, TPP, and NAFTA.

Keywords: United States, Trade, WTO, TPP, NAFTA.

INTRODUCTION

The economic welfare of the nation, and particularly to themselves, has always been an extremely important consideration to the American voter. During the 2016 presidential election, candidate Trump and his Vice Presidential running mate, Governor (of Indiana) Michael Richard Spence, utilized slogans including the phrase "America First." While that included issues far beyond trade, and therefore, the scope of this study, nevertheless there were most significant ramifications concerning changes in United States trade policies which would reset the direction of those important economic endeavors. In short, while the United States under President Trump would still maintain itself as a world leader in trade, necessary for both the domestic and world economy, and there most certainly would not be a return to the economic (and political) isolation which preceded World War I, there would be changes in the globalized direction of the United States trade patterns. There would be less emphasis on the concept of globalization *per se*, less reliance on international organizations such as the World Trade Organization (WTO), as well as regional groups, such as the North American Free Trade Association (NAFTA) and the Obama administration proposed Trans Pacific Pact (TPP). This would lead to more bilateral trade negotiations and agreements, expecting that in the long-run, the US could secure better deals through tough negotiating tactics.

Essentially, the President's trade policy has five elements: "Supporting our National Security, Strengthening the U.S. Economy, Negotiating Better Trade Deals, Aggressive Enforcement of U.S. Trade Laws, Reforming the Multilateral Trading System" (Lighthizer, 2). Perhaps the first is of the most immediate importance as it ties national security to international trade. When applied to specific trade deal, this tie can enable nations to take actions which would not otherwise be permitted under WTO regulations. Of course the problem then becomes, if one nation can, so can others….. "Brandishing security worries to justify tariffs is also an idea that flies in the face of decades of U.S. government effort to keep other countries from throwing up protectionist walls on the basis of supposed national security threats" (Johnson).

THE UNITED STATES AND INTERNATIONAL TRADE AGREEMENTS

In the current Trade Agenda, the Administration makes it crystal clear that, "A strong America is in the vital interests of not only the American people, but also those around the world who want to partner with the United

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States in pursuit of shared interests, values, and aspirations." The president's Agenda quotes the Farewell Address of George Washington, noting that President Washington emitted a warning that, "There can be no greater error than to expect, or calculate upon real favors from nation to nation." Washington noted further that trade deals ought to be "temporary" as well as "abandoned or varied as experience and circumstances shall dictate." According to the current administration, this "laid the ground work for an "American trade policy that is pragmatic, flexible and steadfastly focused on our national interest." As a result, beyond World War II, and through the development of the post-war General Agreements on Tariffs and Trade (GATT) and its various rounds such as the Uruguayan and Kennedy rounds, the U.S. maintained that strategy (Lighthizer, p. 1).

However, the President clams that this policy has changed drastically, "instead of asserting its sovereign authority to act in response to changing circumstances, the United States continued to passively adhere to outdated and underperforming trade deals and allowed international bureaucracies to undermine U.S. interests (*Ibid.*). All of which has led to losses due, for example, to outsourcing and "has left U.S. workers and businesses at a disadvantage to global markets, as unfair trading practices flourish in the absence of a strong U.S. response." In 2016 the President had made it clear, "it is time to declare our economic independence again" (*Ibid).*

World Trade Organization

The World Trade Organization is the legal successor to the 1948 General Agreements on Tariffs and Trade (GATT), itself a provisional body with the goal of increasing international trade through cooperation with regard to the removal of artificial barriers to that trade, principally tariffs. By 1995, there was a significant call for not simply the revisions of GATT, such as were accomplished in periodic meetings to update the Agreement (called Rounds), but to create a new and permanent international organization which would be the group to with both set the rules and regulations of international trade, and also adjudicate disputes arising from these rules and regulations as well as the actions of specific nations which might be accused of violating them. In addition, the WTO rules permitted it to deal with services as a part of trade, giving it a significantly wider authority than was exercised under the GATT. It has grown steadily over its several decades of operation, comprising 164 members, and with authority over 98% of international trade. By 2015 it had settled some five hundred cases (WTO, History…..).

In short, the WTO "provides a forum for negotiating agreements aimed at reducing obstacles to international trade and ensuring a level playing field for all, thus contributing to economic growth and development. The WTO also provides a legal and institutional framework for the implementation and monitoring of these agreements, as well as settling disputes arising from their interpretation and application" (WTO, Overview.). However, that is not necessarily the way that the Trump administration views the operations of the WTO. Trade Representative Robert Lighthizer, in his 2018 report notes that there are a number of difficulties with the operations of the WTO. Without getting into specifics, the U.S. believes that "Members must rethink how development is approached at the WTO, and that it is time to move beyond the outdated, failed framework of the DDA" [Doha Development Agenda]. He goes further to note that the organization needs a definition of the term "Developing Country," and that "To remain a viable institution that can fulfill all facts of its work, the WTO must find a means of achieving trade liberalization between Ministerial Conferences, must adapt to address the challenges faced by traders today, and must ensure that the flexibilities of a country may avail itself of are commensurate to that country's role in the global economy" (Lighthizer, 86). The U.S. 2008 Trade Policy Agenda also claims that the Organization "has sometimes been dominated by a dispute settlement system where activist 'judges' try to impose their own policy preferences on Member States. Instead of constraining market distorting countries, like China, the WTO has in some cases given them an unfair advantage over the United States and other market based economies." The report adds that "the WTO has been used by some Members as a bulwark in defense of market access barriers, dumping, subsidies, and other market distorting practices (Lighthizer, 2).

On March 8th, President Trump initiated what many saw as a direct assault on the World Trade Organization, with the imposition of tariffs of twenty-five per cent on steel and ten per cent on aluminum. Since that date, the tariff barriers have been more selectively applied so that "favored" nations will be exempt. The aim at China, among others, becomes pretty obvious. What the president did in reality was to apply a piece of the 1962 legislation known as the Trade Expansion Act (Sec.232) which permits tariff barriers when it is in the national

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strategic and security interest. Edward Alden Senior Fellow of the Council on Foreign Relations calls it "The Day the WTO Died," a comment which needs little explanation. Of course, Alden goes on to state, that this did not just occur, but that it had been a slow downward spiral. Alden notes that China has "never accepted the norms of the WTO, and its spectacular economic success pursuing policies that too often defied the organization's market-based principles did more than any other country to weaken the legitimacy of the system." He notes hat the Doha Round, which has been seemingly endless, "showed that member nations had no capacity to find the compromises needed to update the WTO rules," and he concludes "Trump only gave it the final nudge over the cliff"…..(Alden). Peter S. Goodman of *The New York Times* in March wrote that the WTO was being relegated to "irrelevance" as the U.S. was placing "tariffs on as much as $60 billion worth of Chinese imports…." He added that "China was threatening to retaliate with tariffs on some $3 billion imports from the United States" (Goodman). In addition, he noted that a number of nations were quite likely to also bring national security into their trade deals to avoid WTO regulations, as for example a number from the Middle East (Goodman). Greg Robb goes a step further in *MarketWatch*, as he suggests a real possibility that all this is an endeavor by the Trump Administration to withdraw the United States from the WTO altogether. If the tariffs are declared to be in violation of WTO rules and regulations, the U.S. might simply "walk out of the WTO entirely" (Robb).

There is, of course, considerable discussion as to the precise purpose of the Administration's reason for the enactment of such tariffs. Given the president's proclaimed prowess at deal-making, it is very possible that such tariffs actually represent the start of a new "tough" negotiations policy. It is also interesting to note that although initially these tariffs were to have been universally applied, the president, at least for now "has temporarily exempted Canada, Mexico, the European Union and several other countries while leaving China and Japan searching for answers" (Paletta, *et al).* An agreement with China appears to have been negotiated as this article went to press. The extent of its success remains to be seen.

The Trans-Pacific Partnership (TPP)

As I noted in a GBATA presentation a few years back, the Partnership is a new example of "an international development program based upon regional integration" essentially comprising what is commonly known as a Free Trade Area (FTA). It was designed to comprise numerous nations of the Pacific Basin, from the Americas to Asia and the Pacific, with the goal of "lower[ing] and even eliminat[ing] tariffs and other types of artificial barriers to trade in the belief that freer trade will enable all member states to develop their most significant industries and thus raise living standards for their populations at-large (Le Veness, The Trans….., 287). I noted that the concept was born by 2005, and that three years later the administration of George W. Bush had expressed United States desire to consider membership thus both solidifying and expanding its trade (as well as political) interest in the entire Asian-Pacific area (Le Veness, 289). President Bush's successor, President Barrack H. Obama, vigorously pursued potential membership in the Partnership, in the belief that, "From the standpoint of the United States, the Obama Administration has made it clear that it seeks increased presence and trade in the Asia-Pacific region, which will lead not merely to enhanced trade relations and perhaps improving balance of trade relationships, but will also serve to bring the various free trade into a more regularized scheme, and increasing [the] number of nations who accept membership in the Trans-Pacific Partnership (Le Veness, "The Trans….., 291, citing CRS, p. 1). While admitting the TPP proposals had their opponents who held strong views on the issue, the BBC concluded "Former President Barak Obama treated trade deals as a priority during his tenure, and the particular deal would have bolstered America's position in the Asia-Pacific Region, where China is growing in influence" (BBC). Jackie Calmes in *The New York Times* noted that President Obama had indicated (in the words of the newspaper, "Forsaking the agreement…..would undercut the United States' standing in the fast-growing Asia-Pacific region as a reliable counterweight to an expansionary China, economically and militarily, for America's allies there" (Calmes).

For the United States, the Trans-Pacific Pact never really came to fruition, as the Trump Administration had actually announced during its campaign that it had every intention of withdrawing from the negotiations aimed at creating that organization. "There is no way to fix the TPP……We do not need to enter into another massive international agreement that ties us up and binds us down" (Lighthizer, 1). At any rate, by November 2016, with assistance from strong opponents of the Partnership, including many Democrats, labor unions, and leaders of some industries, the TPP was proven impossible to pass through both houses of the U.S. Congress.

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Early in his administration (January 2017), the president, by executive fiat, withdrew from negotiations, calling the TPP "a very bad deal" noting, "I like bilateral. I think it's better for our country….." (Boot). The new President was reported as saying at the time, "We have officially terminated TPP. We are going to put a lot of people back to work" (Brennan). The Trade Representative's reported noted that of the eleven members of the TPP, the United States has bilateral free trade pacts with six, and plans to continue to endeavor "to build stronger, better, and fairer trading relationships" with the other five. It further noted that the first six represent 47% of the Gross Domestic Product of the entire group, and of the remainder, Japan produces 87% of their GDP. Finally, the report notes that since last year, the U.S. has been working with Japan to establish a better trade deal, and that separate negotiations are underway with Canada and Mexico as part of NAFTA reform, which is discussed below. (Lighthizer, p. 12).

All that having been said, on March 8th, 2018, eleven member of the TPP signed the agreement, now sporting the new name of the Comprehensive and Progressive Trans-Pacific Partnership. The membership includes "500 million people in the most dynamic region of the world economy which includes more than 13 percent of global gross domestic product (GDP), worth more than $10 trillion. With the U.S., it would have been 40 percent, but the new TP is already attracting potential new members (The New TPP…..).

Given his initial strong opposition to the Partnership, it came as somewhat of a shock to many when on April 12th, President Trump tweeted "Would only join TPP if the deal were substantially better than the deal offered to Pres. Obama." He has appointed Robert Lighthizer and Lawrence Kudlow to reexamine the U.S. position with regard to the TPP with a view to possible future membership. They are to be in collaboration with the U.S. Congress, and Senator Ben Sasse (Rep-Neb), who, representing a state heavily dependent upon agriculture, noted, "The best thing the United States can do to push back against Chinese cheating now is to lead the other eleven Pacific nations that believe in free trade and the rule of law." Sasse further indicated that the President "reaffirmed the point that TPP might be easier for us to join now once the TPP 11 is aligned and we might be 12th party to those negotiations as opposed to the long process that it took to get to TPP" (Brennan). Jethro Mullen of, *CNN Money,* appears to argue that one of the main causes of the administration's possible change of heart is the ever-escalating economic power of China, coupled with the threat of retaliation by China over the steel and aluminum tariffs created by the current administration. Retaliatory tariffs by China could have a significant effect on U.S. trade with that nation, including in the field of agriculture. He cites Edward Alden who stated, "I think this is part of the administration's growing awareness that bilateral pressure on China is unlikely to get the job done on its own. The TPP was a source of leverage against China, but President Trump simply didn't listen to those who were making tat case before he pulled the plug" (Mullen).

According to numerous reports, that is easier proposed than accomplished! Keith Johnson, in *Foreign Policy,* has indicated that the eleven existing members of the new TPP (now called the CPTPP) has rather convincingly argued that given changes in the proposal which the United States would likely endeavor to effect, there would undoubtedly be stiff resistance from the existing membership. They endured the depth of the struggle while the U.S., under the Obama administration, insisted on innumerable provisions unpopular with others. Then, after the Trump withdrawal from those negotiations, they had to rework a deal acceptable to all remaining potential members. In short, "they had to sell their publics on the original deal – which included a lot of unpopular provisions Washington insisted on – only to see the pact's sponsor back out early last year. Then they had to salvage an 11-member pact during another year of tough negotiations that only concluded at the beginning of this year" (Johnson, The U.S……). In addition, many of the demands originally made by the United States have been removed, and it is questionable whether they could be reinstated. Finally, Johnson notes that the members of the new Partnership are themselves moving in new directions for new free trade agreements. This could include adding additional members to the TPP, rather than worrying about accommodating the U.S. demands for return. Johnson cites the Peterson Institute for International Economics which suggests that a TPP-16 (and there are specific nations in mind) "could offer $486 billion in benefits for member countries, compared with $465 billion from the original deal" (Johnson, The U.S……). Keith Bradsher of *The New York Times,* has noted that President Trump faces a growing domestic backlash from corporations, farmers and others over fears that he is igniting a trade with China, the United States' largest single trading partner" (Bradsher). Despite the fact that Bradshaw admits negotiations could be very lengthy, he notes that "rekindling…..could make it hard for China to play off the United States against its allies by promising

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to shift business from one another if a trade war breaks out. It could be a way to assuage American farmers and businesses hurt by Chinese tariffs by assuring robust markets for American products in countries that signed on to the deal….. It would give the pact a great deal more heft and help position it as an economic counterweight to China, which increasingly dominates the Asia-Pacific region. More broadly it signals to the region that the United States is not giving up on trade, despite Mr. Trump's sometimes harsh words" (Bradsher). Of course, an agreement with the U.S. would first have to be negotiated!

On the other hand, TPP-16, should it become a reality, and remember at this point the TPP-11 still have to individually ratify their signed agreement, does not preclude TPP-17! There are real advantages to including the United States from the viewpoint of the other sixteen. As Johnson indicates, it would be much easier to have the U.S. join the Partnership than to endeavor to negotiate separate trade agreements with the U.S. (though some nations already have them), and in a move very important to Australia, among others, it would assist in keeping "the United States…..engaged in the Asia-Pacific region as China flexes its economic and military strength" (Johnson, The U.S……, citing Mike Callaghan, a former member of the Australian Treasury).

North American Free Trade Association

Often going by the acronym NAFTA, this trade agreement between the U.S., Canada, and Mexico has been in existence for over two decades. In April 2014, a paper at the Midwest Political Science Association in Chicago examined those twenty years (Le Veness, "Analysis……."). In it, I noted that the U.S. Chamber of Commerce had claimed the "U.S. market is largely open to imports from around the world, but many other countries continue to levy steep tariffs on U.S. exports, and foreign governments have erected other kinds of barriers against U.S. goods and services. To different degrees and varying by sector, this was the case with Canada before the Canada-U.S. Free Trade Agreement of 1989 and with Mexico before NAFTA…… American workers, farmers, and companies must be must be allowed to operate on a level playing field when it comes to trade…… This was the principal rational for NAFTA.—to generate economic growth, new exports, and good jobs, and do so in a way that is fundamentally fair" (U.S. Chamber….., p. 5). At the conclusion of its report, the U.S.C.C. stated, "it's remarkable that 14 million U.S. jobs depend on trade with Canada and Mexico. That's more than one in 10 U.S. private sector jobs Behind North America's impressive trade statistics numbers lies an integrated web of cross-border supply chains that enhances the competitiveness of all three countries in global markets and gives each country a fundamental stake in the others' success…… NAFTA is more important than ever…… [I]t has generated new opportunities for American workers, farmers, consumers, and businesses – and for our Canadian and Mexican neighbors" (U.S. Chamber……).

Of course, it is true that there have also been disruption in each nation's economy, as for example, with U.S. companies moving plants to Mexico at the cost of U.S. jobs and serious negative impact on Mexican maize production, to mention but two items. Nor has NAFTA really made a significant impact on the totality of the U.S. economy. Very importantly, as I noted in the 2014 paper, citing various sources, it did not solve Mexico's development problems nor transform it into a more developed nation. Those sources indicated that revision of the treaty was clearly needed, as was deepening areas of trade. However, all in all, it could be deemed at least a limited success. A *Washington Post* report noted that U.S. imports and exports grew from $291 billion in 1993 to $1.1 trillion in 2016. That 267 percent increase seems like a lot, but U.S. trade with countries not in NAFTA also grew by 242 percent over that same period. In addition, that report concluded that many positions of employment were lost during that period because the U.S. became a WTO member, because China entered the scene as a major player, and due to what were described as "technological advances," so it is difficult to estimate how many jobs were lost due specifically to each factor (Bown).

In May 2017, the White House announced its intention to renegotiate the NAFTA agreement with both Canada and Mexico. Unlike the TPP, it did not pull out of the agreement, though there seemed to be consideration of that during the presidential campaign and thereafter. The Trade Representative has made it clear that the administration has two principal goals, first to update the Agreement to meet 21st Century needs, particularly in the area of "intellectual property" and "cross-border trade." The revised version will also address new concerns such as protection of "digital trade," and add additional provisions to protect issues of labor and the environment. Second, the U.S. "seeks to rebalance NAFTA and reduce the U.S. trade deficit in order to achieve greater benefits or our

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workers, farmers, ranchers and businesses. It seeks "to ensure that U.S. investors do not have additional incentives to offshore, that strong labor provisions are made enforceable…..and that the performance of the Agreement is regularly reviewed to make certain that the agreement remains in the interest of the United States. USTR is also seeking to increase the percentage of the goods traded through this agreement are made by North American workers, particularly those in the United States" (Lighthizer, II-1).

As this paper was being composed, a deadline passed for renegotiation (Thursday, May 17th). While Prime Minister Justin Trudeau of Canada indicated that the deal was near, that view was countered by USTR Robert Lighthizer, who "rejected the idea that an agreement was within imminent reach. He cited big differences on intellectual property, agriculture, online purchases, energy, labour, rules of origin and other issues". Two additional topics which cause considerable controversy include "dispute resolution and a so-called sunset clause," the latter of which Prime Minister appears to particularly oppose (Pancetta). It remains to be determined to what extent NAFTA can be successfully changed, and if it can be accomplished before the mid-term U.S. elections and the Presidential election in Mexico. Right now that seems unlikely.

CONCLUSION

It is impossible in this short space to examine all aspects of the trade policy of the Trump Administration. However, the President, while changing his mind about various trade items, appears to have made it clear that he intends to make significant change in trade policy and that the U.S. "will no longer take the lead in pressing for new free-trade agreements and multilateral trade rules…… Reducing the U.S. trade deficit, making more aggressive use of trade remedies, and tackling perceived unfair practices will be key pillars of Trump's policy. And given his preference for bilateral deals, the outlook for current negotiations with the EU and on the Trade in Services Agreement is uncertain" Schneider-Petsinger). However, very positively, that author noted "If a new trade policy framework can be developed, Trump's presidency could offer a chance to move the debate forward ad actually strengthen global trade by addressing some genuine shortcomings within the current system" (Schneider-Petsinger).

Much remains to be examined. Bilateral trade agreements, trade with China (which has almost led to a trade war), trade with post-Brexit United Kingdom, and even trade with the European Union (EU). Only time will tell, but so far, "Although Trump's campaign rhetoric suggested a fundamental change in trade policy, his administration so far seems to be taking a more moderate and conventional approach" (Schneider-Petsinger).

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WORK ENGAGEMENT OF SECONDARY SCHOOL TEACHERS IN VHEMBE DISTRICT IN LIMPOPO PROVINCE, SOUTH AFRICA

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ABSTRACT

The study measured the work engagement of teachers in Vhembe district in Limpopo, a province in South African. Most schools in the district are in rural areas with no access to internet and other technological resources. Data was collected by means of a Utrecht Work Engagement Scale (UWES) questionnaire, which was first piloted to similar schools in the district. The questionnaire was distributed to the teachers through a drop-off method. Out of the estimated ±600, only 250 teachers completed the questionnaire. The data was analysed through the Statistical Package for the Social Sciences (SPSS) version 23. The study concluded that teachers in Vhembe district were engaged.

Keywords: education, absorption, dedication, vigour, teachers, work engagement.

INTRODUCTION

Education plays an important role in the development of human capital needed for economic growth, and in helping people adapt to profound social and cultural changes (Miles & Singal, 2008; United Nations Educational, Scientific and Cultural Organisation (UNESCO)- Institute for Statistics (UIS), 2001). The quality of education is dependent on its teachers who provide hands-on teaching and learning processes (UIS, 2016). Although investment in this sphere of education is important, with half of many nations' educational budget going on teachers' salaries, the investment is not commensurate with the educational outcomes (Alam, Hoque & Oke, 2010; Department of Basic Education (DBE), 2012). A host of factors such as high levels of teacher absenteeism, attrition, low professional commitment to duties and the massive teacher shortages –all counter the return on investment in education (UNESCO-International Institute for Capacity Building in Africa (IICBA), 2017). It was reported that 69 million teachers were needed to fill the vacant teaching positions worldwide, with sub-Sahara being most affected by the shortages (UIS, 2016). A host of regional contextual factors also affect teachers' attraction and retention in the profession, along with school level factors related to instability, school location or difficult working conditions (UNESCO-IICBA, 2017). This study is situated in South Africa, which is one of the sub-Saharan countries undergoing massive education reform, with many schools facing multiple deprivations (Maringe, Masinire & Nkambule, 2015). Still, under these conditions, there are high expectations placed on teachers (Bush, Joubert, Kiggundu & Van Rooyen, 2010). It was emphasised that, to achieve the sustainable development goals in education, the working conditions of teachers need to be improved (UNESCO, 2015). Hence, the recommendation by Lassibille (2012) is still valid, that teachers' work engagement and school management need urgent attention in South Africa. Therefore, the study measured secondary school teachers' work engagement in the Vhembe district in Limpopo Province, South Africa.

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LITERATURE REVIEW

Work engagement: conceptual background

Work engagement comprises a variety of multidimensional constructs and experiences, including affects, cognitions and behaviours. It is characterised by using a variety of time perspectives ranging from trait concepts, to state and state-like concepts (Sonnentag, Dormann & Demerouti 2010). Work engagement has received overwhelming attention in corporate and academic practices, but consensus on its definition has not been reached (Bakker & Leiter, 2010). Work engagement is defined as a positive, fulfilling, work-related state of mind that is characterised by vigour, dedication and absorption (Schaufeli, Salanova, González-Romá & Bakker, 2002). Vigour is described as the feeling of physical energy, emotional strength, and a willingness to invest effort and endurance in times of difficulties. Dedication is characterised by a sense of significance, enthusiasm, inspiration, pride, and the enjoyment of challenging tasks. Absorption refers to the state of being so completely focused and highly engrossed in the work that the employee feels that time passes quickly and also has difficulty detaching from such work (Rothmann & Rothmann, 2010; Salanova, Agut & Peiró, 2005; Storm & Rothmann, 2003). The definition implies that engaged workers are physically involved, cognitively vigilant, emotionally connected and mentally engrossed while executing their jobs (Simbula & Guglielmi, 2013). This means that workers are able to express and employ their "preferred selves" in connection with the task and other workers, and by being personally present and fully active in the performance of their work roles (Sweetman & Luthans, 2010). This study has adapted Schaufeli et al's. (2002) definition of work engagement as it is often cited in contemporary literature and research. Schaufeli et al. (2002) developed the UWES – an instrument to measure work engagement, which has been validated in many different countries including South Africa (Rothmann & Rothmann, 2010; Salanova, Agut & Peiró, 2005; Storm & Rothmann, 2003).

Consequences of work engagement

Many studies reported that employees are engaged in their job roles and commit to their organisations when they can identify with their organisations (Gupta, 2017). There are many claims that work engagement is a key factor for organisational success (Macey, Schneider, Barbera & Young, 2009; Rich, LePine & Crawford, 2010; Saks & Gruman, 2014; Shuck & Rose, 2013). Work engagement is perceived as an indicator of work motivation (Perera, Granziera & McIlveen, 2018). Work motivation is one of the organisational predictors for the organisational service climate (Salanova et al., 2005). Thus, the outcomes of work engagement are advocated to be exactly what most individuals and organisations seek, such as reduced employee turnover, improved customer satisfaction, loyalty, productive and profitable, safer and healthier workers (May, Gilson & Harter 2004). Engaged employees are in essence, often go the extra mile in their role performance (Shuck & Wollard, 2010), by bringing in their personal initiative. Personal initiative is one of the characteristics of engagement (Bakker, Schaufeli, Leiter & Taris, 2008). In fact, it is long recognised that organisations cannot function only from purely contractual relationships with employees, but also require cooperation beyond their contracts (Bakker et al., 2008; Masson, Royal, Agnew & Fine, 2008). Work engagement also allows employees to develop rewarding work relationships with colleagues and avoid wasting time in interpersonal conflict (Fearon, McLaughlin & Morris, 2013). In essence, engaged workers (1) often experience positive emotions such as happiness, joy, and enthusiasm; (2) experience better health; (3) create their own job and personal resources; and (4) are able to transfer their engagement to fellow colleagues (Bakker, 2009; Bakker & Demerouti, 2008). In some international contexts, work engagement was found to flourish under conditions characterised by the availability of resources (Bakker & Bal, 2010; Lorente, Salanova, Martínez & Schaufeli, 2008; Simbula, Guglielmi & Schaufeli, 2011). However, some studies reported that teachers were disengaged from their work as compared to employees in other human services (Hakanen, Bakker & Schaufeli, 2006). The high rate teacher shortages is evidence that teaching as a profession is facing a serious challenge world over. Therefore, teachers who are engaged in their work are likely to display a high level of performance and are able to engage their learners in the effective learning process (Klassen, Aldhafri, Mansfield, Purwanto, Siu, Wong & Woods-McConney, 2012). Therefore, understanding teachers' work engagement may lead to insight into ways to enhance their well-being and classroom effectiveness.

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RESEARCH DESIGN

A research design is described as a plan or a blueprint of how one intends conducting the study (Mouton, 2001). This section of the study provides detailed explanations on the research approach used, the sampling method followed, the measurement instrument used for data collection, and the data analysis techniques used to make data meaningful. Each of these variables is briefly explained below.

Research approach

The study adopted a cross sectional survey research design, which, according to Mouton (2001), is quantitative in nature and data is collected once off with the aim of providing a broad overview of a representative sample of a large population. Quantitative research is done using a deductive approach, involving the testing of theoretical propositions by the employment of a research strategy that is specifically designed for the purpose of the testing (Barkhuizen, Schutte & Nagel, 2017). This suggests that the study does not envisage developing new concepts, but rather testing them. In line with the above description of a quantitative study, the study collected data in order to test the already formulated hypotheses: H_{01}: Educators in the Vhembe district are not engaged to their work; H_{a1}: Educators in the Vhembe district are engaged to their work.

Sampling

The sample included teachers (teachers, senior teachers, heads of departments, deputy principals and principals at school levels) from 20 secondary schools at Malamulele circuit, Vhembe district. Based on the available data, there were ±600 teachers working at the 20 schools, and as a result, 600 questionnaires were prepared for the task. Due to the unavailability of many teachers at the schools, only 260 questionnaires were distributed, as most teachers were marking examination scripts at a central location during the two weeks during which data collection was conducted. Out of the 260 questionnaires distributed, 253 were received back; and out of the 253, 3 were discarded due to incompleteness and 250 were considered usable for further data analyses. From these 250 completed questionnaires, it was found that most respondents were male 158 (63%), and 92 (37%) were female. In terms of age, 25% (63 teachers) were between 23 and 40, 57% (143 teachers) were between 41 and 50, while 8% (44 teachers) were between 51 and 60 years.

Measuring instrument

Although there are other instruments that are used to measure work engagement (Bakker & Demerouti, 2008; Bakker, Schaufeli, Leiter & Taris, 2008), the study was adapted to use UWES 17 as developed by Schaufeli et al. (2002). Mabasa (2016) reported that the instrument was validated in different countries such as Australia, Belgium, Canada, Finland, France, Germany, Netherlands, Norway, Spain, China, Greece, Israel, Italy, Japan and South Africa. The instrument was piloted and found to be of an acceptable reliability for the current study with Alpha coefficient values above the minimum norm of .70. Storm and Rothmann (2003) and Rothmann and Rothmann (2010) also found that the instrument was of an acceptable reliability with the Alpha coefficient values above .70.

Data analysis

After the questionnaires were certified to be usable, data was captured into the Excel package before being uploaded into the SPSS for analyses. Upon conclusion of the data capturing process, the data was uploaded into International Business Machines (IBM) SPSS (Version 23) for analyses. Exploratory factor analyses, confirmatory factor analyses and descriptive statistics (i.e. means, standard deviation, skewness and kurtosis) were applied for data analyses. The internal reliability of the scales and its items was measured through Cronbach alphas coefficient statistics, with a cut-off point of 0.7 as a guideline for acceptable reliability (Nunnally, 1978). To test the significance of relationships between variables, the Pearson correlation analyses were performed. The principal factor analyses were performed to determine the number of factors contributing to work engagement. Multivariate analysis of variance (MANOVA)

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analyses were used to test for significant differences in dimensions of work engagement based on the demographic variables of the respondents.

RESULTS

The instrument consisted of 17 questions measuring work engagement, and 15 questions relating to biographical information. The 17 questions were presented in the form of statements measuring vigour (6 items), dedication (5 items) and absorption (6 items). Participants rated themselves on a 7-point scale item ranging from 0 (never) to 6 (always), with statements such as "At my work, I feel bursting with energy" measuring vigour; "I find the work that I do full of meaning and purpose" measuring dedication; and "Time flies faster when I'm working" measuring absorption. The reliability test of scale was done using Cronbach alpha coefficient statistics, and the results showed that the scale was of acceptable reliability, with vigour (.816), dedication (.778) and absorption (.739) values above the cut-off point of .70 (Nunally, 1978). The descriptive statistics was used to measure the mean of the items on the scale. The mean was used to measure the central tendency of the data. According to Nishishiba, Jones, and Kraner (2014), the mean is the arithmetic average and the most popular measure of central tendency for data that do not have extreme values or normal data. The purpose of measuring the central tendency was to identify the value in the data set that is most typical of the full set, which could be used as a summary value (McNabb, 2013). The mean values show the middle or central position for a variable in a data set (Nishishiba et al., 2014), and the results are presented in Table 1 below.

Table 1: Means and standard deviations of the dimensions of work engagement (vigour, dedication and absorption) (n = 250)

Vigour items	**Mean**	**Std. deviation (SD)**
1. At my work, I feel bursting with energy	4.21	1.416
4. At my job, I feel strong and vigorous	4.62	1.390
8. When I get up in the morning, I feel like going to work	4.89	1.380
12. I can continue working for very long periods at a time	4.35	1.553
15. At my job, I am very resilient, mentally	4.04	1.515
17. At my work I always persevere, even when things do not go well	4.80	1.196
Dedication items		
2. I find the work that I do full of meaning and purpose	5.04	1.230
5. I am enthusiastic about my job	4.83	1.257
7. My job inspires me	4.74	1.498
10. I am proud of the work that I do	5.11	1.343
13. To me, my job is challenging	3.93	1.780
Absorption items		
3. Time flies faster when I'm working	4.71	1.341
6. When I am working, I forget everything else around me	4.14	1.700
9. I feel happy when I am working intensely	4.64	1.244
11. I am immersed in my work	4.47	1.239
14. I get carried away when I'm working	3.47	1.684
16. It is difficult to detach myself from my job	4.21	1.605

In the study, the mean was used as a measure of the central tendency of the data. The mean is the arithmetic average and the most popular measure of the central tendency for data that do not have extreme values or normal data (Nishishiba et al., 2014). The value of the mean showed the middle or central position for a variable in a data set (Nishishiba et al., 2014). The purpose of measurements of a central tendency is to identify the value in the data set that is most typical of the full set, which may be used as a summary value (McNabb, 2013). Therefore, the mean

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for questions 1 to 17 were interpreted as follows: 0- *never*; 1-*almost never* (a few times a year or less); 2-*rarely* (once a month or less); 3-*sometimes* (a few times a month); 4-*often* (once a week); 5-*very often* (a few times a week); 6-*always* (every day).

Reporting on the mean measurement as described in the above paragraph, the central variable between 0 and 6 is equal to 3. Therefore, a mean of lower than 3 is regarded as small and negative for the item it is measuring. A mean value of 3 and higher, is regarded as large and positive for the item it is measuring. The results in Table 1 show that all the items in all three scales had mean values higher than 3, suggesting that participants were positive about all the items on the scale. The vigour dimension showed a minimum mean value of 4.04 to a maximum mean value of 4.89. Dedication dimensions showed a minimum mean value of 3.93 to a maximum mean value of 5.11. The absorption dimension reflected a minimum mean value of 3.47 to a maximum mean value of 4.71. The mean results generally showed that participants were dedicated, vigorous and absorbed respectively; as the result of this, it was concluded that teachers in that area of the country were work engaged. The results of the SD statistics, as presented in Table 1, show the values ranging between 0 and 6, which was regarded as small, and suggest that participants were consistent and did not vary a lot in the rating of their answers to the questions. Cooper and Schindler (2011) show that the SD summarises how far away from the average the data values typically are, meaning that the smaller the value of the SD (i.e. values ranging between 0 and 6), the more consistent or homogenous the distribution; and the larger the SD values (values ranging from 6 upwards), the more inconsistent or heterogeneous the distribution.

Inter-item correlations matrix

The relationship is explained better by zooming in on the relationship between variables of interest as shown in Table 2 below.

Table 2: Inter-item correlation matrix (UWES 17)

Variables		Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
Correlation	**Q1**	1																
	Q2	.565	1															
	Q3	.432	.408	1														
	Q4	.539	.555	.496	1													
	Q5	.557	.500	.408	.594	1												
	Q6	.437	.307	.388	.333	.366	1											
	Q7	.532	.557	.341	.588	.637	.366	1										
	Q8	.532	.559	.408	.669	.619	.349	.674	1									
	Q9	.457	.565	.400	.573	.487	.310	.536	.649	1								
	Q10	.440	.567	.460	.604	.573	.354	.626	.702	.575	1							
	Q11	.464	.534	.392	.578	.591	.315	.573	.551	.510	.601	1						
	Q12	.522	.458	.439	.572	.553	.411	.587	.666	.569	.578	.533	1					
	Q13	.235	.240	.161	.203	.179	.119	.253	.193	.188	.306	.168	.198	1				
	Q14	.144	.211	.228	.188	.186	.196	.140	.178	.169	.262	.159	.186	.364	1			
	Q15	.290	.200	.211	.223	.269	.307	.217	.254	.193	.225	.281	.271	.224	.331	1		
	Q16	.380	.362	.424	.430	.364	.367	.436	.462	.484	.498	.403	.437	.392	.296	.376	1	
	Q17	.373	.300	.397	.355	.386	.282	.300	.364	.376	.349	.332	.431	.227	.223	.361	.489	1

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The rotation converged in five iterations. The inter-item correlation matrix was performed in order to determine the strength and direction of the linear relationship between two paired variables (McNabb, 2013; Pallant, 2011). According to Pallant (2011), the size of the value of the correlation coefficient ranges from -1.0 to 1.0. A correlation of 0 indicates that there was no linear relationship at all; a correlation of 1.0 indicates perfect positive linear correlations; and a value of -1.0 indicates a perfect negative linear correlation. Therefore, in interpreting the correlation values, the following principles were applied: small correlations ranged between r = .10 and .29, medium correlations ranged between .30 and .49, and large correlations ranged between .50 and 1.0 for positive correlations (Pallant, 2011:134). This also holds for the negative correlation. There are all types of relationships, ranging between small (values from 0–.29), medium (.30–.49) and large (.50–1). In most cases, perfect correlation was achieved when the variable had been paired with itself.

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

The historical elections of 1994 created immense changes in stabilising South Africa in the political, economic, social and educational environment (Khumalo, Molepo & Mji, 2017). The study was conducted on teachers working in the Vhembe district, and who share common cultural practices. Participants in the study were typical black Africans, while South Africa is home to four main groups: black Africans, coloureds, whites and Indians. Schools in South Africa are distributed in different areas with different economic backgrounds, such as rural areas and urban areas. The study was conducted in a rural area. According to Du Plessis (2014), many rural communities and their schools are poor and disadvantaged, lacking basic infrastructure for sanitation, water, roads and other modes of transport, electricity, and information and communication technology. The socioeconomic realities of rural areas put learners in rural schools at a disadvantage. Given all these deficiencies, the study could not be generalised to the entire country. The study recommends that a comprehensive wide scale study on teachers' work engagement be conducted in the country, bringing all the factors that were highlighted above into consideration. Once this done, generalisation could be possible.

The objective of this study was to measure work engagement of teachers in the Vhembe district in South Africa by using the work engagement model of Schaufeli et al. (2002). The data were collected by means of a questionnaire, UWES 17 (used with permission). The internal consistency reliability of the scales was assessed by means of the Cronbach alpha coefficient statistics and was found to be of acceptable reliability. The sample size was also tested and found to be adequate; and the significance level was tested, and the results show that it was significant to carry-out the factor analysis and correlations among items or factors. The principal component analysis was used for exploratory factor analysis. The results confirmed the hypothesis that teachers in the Vhembe district were engaged in their work, with the results showing that the dimensions of work engagement (vigour, dedication and absorption) all contribute towards work engagement. The limitation of the study was that it did not look at the conditions that influence these behaviours. This is because Macey and Schneider (2008) warn that any measure that asks how satisfied a worker is with conditions at work or of work, or asks about the presence of particular conditions of work or at work, is not a measure of any of the three dimensions of work engagement (p.26).

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INNOVATION & SUSTAINABILITY: PRELIMINARY RESULTS ON RESEARCH TENDENCIES AND GAPS

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ABSTRACT

This article´s objective is to present the latest trends in the academic literature on sustainability and innovation. The research was carried out through bibliographic coupling, a technique which enables grouping of the most significant articles on the subject into thematic clusters representing cutting-edge topics. The analysis was conducted for two periods: 2012-2017 and 2015-2017. While the first period´s map highlights two main themes: i) relationship between sustainable product/process innovation and financial performance; ii) sustainability transitions; the second one reveals the emergence of growing research on sustainable business model innovation. The article also presents the study´s managerial implications and research gaps.

Keywords: Sustainability, Innovation, Business Model, Strategic Entrepreneurship, Bibliographic Coupling.

INTRODUCTION

An increasing number of organizations recognize the importance, today, of considering environmental, social and economic sustainability requirements. As historically, companies have had a predominantly economic view of firm performance, the consideration of other performance dimensions, notably environmental and social ones, entailed the development of new products and processes, in other words innovations. As Nidumolu et al. (2009, p.1) observed "sustainability is now the key driver of innovation".

The research on sustainability, from a firm perspective, originally limited itself to the study of the creation of products that would attend to environmental requirements and their impact on firm economic performance. As can be observed in the literature, several terms were used, such as green innovation, eco-innovation, etc. However, a preliminary bibliographic investigation of more recent works suggested that this is not anymore the case and broader views are being adopted.

The objective of this article is to present the results of a bibliographic study based on bibliometric coupling with a view to answering the following questions: In the literature on innovation and sustainability, what are the latest tendencies? Which concerns predominate? What is the state-of-the-art? What are the research gaps? In what way can research on Innovation and Sustainability (I & S) contribute to fill these gaps?

The article is divided into five sections, including this introduction. In the second one, some definitions are given, and in the next one the research´s methods are explained. The results and their discussion are the objects of sections four and five. In the last one, some final considerations are made, namely regarding the research´s contributions to academia and managerial practitioners, as well as its limitations. The article ends with recommendations for future studies.

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THEORETICAL REFERENCES

We defined *innovation* in keeping with OECD (2005) as the implementation of a new or significantly improved product/service or process, marketing method, or a new organisational method in business practices, workplace organisation or external relations.

To define *innovation for sustainability* we based ourselves on Adams et al. (2016, p. 180): "Sustainability-oriented innovation - SOI involves making intentional changes to an organization's philosophy and values, as well as to its products, processes or practices to serve the specific purpose of creating and realizing social and environmental value in addition to economic returns".

Types of sustainability refer to the dimensions at issue in the "triple bottom line" - TBL (Elkington, 1997): economic health (economy), social equity (people) and environmental resilience (planet). Consistent with what Elkington argues, business goals should not be separated from social and environmental concerns (*ibid*). It follows that Corporate Sustainability is defined here as an approach where the business strategy considers all TBL dimensions.

Sustainability performance thus includes ecological, economic, and social criteria (Roscoe et al., 2016). It follows that sustainable-oriented innovation performance – SOIP - must consider these criteria when using innovation performance indicators.

Business Model Innovation - BMI "is an evolution or revolution of an existing business model … if one or several aspects of the business model … change, it is possible to speak about a development or an innovation of a business model" (Carayannis et al. 2015, p.90). Business Model is a description of "how a company communicates, creates, delivers and captures value out of a value proposition (Abdelkafi et al. 2013, p. 12 in Carayannis et al. 2015, p. 89.

METHOD

In order to answer our research questions we adopted a strategy of analysing publications in the field from two recent short periods using bibliometric analysis: i) the six-year period from 2012 to 2017; ii) the three-year from 2015 to 2017. This strategy was chosen with a view to identifying the tendencies more effectively, by showing the short-term evolvement of the themes focused on by the authors in the field. The analysis of only one period would show only one picture that might be undergoing changes that could not be captured. By comparing the six-year period with the three-year period, slight changes as well as the emergence of the state-of-the-art in the field could be identified.

The analysis was conducted in three stages. The first stage of the analysis consisted of a description of the base of articles for the two periods, highlighting the number of publications by year, author, source and country. During the first stage, articles of sustainable innovation were selected at the Scopus database for both cited periods, using the following criteria: i) terms on title, abstract or keywords: "innovation*" coupled with "sustainab*"; ii) subject area: Business, Management and Accounting; iii) language: English, iv) document type: journal article. Note that this database contains the most important journals of business administration (Scopus, 2018).

In the second stage, bibliographic coupling - BC (Kessler, 1963) was used to identify the most recent theoretical trends in the field. This technique achieves this by clustering similar articles in identified research themes (Dagnino, Levanti & Picone, 2015) by their association, which is represented by the frequency of common cited references of each pair and the relation with the observed patterns for the other articles in the sample (Kessler, 1963). The software VOS Viewer was used to conduct this study. For the BC, the research used the same selection as in stage one and limited the analysis of both periods to the 50 articles with most connections among each other. The abstracts of the 50 articles selected were analysed and articles out of scope were withdrawn.

After the BC was carried out, a bi-dimensional map was drawn, positioning each article in the space according to its similarity with the others, guaranteeing that the ones with stronger association stay close to each other. The

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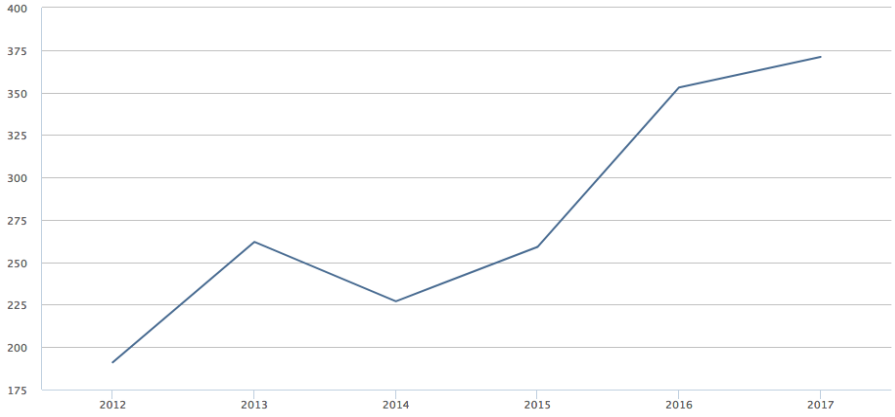
articles were grouped in clusters identified by VOS Viewer considering association strength. Next these clusters were named and their themes were identified by way of a qualitative analysis of each article. On the basis of the latter, some original clusters were grouped together and others were divided considering the themes and positions of the articles in the map.

Lastly, in the third stage, relevant issues focused by the articles from both periods were identified and cluster similarities and differences considering these issues were recognized. The analysis focused on the following issues: i) type of innovation; ii) type of sustainability; iii) type of strategic alliances, as well as alliance portfolios and alliance networks for sustainable innovation; iv) industry; v) country; and vi) research method.

RESULTS

The first stage consisted of a bibliometric analysis of both periods (2012 to 2017 and 2015 to 2017). The filter on Scopus brought 1.663 articles for the six-year period and 983 articles for the three-year period. Figure 1 shows that from 2012 to 2013, there was an increase in the number of articles published, followed by a decline in 2014. Then, from 2014 to 2017, the number of articles in the field only increased. The decline at the end of the first three years of our sample followed by an increase in the next period reinforces our choice to analyse the two periods. The decline in 2014 may have happened because of the exhaustion of some themes that were focused on before, and the posterior increase may reflect the emergence of one or more new themes, that would represent the cutting-edge literature.

Figure 1: Total number of articles published from 2012 to 2017



The results of the analysis of the number of articles by journal from both periods are presented in Table 1. For 2012-2017 it shows the 23 journals that published 10 or more articles in the period, representing 40.2% of all published journal articles. For 2015-2017, the table shows the 22 journals that published 8 or more articles in the period, representing 43.3%. We tried to keep an approximate number of journals in the two groups in the table, with the caution of keeping all journals with the same number of articles. The *Journal of Cleaner Production* is by far the publication that focuses more on sustainable innovation, with 14.4% in the six years and 18.7% in the three years, which shows an increasing focus. The second journal with most articles on the subject is *Technological Forecasting and Social Change* (4.1% and 3.8% in both periods) and the other journals represent 2.0% or less of the publications. It is important to observe that some journals that do not appear in the six-year period as having published most articles on this theme appear in the list from 2015 to 2017, for example, *European Research Studies Journal*, *Cities* and *Industry and Innovation*. This suggests that these journals recognized the importance of this field and in the last year are expanding the participation of sustainable innovation articles.

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Table 1: Number of articles published by journal

Journal	2012-2017 Docs.	2012-2017 Percent.	2015-2017 Docs.	2015-2017 Percent.
Journal Of Cleaner Production	239	14.4%	184	18.7%
Technological Forecasting and Social Change	68	4.1%	37	3.8%
Business Strategy and The Environment	33	2.0%	18	1.8%
International Journal of Innovation and Sustainable Development	32	1.9%	15	1.5%
Quality Access to Success	32	1.9%	18	1.8%
Research Policy	27	1.6%	9	0.9%
Journal of Technology Management and Innovation	25	1.5%	9	0.9%
Futures	22	1.3%	11	1.1%
Technology Analysis and Strategic Management	19	1.1%	6	0.6%
International Journal of Applied Business and Economic Research	17	1.0%	17	1.7%
Innovation	14	0.8%	9	0.9%
Technology in Society	14	0.8%	9	0.9%
Espacios	13	0.8%	12	1.2%
Journal on Chain and Network Science	13	0.8%	-	-
Journal of Business Ethics	12	0.7%	-	-
Journal of Management Development	12	0.7%	9	0.9%
Journal of Sustainable Tourism	12	0.7%	7	0.7%
Corporate Social Responsibility and Environmental Management	11	0.7%	8	0.8%
Innovation Management Policy and Practice	11	0.7%	6	0.6%
Journal of Business Research	11	0.7%	7	0.7%
Journal of Business Strategy	11	0.7%	10	1.0%
International Journal of Innovation Science	10	0.6%	-	-
Technovation	10	0.6%	-	-
European Research Studies Journal	-	-	9	0.9%
Cities	-	-	8	0.8%
Industry and Innovation	-	-	8	0.8%
Others	995	59.8%	557	56.7%

The results of our analysis regarding the number of articles, by author, for both periods, are presented in Table 2. It shows the 22 authors that published more in the whole period (2012 to 2017), with four or more published articles. From the top five authors, only *Bocken, N.M.P.*, the most productive in the whole period, published articles in the first three years and in the last three. *Hekkert, M.P.*, the most productive in the last three years, did not publish articles on the field from 2012 to 2014. The other three (*Kantabutra, S.*, *Raven, R.* and *Smith, A.*) published articles only from 2012 to 2014. The number of authors in the list that published only in the first three years (10 from 21) and the number of authors that published most of their work in the last period (8 from 21 published one article or none from 2012 to 2014 and at least three from 2015 to 2017) indicates that there is a renovation going on in the academy. Many of these new authors may be interested in emerging themes while many of the authors that do not publish anymore may have been dedicated to declining themes. This also indicates changes in the sustainability field, with themes exhausting and themes emerging.

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Table 2: Number of articles published by author

Author	2012-2017	2015-2017	Author	2012-2017	2015-2017
Bocken, N.M.P.	9	5	Robèrt, K.H.	5	4
Hekkert, M.P.	7	7	Truffer, B.	5	-
Kantabutra, S.	7	-	Jabbour, C.J.C.	5	4
Raven, R.	6	-	Broman, G.	4	3
Smith, A.	6	-	Evans, S.	4	3
Blok, V.	5	4	Frey, M.	4	-
Dangelico, R.M.	5	3	Halme, M.	4	-
Edgeman, R.	5	-	Linder, M.	4	-
Hansen, E.G.	5	-	Pansera, M.	4	3
Huisingh, D.	5	5	Silvestre, B.S.	4	-
Kern, F.	5	3	Others	1.550	936
Lüdeke-Freund,	5	3			

The results of our analysis of the number of articles by author's country (Table 3) offer a much more stable picture than those regarding the number of articles published by author (Table 2). The top ten countries from 2012 to 2017 are the same as the ones from 2015 to 2017, with exception of France and Australia that were replaced by China and Sweden. The entrance of China and a Nordic country in the top-ten list is an interesting finding. The growing presence of China in academia in many fields of knowledge may explain its growth in any list of publications. Sweden represents the Nordic countries, which are leaders in sustainable development (Willy, 2015). Another interesting finding was that UK published more in the last three years, although the US is still the country leader in the whole period. This indicates a change that may position UK as the future leader of sustainable innovation science, and may also indicate some changes in the themes that are of greater interest to academia.

Table 3: Number of articles published by author's country

	2012-2017		2015-2017	
Country	Docs.	Percent.	Docs.	Percent.
United States	234	14.1%	122	12.4%
United Kingdom	218	13.1%	127	12.9%
Netherlands	131	7.9%	66	6.7%
Italy	123	7.4%	77	7.8%
Germany	115	6.9%	67	6.8%
Spain	89	5.4%	61	6.2%
Brazil	81	4.9%	50	5.1%
Australia	80	4.8%	41	4.2%
India	77	4.6%	57	5.8%
France	69	4.1%	41	4.2%
China	66	4.0%	45	4.6%
Sweden	66	4.0%	45	4.6%
Others	314	18.9%	184	18.7%

Bibliographic coupling

After the analysis of the abstracts of the 50 selected articles, five were considered out of scope, as they addressed the theme sustainable supply chains that has a very specific logistics focus. On the basis of the BC analysis of the remaining 45 articles for the period 2012–2017 a bi-dimensional map of thematically similar articles (Figure 2) was created, where these were grouped into two clusters, as follows:

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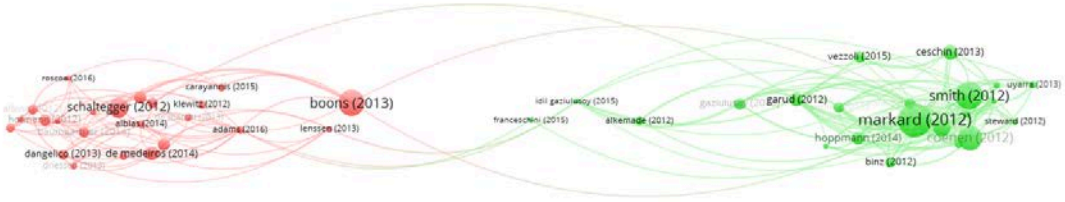
i) Cluster 1 (red, 23 articles) that addressed mainly the relationship between firm´s sustainable product/process innovation and financial performance; firm strategies, alliances and governance for sustainability;
ii) Cluster 2 (green, 22 articles) addressing sustainability transitions for both firm technological innovation and organizational innovation, as well as policy implications

Figure 2: Bi-dimensional map and clusters for 2012-2017



As to articles for the period 2015-2017, the abstracts of the 50 selected ones were analysed and eight were considered out of scope addressing the theme sustainable supply chains. The BC analysis of the 42 remaining articles generated a second bi-dimensional map (see Figure 3), in which we identified three clusters:

i) Cluster 1 (red, 12 articles) with themes similar to Cluster 1 for 2012-2017 period;
ii) Cluster 2 (green, 15 articles) similar to Cluster 2 for 2012-2017 period;
iii) Cluster 3 (blue, 15 articles), business model innovation for sustainability, integration/implementation of sustainability dimensions in product/process innovations (organizational design, governance and stakeholders including partner role) and frameworks for corporate sustainability.

The comparison of the clusters for both periods made evident especially two important results. The first one is that the same two clusters from the period of 2012-2017 were found in the 2015-2017 period. The second relevant result was the emergence of a third cluster in the 2015-2017 period, highlighting a growing interest on the part of researchers in investigating the importance of new business models for levering sustainability, as well their implementation and value from multiple perspectives.

We continued to carry out the thematic analysis of the clusters in the two maps focusing on the following issues: i) type of innovation; ii) type of sustainability; iii) type of strategic alliances, as well as alliance portfolios and alliance networks for sustainable innovation; iv) industry; v) country; and vi) research method (Tables 4 and 5). Regarding the type of innovation focused, Cluster 1 is the one that is more mature theoretically, as it is the one that was inspired more directly by the innovation and strategic management literature. It is not a surprise that it is the only group that includes quantitative studies in both maps and has more systematic literature reviews. Cluster 1 has a slightly higher prevalence of product/process innovation in both periods, although a significant part of the articles focus on organizational innovation. Regarding sustainability focus, green innovation was found in the majority of articles in the period of 2012-2017. In the last three years (2015-2017), the percentage of articles focusing on corporate sustainability decreased, with an increase of articles that addressed at once social and green innovation. With regard to articles in this cluster that focused on alliances, we found almost a similar number on dyadic alliances as on networks or portfolios of alliances, or even for those that did not consider any types of alliances.

Cluster 2 shows few changes comparing the six-year period with the three-year period. It addresses the issue of sustainability transitions, which is an emerging theoretical field, and, for this reason, most articles refer to qualitative and theoretical studies. They concern both product/process innovation and organizational innovation, with a greater focus on green or social sustainability. Regarding alliances, approximately only half are concerned with alliance networks or portfolios. Dyadic alliances are hardly at issue as the sustainability transitions build on a socio-technical approach which considers stakeholders as part of the network, and not a stakeholder in an isolated relationship with the focus firm.

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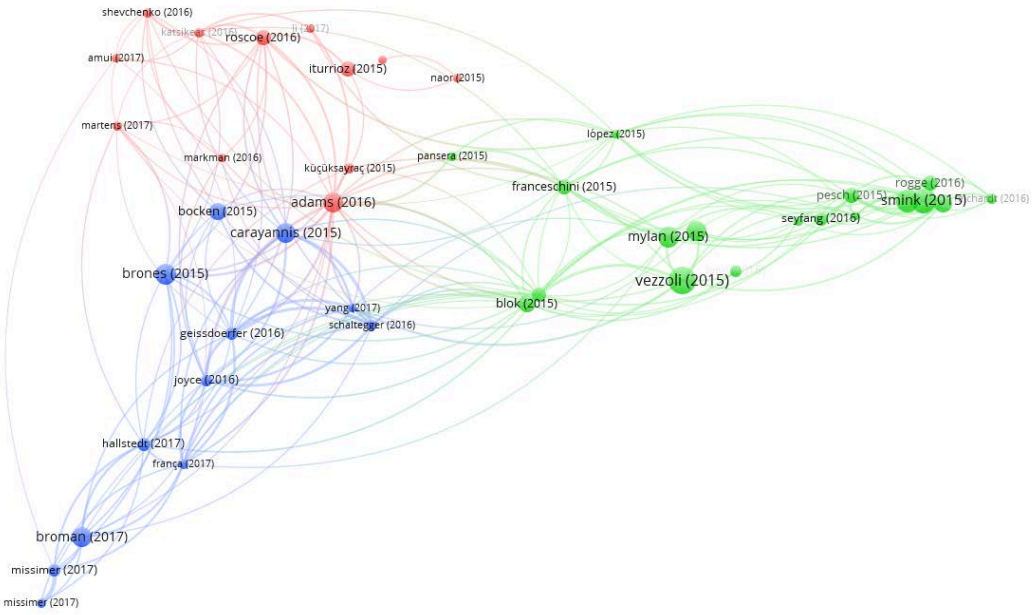
Cluster 3 is only found in the map considering articles from 2015 to 2017 and is the emerging field that focus on business model innovation. As BMI innovation is systemic in nature, there is a prevalence of organizational innovation from a wider systemic perspective. As to the focus of sustainability, it is mainly that of corporate sustainability, in accordance with our definition where the latter considers all TBL dimensions. As an emerging field, it is no surprise that qualitative and theoretical articles dominate. Regarding alliances types, most are of alliance networks or portfolios.

Figure 3: Bi-dimensional map and clusters for 2015-2017



Analysing the industries investigated, we found a great variety in all groups and in both periods. Apparently, no industry prevails. Regarding countries, there is a higher participation of European ones, followed by the US. But we also found countries such as China in some studies, indicating a growing interest in sustainability in different contexts. However, the conclusion here is that Europe is by far ahead of the rest of the world in business sustainability research.

DISCUSSION AND FINAL CONSIDERATIONS

The emergence of Cluster 3 makes evident that an emerging stream of research on SOI and BM is growing and gaining momentum. This could be considered the state-of-the-art of research on sustainability and innovation.
Most of this stream's proponents contend that SOI requires BMI and not just integration of sustainability dimensions in the organization. Several proposals of BMI are made, stressing systemic approaches, many of which adopt socio-technical and change management theories or approaches.

A majority of these proposals are frameworks. For example, the proposal of a synthesis between Framework for Strategic Sustainable Development (FSSD) and Business Model Canvas - BMC with a view to support BMI (França et al. 2017) and a framework called TBLBMC for exploring sustainability oriented BMI (Joyce & Paquin, 2016).

Carayannis et al. (2015) highlight the importance of distinguishing between BM development and BMI, in accordance with Schneider and Spieth (2013). While the theoretical basis of the former would be predominantly RBV and dynamic capabilities, that of BMI would be strategic entrepreneurship. In connection with the latter, it is relevant that some authors stress the importance of sustainable entrepreneurship and highlight the fundamental role of venture

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capitalists create start-ups for which BMI is a key success factor, considering the radical innovation of the BM that SOI implies (Bocken, 2015). Note that collaboration was also found to be a key success factor.

As to managerial implications of our research, the latter made evident the emergence of entrepreneurs concerned with changing or developing new business models oriented towards sustainability in all its three dimensions. The literature review highlighted the urgency not only of considering how to create and implement new sustainable business models, but also of assessing to what extent the new businesses create value as measured by compatible sustainability performance indicators, so as to convince investors, customers and other stakeholders of the relevance of having a sustainable business model.

Our study revealed several gaps in the research on Sustainability and Innovation. Although there is practically a consensus that collaboration is a key factor for SOI and that the networks of actors (value network) have to be considered, hardly any research has been carried out on the characteristics of alliances and AP/networks that can help lever SOI performance. Another gap regards the lack of quantitative studies, in particular relating SOI and BMI performance. These gaps constitute important research opportunities.

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Table 4: 2012-2017 articles – themes focused by cluster (clusters 1 and 2)

Cluster	Innovation Type	Sustainability Focus	Alliances	Method	Industry	Country
1 (23 articles)	Product / Process innovation - 10 Organizational innovation - 9 Business model innnovation - 4	Corporate sustainability - 8 Green innovation - 14 Green / Social innovation - 1	Dyadic - 8 Dyadic / Networks - 3 Networks - 5 No - 7	Qualitative - 8 Quantitative - 6 Systematic literature review - 7 Theoretical - 2	Chemical Food Civil construction Diverse sectors Manufacture (computers, lightning. mattresses and beds, textile, furniture) Banking Non-metallic mineral Metal and mechanical engineering Recycling	Several countries - 2 Germany - 2 Greece - 1 Italy - 3 Netherlands - 2 Taiwan - 1 Thailand - 1 USA - 2
2 (22 articles)	Product / Process innovation - 9 Organizational innovation - 13	Corporate sustainability - 4 Green innovation - 13	Dyadic - 1 Dyadic / Networks - 1 Networks - 8 No - 12	Qualitative - 13 Theoretical - 6 Systematic literature review - 2	Automotive Energy (electricity, biofuels, etc) Manufacturing (lightning, solar photovoltaic plaques) Mobility Heating of buildings Waste management Diverse sectors	China - 1 Finlamd - 3 Germany - 2 Netherlands - 4 UK - 3 New Zealand - 1 Turkey - 1 USA - 1 Italy - 1

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Table 5: 2015-2017 articles – themes focused by cluster (clusters 1, 2 and 3)

Cluster	Innovation Type	Sustainability Focus	Alliances	Method	Industry	Country
1 (11 articles)	Product / Process innovation - 6 Organizational innovation - 5 All types - 1	Corporate sustainability - 3 Green innovation - 5 Green / Social innovation - 3 All types - 1	Dyadic - 3 Dyadic / Networks - 1 Networks - 4 No - 4	Qualitative - 4 Quantitative - 3 Systematic literature review - 4 Theoretical - 1	Cleantech Automotive Manufacture Diverse sectors	China - 1 Denmark - 1 Israel - 1 Netherlands - 1 Turkey - 1 Spain - 1 UK - 2
2 (18 articles)	Product / Process innovation - 13 Organizational innovation - 4	Corporate sustainability - 1 Green innovation - 11 Green / Social innovation - 3 Social innovation - 1 All types - 1	Dyadic - 1 Networks - 7 No - 9	Qualitative - 13 Systematic literature review - 1 Theoretical - 3	Agriculture Aviation Chemical Energy generation (wind, biofuels) Heating Lightning sector Mobility Laundry Community currencies	Bangladesh Finland UK - 3 Germany - 2 Netherlands - 2 France - 1 Switzerland - 1 Italy - 1 USA - 1 Several from the world - 1
3 (12 articles)	Product / Process innovation - 2 Organizational innovation - 1 Business model innovation - 6 All types - 1	Corporate sustainability - 7 Green innovation - 2 Social innovation - 2 All types - 1	Dyadic - 1 Network or Portfolio - 5 No - 5	Qualitative - 8 Systematic literature review - 1 Theoretical - 5	Aerospace Coffe in capsules Energy Food Mobility Lightining Machinery Electronic Automotive	China - 1 UK -1 USA - 2 Germany - 1 Sweden - 1 Thailand - 1 Several from Europe - 1

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SUSTAINABILITY PERFORMANCE ASSESSMENT OF MULTISECTORAL GROUPS: A PROPOSAL OF A CONCEPTUAL MODEL FOR SELECTING INDICATORS AND METRICS

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ABSTRACT

The aim of this paper is twofold: (i) to propose a multicriteria and multi-stakeholders' model for hierarchizing and selecting sustainability performance indicators in the context of multisectoral groups (MSGs) by integrating the Global Reporting Initiative G4 Guidelines with the Balanced Scorecard framework; and (ii) to demonstrate its applicability through the results of an empirical study focusing a Brazilian multisectoral group. The research can be considered descriptive, methodological and applied. The main contribution of this research is a conceptual model for hierarchizing and selecting sustainability performance indicators and metrics, considering the complexity and particularities of multisectoral groups, and emphasizing their stakeholders' participation in the decision-making processes. Given its originality, potential applicability, and benefits for MSGs around the world, we believe that this model can also contribute to the formulation by Global Reporting Initiative (GRI) of a guidance supplement addressed to multisectoral groups, i.e., the G4 Multisector Disclosures.

Keywords: Multisectoral groups; sustainability performance assessment; multicriteria decision-making methods; Global Reporting Initiative; Balanced Scorecard.

INTRODUCTION

Multisectoral groups and holding companies have been operating in dynamic and complex business environments, with increasing concerns to reach higher levels of sustainability. To face such challenges, MSGs have been adopting strategic and global performance assessment models, in particular, the methodological approach known as the Balanced Scorecard, introduced by Kaplan and Norton in the early 90's.

To address the challenges of incorporating sustainability at the strategic and operational levels, MSGs who wish to work in a sustainable mode have been adopting models and methodological approaches based on the concepts of corporate sustainability and social responsibility (Schaltegger and Wagner, 2006, Dunphy *et al*., 2007; Epstein, 2008; Nelling and Webb, 2009). For the purpose of this work, we highlight the Triple Bottom Line (TBL) approach conceived by John Elkington (1998) and the Capital Theory Model (CTM), proposed by Porritt (2001) and reconfigured by Dyllick and Hockerts (2002).

The diffusion of the corporate social responsibility concept led MSGs to rethink their role, their obligations and, above all, the way they conduct their operations and relationships with their stakeholders. The concept of corporate social responsibility refers to a holistic, socially responsible and ethical attitude in all relationships, whether with shareholders, employees, partners, community, suppliers, customers, governments and the environment (Carroll and Shabana, 2010; Porter and Kramer, 2006; Wood, 2010).

Notwithstanding the maturity stage of the MSGs in relation to the adoption of these models, there is still room to analyze how the methods and tools currently employed by these groups can be integrated to effectively support strategic decisions such as corporate restructuring; definition of low carbon corporate strategies;

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geographical diversification of businesses (local, national or multinational); investments, divestitures; strategic partnerships; and equity interests in new businesses, with control or minority participation.

The very resilience achieved by MSGs is not only due to their multisectoriality but also due to the expansion of their respective visions of sustainability, by considering social and environmental aspects in their strategies, in addition to economic ones, in a longer-term perspective. Thus, a new look at the current practices of strategic management and global performance assessment adopted by MSGs is considered relevant, in order to take advantage of potential synergies between established tools they already employ - such as the Balanced Scorecard (Kaplan and Norton, 1992, 1996) and the G4 Guidelines of the Global Reporting Initiative (GRI, 2015).

In this context, the following research question is stated: "How can MSGs select and prioritize indicators and metrics that should be considered to monitor and evaluate their sustainability performance? And how can they benefit from a methodological approach that integrates the GRI G4 Guidelines with the Balanced Scorecard tool, with the support of multicriteria decision-making methods?". To answer this question, we developed a multicriteria and multi-stakeholders' model for hierarchizing and selecting sustainability performance indicators in the context of multisectoral groups (MSGs) by integrating the Global Reporting Initiative G4 Guidelines with the Balanced Scorecard approach. Additionally, an empirical study focusing a Brazilian MSG was carried out to demonstrate the applicability of the model, and to detect its differentials and limitations.

This article is structured as follows: firstly, we reviewed multi-criteria applications in models addressed to sustainability performance assessment and confirmed the opportunity to investigate an integrated methodological approach for selecting sustainability performance indicators and metrics. We also describe the research methodology, introduce the AHP-TOPSIS model and present the results of an empirical study focusing a Brazilian multisectoral group. Finally, we synthesize the concluding remarks and point out implications for futures works.

THEORETICAL BACKGROUND

The theoretical background encompasses the following themes: (i) characterization of multisectoral groups and holding companies; (ii) monitoring and evaluation of sustainability performance of enterprises; and (iii) multicriteria decision-making methods.

Multisectoral Groups and Holding Companies

Before going any further, let us define multisectoral groups and holding companies for the intended modeling and the development of an empirical study carried out in the Brazilian context. A multisectoral group (MSG) is composed by the group of shareholdings in organizations/companies, and each organization/company or each sector in which MSG operates has characteristics that deserve a differentiated evaluation.

Multisectoriality is necessarily based on the structure of business groups that are isolated societies that are related in the form of affiliates and controlled, in the sense of having structures optimization. The multisectoral groups are formed in fact between affiliated companies or between the parent company and the subsidiary. The term holding company is also very widespread and used, it means controlling company, not needing to be constituted with the sole purpose of administering other companies, being in this case denominated mixed holding company, but when it has as sole control activity companies, it is called pure holding company.

Monitoring and Evaluation of Sustainability Performance of Enterprises

Neely, Gregory and Platts (1995) define performance measurement as the process of quantifying an action performed and associate this process with two concepts in the area of management: efficiency and effectiveness. Efficiency refers to the extent to which the resources available in the organization are used to achieve a certain level of customer and stakeholder satisfaction. Under the concept of effectiveness, the organization assesses whether the requirements of customers and stakeholders are achieved. They complement the above definition by stating that "a performance measurement system allows decisions and actions to be taken by the managers of an organization,

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based on information on the actions that have already been performed, by collecting, classifying data, analyzing, interpreting and disseminating useful information" (Neely, Gregory and Platts, 1995, p. 80).

From a sustainability standpoint, Carroll and Shabana (2010) and Wood (2010) emphasize that the evaluation models concerning overall performance of organizations should consider and integrate the three dimensions of sustainability - social, environmental and economic sustainability, according to Elkington's Triple Bottom Line approach (1998), including the main aspects of corporate social responsibility. The choice of the most adequate indicators to evaluate sustainability performance depends on the type, size, strategic objectives and business context of the organization (Neely, 2005)

Focusing particularly on multisectoral groups, it is necessary to consider their institutional profiles; the sectors and markets in which they operate; the proximity to consumer markets that are sensitive to environmental and social issues; the degree of compliance with applicable regulation; and the existence of a corporate culture of sustainability. It can be noticed the growing importance of the sustainability performance assessment by MSGs, aiming to strengthen their sustainable competitive positioning in the short, medium and long-term.

From the literature review covering the period of 1998-2018, we concluded that there is a great diversity of sustainability performance indicators and assessment models (Calabrese *et al.*, 2016; Costa and Menichini, 2013; Calabrese *et al.*, 2013; GRI, 2015; Nelling and Webb, 2009; Wood, 2010). By way of illustration, the G4 Guidelines of the Global Reporting Initiative (GRI) define 91 indicators, organized around 46 material aspects of sustainability, that are in turn classified into economic, environmental and social categories. When the organization decides to adopt the G4 GRI Guidelines, the choice of indicators will depend not only on the mentioned factors but also on the importance attributed by its stakeholders in relation to material aspects of sustainability established by GRI.

Despite the number of publications identified during the literature review about sustainability performance measurement, we did not find any single work on this issue addressed to multisectoral groups. Besides, the G4 Guidelines published by the Global Reporting Initiative (GRI), which are the most widely used by organizations worldwide for the preparation of their sustainability reports, do not provide guidance supplements for multisectoral groups (GRI, 2015).

Multicriteria Decision Making Methods

Decision-making processes are part of the daily life of organizations, many of which are considered simple to the point that they are carried out without the need for more reflection based on specific indicators and reports. The algorithms that aid in decision making arise from the need to deal with multiple criteria for an adequate evaluation. They are known as multicriteria decision-making methods (MCDM) and are characterized by decision matrices, composed of alternatives and criteria weighted according to the judgments of specialists or managers involved in a particular decision-making process.

There are several methods to search for the best alternative among a finite number of alternatives, being the Technique for Order Preference by Similarity of the Ideal Solution (TOPSIS) one of the most efficient multicriteria methods. Developed by Hwang and Yoon (1981), it allows the evaluation of the performance of alternatives by means of similarity with an ideal solution. The chosen alternative should be further from the ideal negative solution (NIS) and closer to the ideal positive solution (PIS).

Another MCDM largely used in decision-making processes is the Analytic Hierarchy Process (AHP), developed by Saaty (1980). It measures intangible factors by means of pairwise comparisons of criteria and alternatives, according to a fundamental scale of importance ranging from 1 to 9 points. Used in decision-making processes based on structuring and a hierarchical model with objectives, criteria/sub-criteria, and alternatives, comprising judgments matched according to related hierarchical levels. Finally, the priorities of all factors are consolidated to obtain the classification of alternatives.

Based on the results of the bibliographic and documentary review on the central themes of this research, we identify an opportunity to explore combinations of MCDM methods to answer the research question posed in the

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introduction of this work. The AHP method was used to prioritize the material aspects of sustainability that should be considered by the multisectoral group to monitor and evaluate its sustainability performance. The application of the method must be performed for each of the categories/subcategories of the GRI hierarchical structure, by comparing the aspects of each category/subcategory in two ways: (i) relevance of material aspects to external stakeholders; and (ii) relevance of material aspects to the MSG. As a result, the material aspects of each sustainability category will be ranked in order of importance, according to the two perspectives: external and internal stakeholders. In the stage of hierarchization and selection of sustainability indicators and metrics, the AHP-TOPSIS method was adopted, using as criteria the linkage of the indicators to strategic objectives associated to the Balanced Scorecard perspectives, namely: (i) financial; (ii) customers/external vision; (iii) processes; and (iv) learning and growth.

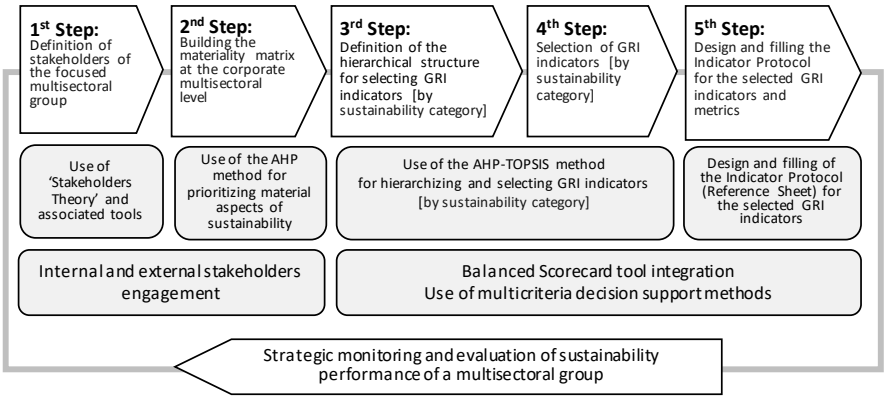
RESEARCH METHODOLOGY

The research methodology encompasses the following steps: (i) literature review covered the principal sources of peer-reviewed scientific articles, such as Scopus; Web of Science; and Science Direct (1998-2018). Additionally, Google Scholar was accessed to complement the search results. The analysis of current state of research on "sustainability performance assessment" and "multisectoral groups" – led to the identification of research gaps and unsolved problems focusing on this research theme; (ii) formal modeling was used to develop an integrated multicriteria and multi-stakeholders' methodological approach for hierarchizing and selecting sustainability performance indicators and metrics for multisectoral groups; (iii) an empirical study focusing a Brazilian multisectoral group was carried out to demonstrate the applicability of the model, and to detect its differentials and limitations. This group operates in several sectors, such as information and communication technologies (ICT), telecommunication, agribusiness, tourism, and services.

THE MODEL FOR SELECTING SUSTAINABILITY PERFORMANCE INDICATORS IN MULTISECTORAL BUSINESS CONTEXTS

This section introduces the conceptual model proposed for hierarchizing and selecting sustainability performance indicators in multisectoral business contexts. Figure 1 shows the flow chart of the model in five steps: (i) definition of stakeholders of the focused multisectoral group; (ii) building the materiality matrix using the AHP method for selecting the GRI material aspects by category of sustainability; (iii) definition of the hierarchical structure for selecting GRI indicators, by integrating BSC tool with GRI framework (also by sustainability category); (iv) hierarchy and selection of GRI indicators by sustainability category, using the TOPSIS method; (v) 'Indicator Protocol' completion for the selected GRI indicators and their metrics.

Figure 1: Flowchart of the integrated AHP-TOPSIS model for selecting sustainability performance indicators in multisectoral business contexts



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MODEL VALIDATION

To demonstrate the effectiveness of the proposed model, we developed an empirical study in a Brazilian multisectoral group (Algar Group), which allowed us to demonstrate the applicability of the model proposed, focusing only on the 'environmental' category of the G4 GRI Guidelines.

The central question of this empirical study was: 'How a strategic sustainability monitoring and evaluation system for the Algar Group should be structured, based on a methodological approach that aligns the selection of indicators and metrics of the GRI G4 Guidelines with strategic objectives and the long-term vision of the Group?'. In other words, how can Algar Group benefit from this new systematic approach as a strategic management tool for monitoring and evaluating its corporate sustainability performance, as well as a communication mechanism to demonstrate its results to the various stakeholders through the annual publication of its Sustainability Report?

Data Collection and Analysis

For data collection, we performed ten interviews in the period of August 17 and 23, 2017 with representatives of the high leadership and first-line managers of the MSG Algar, with the objective of raising expectations and points for improvement regarding the procedures currently adopted in the preparation of Sustainability Report, which are published and disseminated annually. At the corporate multisectoral level, the interviews were conducted with: (i) Chief Executive Officer; (ii) Vice-President of People; (iii) Vice President for Strategy and Innovation; (iv) Vice President of Finance, also responsible for the elaboration of the Sustainability Annual Report; and (v) two representatives of the Algar Institute. In addition to interviews at the corporate level, complementary interviews were also conducted with managers of the following subsidiaries: (i) Alsol; (ii) Algar Telecom; (iii) Algar Tech; (iv) Algar Farming/Agro; and (v) Rio Quente Resorts.

With the purpose to demonstrate the applicability of the proposed model empirically in the corporate context of the Algar Group, three meetings were held in March 07, 08 and 09, 2018, according to the following agendas: (i) Sustainability Agenda, with the participation of the Vice-President of People and representatives of the Algar Institute; (ii) Sectorial Agenda – meeting with the Executive Manager of Algar Telecom; and (iii) Corporate Multisectoral Agenda, with the participation of the Chief Executive Officer; the Vice-President of Finance, Executive Managers of all subsidiaries, except the Executive Manager of Algar Farming/Agro. All these agendas included the following topics: (i) contextualization and research objectives; (ii) meeting objectives and issues that would be addressed; (iii) general view of the conceptual model; and (iv) practical application of the model in the corporate context of Algar Group.

The application took place according to the following sequence: (i) definition of Algar Group's external stakeholders, according to the following criteria: 'power', 'legitimacy' and 'urgency'; (ii) construction of materiality matrix, based on prioritization of the material aspects of the 'Environmental' category, using AHP method; (iii) definition of the AHP-TOPSIS structure to hierarchize and select the sustainability indicators of all categories/subcategories, integrating the GRI structure to the four perspectives of Balanced Scorecard tool; (iv) hierarchy and selection of GRI indicators from the 'Environmental' category, using the AHP-TOPSIS hybrid method.

The conceptual model proposed in this research (schematically represented in Figure 1) considered the results of these interviews and further analysis of Sustainability Reports of multisectoral groups such as General Electric (GE) and Siemens.

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Empirical Results

Step 1: Definition of stakeholders of the Algar multisectoral group

The Algar Group's stakeholders were defined in the corporate context at the meeting held on March 9th, 2018, at Algar headquarter, with the participation of the Group's Chief Executive Officer, senior management, sustainability and business representatives in each sector of activity of the Group.

On the occasion of this meeting, the selection of the main external stakeholders was based on the highest score achieved by stakeholders in each of the following groups: (i) customers; investors; suppliers; communities; government; universities and Science &Technology institutions; media; and special groups. Stakeholders selected by group were: (i) customers: Bradesco and Bovespa; (ii) investors: Garcia Family; (iii) suppliers: Huawei and Cemig; (iv) communities: Commercial and Industrial Associations; (v) government: regulatory agencies and Minas Gerais State Treasury; (vi) universities and Science &Technology institutions: Federal University of Uberlândia and Fundação Dom Cabral; (vii) media: Facebook; and (viii) special Groups: Brazilian Institute of Corporate Governance (IBGC).

Step 2: Building the materiality matrix using the Analytical Hierarchy Process (AHP) method for prioritizing the material aspects by category of sustainability

The AHP method was chosen for prioritizing the material aspects associated to the 'Environmental' category. The pairwise comparison matrices (PCMs) have been largely employed to obtain the objective and subjective judgments on qualitative or quantitative criteria in decision-making processes, with the support of the AHP method.

In Table 1, the preference relations shown in both PCMs were filled in by the internal stakeholders' judgments (PCM on the left) and also by the external stakeholders' judgments (PCM on the right).

Table 1: Pairwise comparison matrices concerning the material aspects of the 'Environmental' category

	Pairwise comparison of the material aspects of the 'Environmental' category: internal stakeholders' view												Pairwise comparison of the material aspects of the 'Environmental' category: external stakeholders' view											
Material aspects of the 'Environmental' category	**A5**	**A6**	**A7**	**A8**	**A9**	**A10**	**A11**	**A12**	**A13**	**A14**	**A15**	**A16**	**A5**	**A6**	**A7**	**A8**	**A9**	**A10**	**A11**	**A12**	**A13**	**A14**	**A15**	**A16**
A5: Materials	**1**	1/3	1/2	1	1/2	1/2	2	1/4	1	1/2	2	2	**1**	1/3	1/2	1/2	1/3	1/2	2	1/4	1/2	1	1/2	1/3
A6: Energy	3	**1**	2	4	1	2	4	1	3	2	4	5	3	**1**	2	3	1/2	2	3	1/2	2	3	2	2
A7: Water	2	1/2	**1**	3	1	1	3	1/2	2	2	3	4	2	1/2	**1**	2	1/2	2	2	1/2	2	2	2	1/2
A8: Biodiversity	1	1/3	1/4	**1**	1/3	1/2	1	1/4	1/2	1/2	1	2	2	1/3	1/2	**1**	1/3	1/2	1	1/3	1/2	2	1	1/3
A9: Emissions	2	1	1	3	**1**	2	4	1/2	3	2	4	5	3	2	2	3	**1**	2	3	1	2	3	2	1
A10: Effluents and Waste	2	1/2	1	2	1/2	**1**	3	1/2	2	1	3	4	2	1/2	1/2	2	1/2	**1**	2	1/2	2	2	2	1/2
A11: Products and Services	1/2	1/4	1/3	1	1/4	1/3	**1**	1/5	1/2	1/2	1/2	1	1/2	1/3	1/2	1	1/3	1/2	**1**	1/3	1/2	1	1/2	1/3
A12: Compliance	4	1	2	4	2	2	5	**1**	4	3	5	5	4	2	2	3	1	2	3	**1**	2	3	2	2
A13: Transport	1	1/3	1/2	2	1/3	1/2	2	1/4	**1**	1	2	3	2	1/2	1/2	2	1/2	1/2	2	1/2	**1**	2	1	1/2
A14: Overall	2	1/2	1/2	2	1/2	1	2	1/3	1	**1**	2	3	1	1/3	1/2	1/2	1/3	1/2	1	1/3	1/2	**1**	2	1/3
A15: Suppliers Environmental Assessment	1/2	1/4	1/3	1	1/4	1/3	2	1/5	1/2	1/2	**1**	1	2	1/2	1/2	1	1/2	1/2	2	1/2	1	1/2	**1**	1/2
A16: Environmental Grievance Mechanisms	1/2	1/5	1/4	1/2	1/5	1/4	1	1/5	1/3	1/3	1	1	3	1/2	2	3	1	2	3	1/2	2	3	2	**1**

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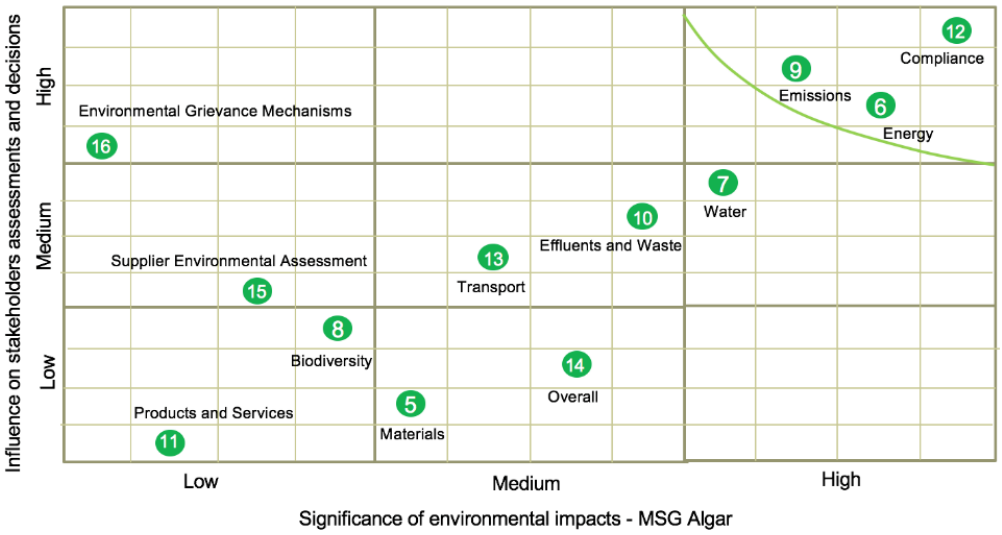
In this step, the IPÊ computational system was used to calculate the degree of importance of the material aspects in both cases and the corresponding consistency indices (Table 2).

Table 2: Ranking of the material aspects belonging to the 'Environmental' category: internal and external stakeholders' views

	Internal stakeholders' view			External stakeholders' view		
'Environmental' category: Material aspects	**Importance**	**Ranking**	**Consistency Index (CI)**	**Importance**	**Ranking**	**Consistency Index (CI)**
A5: Materials	0.053	8th		0.040	11th	
A6: Energy	0.157	2nd		0.127	3rd	
A7: Water	0.107	4th		0.088	5th	
A8: Biodiversity	0.041	9th		0.049	9th	
A9: Emissions	0.133	3rd	0.012	0.140	2nd	0.029
A10: Effluents and Waste	0.092	5th		0.079	6th	
A11: Products and Services	0.034	11th	Reference:	0.038	12th	Reference:
A12: Compliance	0.187	1st		0.152	1st	
A13: Transport	0.053	7th	$CI \leq 0.10$	0.066	7th	$CI \leq 0.10$
A14: Overall	0.073	6th		0.045	10th	
A15: Supplier Environmental Assessment	0.038	10th		0.057	8th	
A16: Environmental Grievance Mechanisms	0.031	12th		0.110	4th	

Figure 2 shows the materiality matrix of the 'Environmental' Category' at the corporate multisectoral level of the Algar Group. The 12 material aspects of this category were plotted in the materiality matrix according to results presents in Table 2.

Figure 2: Materiality matrix of the 'Environmental' Category' at the corporate multisectoral level of the Algar Group



The aspects placed in the upper right area were prioritized: A12 - Compliance; A6 - Energy; and A9 – Emissions.

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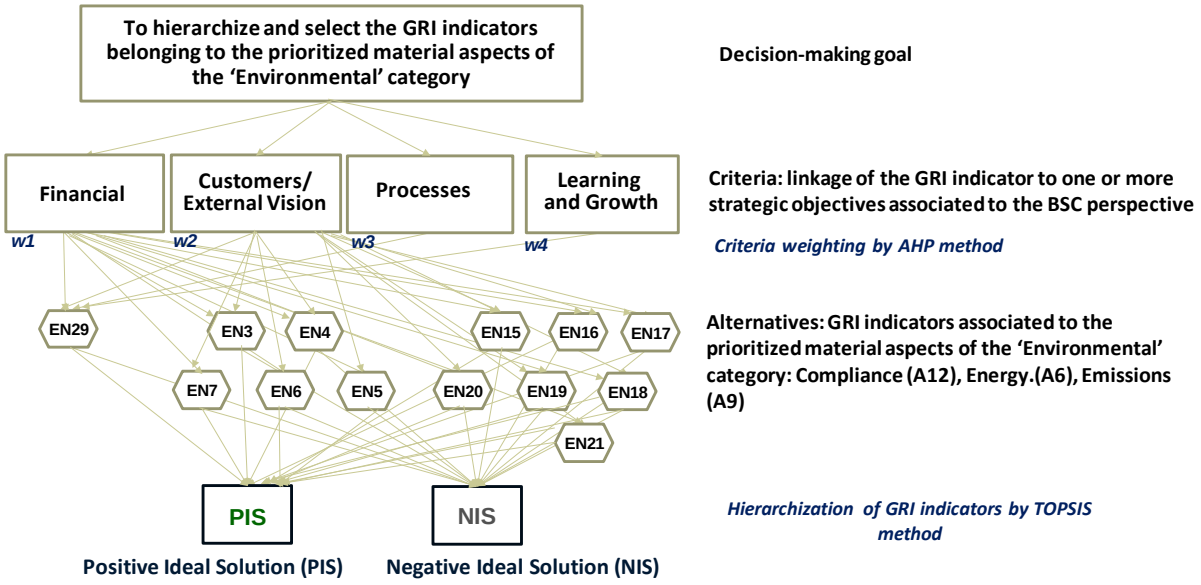
Step 3: Definition of the structure for hierarchizing and selecting GRI indicators by integrating GRI framework with BSC tool

In this step, the logical structure for hierarchizing and selecting GRI indicators of the 'Environmental' category was defined, by integrating G4 GRI framework with Balanced Scorecard's perspectives. Based on the GRI G4 Guidelines, there are 13 'candidate' indicators associated with the aspects prioritized in the previous stage.

Regarding the aspect 'Energy' (A6), there are five indicators, as follows: (i) EN3 – 'Energy consumption within the organization'; (ii) EN4 – 'Energy consumption outside the organization'; (iii) EN5 - Energy intensity; (iv) EN6 – 'Reduction of energy consumption'; (v) EN7 – 'Reductions in energy requirements of products and services'. In relation to the material aspect 'Emissions' (A9), there are seven indicators: (i) EN15 – 'Direct greenhouse gas (GHG) emissions - scope 1'; (ii) EN16 – 'Energy indirect greenhouse gas (GHG) emissions - scope 2'; (iii) EN17 – 'Other indirect greenhouse gas (GHG) emissions - scope 3'; (iv) EN18 – 'Greenhouse gas (GHG) emissions intensity'; (v) EN19 – 'Reduction of greenhouse gas (GHG) emissions'; (vi) EN20 – 'Emissions of ozone-depleting substances (ODS)'; (vii) EN21 – 'NOx, SOx and other significant air emissions'. Associated with the aspect 'Compliance' (A12), there is only one indicator: EN29 – 'Monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with environmental laws and regulations.'

Figure 3 shows the logical structure designed for hierarchizing and selecting the GRI indicators of the 'Environmental' category, at the multisectoral corporate level of the Algar Group. The indicators EN7, EN15, and EN29, were linked to the 'Clients / External View' perspective of the BSC framework. The indicators EN3, EN4, EN5, EN6, EN16, EN17, EN18, EN19, EN20 and EN21were linked to the 'Processes' perspective.

Figure 3: Logical structure for hierarchizing and selecting the GRI indicators of the 'Environmental' category at the multisectoral corporate level of the Algar Group



Step 4: Hierarchization and selection of GRI indicators by sustainability category, using the AHP-TOPSIS method

As in step 2, the hierarchization and selection of GRI indicators were conducted only for the 'Environmental' category. For this purpose, the hybrid multi-criteria AHP-TOPSIS method was used. Firstly, the GRI indicators associated with the three material aspects of the 'Environmental' category (prioritized in step 2 of the model) were

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identified by consulting the framework of the GRI Guidelines. They were: (i) compliance; (ii) energy; and (iii) emissions.

The GRI indicators associated with these three aspects were classified according to the perspectives of the BSC tool. In turn, once the GRI indicators were classified according to the BSC perspectives, the AHP method was used to determine the criteria weights, as shown in Table 3.

Table 3: Pairwise comparison matrix of criteria for selecting GRI indicators of the 'Environmental' category: use of AHP method

Pairwise comparison matrix of criteria for selecting GRI indicators of the 'Environmental' category					Weights assigned to the criteria for selecting GRI indicators of the 'Environmental' category		
BSC Perspectives (Criteria)	FI	VE	PR	AC	BSC Perspectives (Criteria)	Weights	Consistency Index (CI)
FI: Financial	**1**	1	1/3	1/2	**FI:** Financial	0.136	CI=0.012
EV: Customers/ External Vision	1	**1**	1/4	1/3	**EV:** Customers/External vision	0.115	
PR: Processes	3	4	**1**	1/2	**PR**: Processes	0.469	Reference:
LG: Learning and Growth	2	3	2	**1**	**LG:** Learning and Growth	0.280	CR <= 0,10

Once the weights of the criteria were defined and GRI indicators of the 'Environmental' category were classified according to the four perspectives of the BSC framework, quantitative evaluation matrix was designed as a basis to apply the TOPSIS method for hierarchizing and selecting GRI indicators belonging to the 'Environmental' category (Table 4).

Table 4: Quantitative evaluation matrix of GRI indicators of the 'Environmental' category to be included in the Sustainability Report of the Algar Group

Indicators GRI associated to the prioritized material aspects	Prioritized material aspects			Perspectives BSC				Criteria for hierarchizing and selecting GRI indicators							
								FI: Financial		EV: Customers/ External view		PR: Processes		LG: Learning and Growth	
	AM6	AM9	AM12	FI	EV	PR	LG	Meets **	Weight	Meets **	Weight	Meets **	Weight	Meets **	Weight
EN3 – Energy consumption within the organization	x					x		1	0.136	1	0.115	9	0.469	3	0.280
EN4 – Energy consumption outside the organization	x					x		1	0.136	1	0.115	5	0.469	1	0.280
EN5 – Energy intensity	x					x		1	0.136	1	0.115	5	0.469	3	0.280
EN6 – Reduction of energy consumption	x					x		1	0.136	1	0.115	9	0.469	5	0.280
EN7 – Reductions in energy requirements of products and services	x				x			1	0.136	9	0.115	5	0.469	1	0.280
EN15 – Direct greenhouse gas (GHG) emissions - scope 1		x			x			1	0.136	1	0.115	9	0.469	3	0.280
EN16 – Energy indirect greenhouse gas (GHG) emissions – scope 2		x				x		1	0.136	3	0.115	9	0.469	1	0.280
EN17 – Other indirect greenhouse gas (GHG) emissions - scope 3		x				x		1	0.136	3	0.115	5	0.469	1	0.280
EN18 - Greenhouse gas (GHG) emissions intensity		x				x		1	0.136	3	0.115	5	0.469	3	0.280
EN19 – Reduction of greenhouse gas (GHG) emissions		x				x		1	0.136	3	0,115	9	0.469	3	0.280
EN20 – Emissions of ozone-depleting substances (ODS)		x				x		1	0.136	1	0.115	3	0.469	1	0.280
EN21 – NOx, SOx and other significant air emissions		x				x		1	0.136	1	0.115	9	0.469	3	0.280
EN29 – Monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with environmental laws and regulations			x		x			3	0.136	7	0.115	5	0.469	1	0.280

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Notes: * The criteria refers to the linkages of the indicator with one or more strategic objectives of the Algar Group associated to the corresponding BSC perspective: FI - Financial; EV - Clients / External view; PR - Processes; LG - Learning and Growth. ** The scale for judgments of indicators concerning the criteria are: 1 - no linkage or very weak linkage with one or more strategic objectives; 3 - weak linkage; 5 - moderate linkage; 7 - strong linkage; 9 - very strong linkage.
Legend: A6 - Energy; A9 - Emissions; A12 - Compliance.

Once the matrix was filled by top managers and internal experts of the Algar Group, the TOPSIS method could be applied. Table 5 shows the Positive Ideal Solution (PIS), and the Negative Ideal Solution (NIS) of the four criteria and Table 6 refer to the Euclidean distances (positive and negative) and the relative proximity of each indicator to the PIS (ξ).

Table 5: The positive and negative ideal solutions of criteria for hierarchizing and selecting GRI indicators of the 'Environmental' category at the multisectoral corporate level of the Algar Group

Criteria [the linkage of the indicator to one or more strategic objectives belonging to each BSC's perspective]	**PIS**	**NIS**
FI – Financial	1.00	0.33
EV – Customers/External view	1.00	0.11
PR – Processes	1.00	0.33
LG – Learning and Growth	1.00	0.20

Table 6: Euclidean distances (positive – d+ and negative d-) and relative proximities concerning PIS of 'candidate' GRI indicators of 'environmental' category

Position	**Indicator GRI**	**d^+ (benefits)**	**d^- (costs)**	**Relative proximity ξ**
1st	**EN6** – Reduction of energy consumption	0.39	0.62	0.62
2nd	**EN19** – Reduction of greenhouse gas (GHG) emissions	0.40	0.51	0.56
3rd	**EN3** – Energy consumption within the organization	0.44	0.50	0.53
3rd	**EN15** – Direct greenhouse gas (GHG) emissions - scope 1	0.44	0.50	0.53
3rd	**EN21** – NOx, SOx and other significant air emissions	0.44	0.50	0.53
4th	**EN16** – Energy indirect greenhouse gas (GHG) emissions – scope 2	0.54	0.46	0.46
5 th	**EN29** – Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	0.53	0.37	0.41
6 th	**EN7** – Reductions in energy requirements of products and services	0.58	0.34	0.37
7 th	**EN18** - Greenhouse gas (GHG) emissions intensity	0.50	0.27	0.35
8 th	**EN5** – Energy intensity	0.54	0.26	0.33
9 th	**EN17** – Other indirect greenhouse gas (GHG) emissions - scope 3	0.62	0.17	0.22
9 th	**EN4** – Energy consumption outside the organization	0.65	0.15	0.19
10 th	**EN20** – Emissions of ozone-depleting substances (ODS)	0.73	0.00	0.00

The results here presented focused only on the 'Environmental' category. The recommendation for the top managers of the Algar Group is that they should adopt the procedures for all categories/subcategories of the GRI G4 Guidelines. Once the results are generated, such as those presented in Table 6, they should consolidate all the selected GRI indicators to elaborate the Sustainability Report and include them into its strategic monitoring and evaluation system of sustainability performance.

Step 5: Elaboration of the identities of the selected GRI indicators and their metrics

In this step, an 'Indicator Protocol' (Reference Sheet) was presented to the top managers of the Algar Group for further completion concerning the selected GRI indicators associated to all sustainability categories (as established in the G4 Global Reporting Initiative Guidelines).

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CONCLUDING REMARKS

In this paper, an attempt was made to demonstrate in practice the benefits of adopting a multicriteria and multi-stakeholders' methodological approach for sustainability performance assessment of multisectoral business groups (MSGs) by integrating the Global Reporting Initiative G4 Guidelines with the Balanced Scorecard tool.

The main contribution of the research is a conceptual model for hierarchizing and selecting sustainability indicators and metrics, considering the complexity and peculiarities of multisectoral contexts. Given its originality, potential applicability, and benefits for MSGs around the world, we believe that this model can also contribute to the formulation by Global Reporting Initiative (GRI) of a guidance supplement addressed to multisectoral groups, i.e., the G4 Multisector Disclosures.

This work provides both academic and business insights that could be used by MSGs at their operational and strategic corporate sustainability management. In fact, the results of the empirical application in the Algar Group gave directions and the basis for a robust formulation of its future corporate sustainability strategy. It was possible to demonstrate the applicability of the conceptual model, focusing on the 'Environmental' category of G4 Global Reporting Initiative (GRI). We apply the model to this multisectoral group, due to its commitment to social responsibility practices. The principal purpose was to underline how MSGs should employ this multicriteria and multi-stakeholders' methodological approach for identifying the strengths and weaknesses during the implementation of their corporate sustainability strategy. A low sustainability performance could be caused by a limited commitment or by an insufficient capacity to communicate the results of their sustainability initiatives as parts of a corporate sustainability strategy.

In response to the central question of the empirical study, the application of the conceptual model in the corporate context of the Algar Group allowed managers to objectively select the GRI indicators of the 'Environmental' category. Even though limited to one of the three sustainability categories, this application revealed the importance of integrating GRI indicators into the strategic management system of the Group as a whole. The examples of General Electric and Siemens presented to the Algar Group managers during the meetings reinforced the real importance of this integration and also highlighted its positive managerial impacts for evaluating the sustainability initiatives of this Group.

Although the model has been applied to only one multisectoral group, the multicriteria and multi-stakeholders' methodological approach can be replicated to any MSG. Thus, we highlight the following differentials of the model proposed in this research in comparison to the procedures currently described by multisectoral groups in their Sustainability Reports:

(i) The multi-stakeholders' orientation of the model offers guidelines for stimulating the participation of key internal stakeholders (managers, collaborators, and employees) and the most important representatives of external stakeholders (customers, suppliers, local government, communities' representatives, etc.);

(ii) The AHP-TOPSIS method adopted for hierarchizing and selecting GRI indicators in the light of BSC perspectives took into account the complexity and subjectivity of judgments. The AHP method allows establishing the weights of the criteria with more confidence. In fact, by the end of the pairwise comparisons, the consistency index of the judgments made by the multisectoral group's managers can be calculated. If the consistency index is above 0.10, managers will have the opportunity to review their judgments;

(iii) The proposal to align the GRI indicators to the corporate sustainability strategy is a significant differential of the model. Some selected indicators can gain the status of key performance indicators (KPI) if they are directly linked to one or more strategic objectives of the MSG;

(iv) The ranking of the GRI indicators by sustainability category proved to be effective and very simple to be implemented. It is, in fact, a methodological refinement in relation to the weighted average proposed in other reference guides. Besides, the MSG's top managers can obtain a better balance between the GRI indicators associated with the three categories of sustainability.

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EXPLORING BEST PRACTICES TOWARDS SURVIVORS OF SEXUAL ASSAULT: THE CASE OF BISHOP LAVIS POLICE CLUSTER

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ABSTRACT

Sexual assault poses a serious challenge to both the survivor and the criminal justice system (CJS). Yet, it remains one of the most serious, yet under-reported crimes in South Africa. This study aimed to explore enablers of and barriers to best practices of sexual assault survivors, thus informing evidenced-based recommendations for the improvement of access to and utilization of related services within the within the Bishop Lavis Police Cluster in the Western Cape Province. Following an explorative, qualitative approach, twenty-four participants were selected using purposive sampling. Digitally recorded in-depth interviews between the first author and participants were transcribed and analyzed.

Keywords: best practices, sexual assault, secondary victimization, trauma, violence.

INTRODUCTION

South Africa has the highest rate of sexual assault and was once dubbed the rape capital in the world (Jewkes, Sikweyiya, Dunkle & Morrel, 2015). The South African Police Service (SAPS) provides statistics on sexual assault annually. However, the available statistics are reported as representing the tip of an iceberg as many sexual assault cases are still underreported and under-prosecuted (Jewkes & Abrahams, 2002).

Problem Statement

Survivors of sexual assault have, historically been marginalized and disempowered by unjust laws and unequal access to justice opportunities and social services. Despite the arguments that sexual assaults statistics recorded by the SAPS cannot be taken as an accurate measure of either the extent or trend of this crime, it is worth noting that in 2016/17, a total of 49,660 sexual offences were recorded by the SAPS, down from 51,895 in 2015/16 (AfricaCheck, 2017). These figures, highlighted the magnitude of the prevalence of sexual assault in the South Africa. The breakdown per province indicated that the Western Cape Province, for the year 2017 was reported to be nearly 7115 (SAPS, 2017). Although these numbers are likely to significantly underestimate the true incidence of sexual assault, they provide the basis for the acknowledgement of the existence of the crime in the province. It is evident that not much has been done by previous studies to formally explore and document the experiences of sexually assaulted survivors specifically women in the province. Hence, the aim of this study was to explore enablers of and barriers to best practices of sexual assault survivors, thus informing evidenced-based recommendations for the improvement of access to and utilization of related services within the within the Bishop Lavis Police Cluster in the Western Cape Province.

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RESEARCH METHODS AND DESIGN

Following an explorative, qualitative approach, twenty-four participants were selected using purposive sampling. The participants were purposively selected as they were deemed relevant for answering the research questions posed. Self-determination of participants was ensured by sampling participants who were legally and psychologically legible to consent. Participation was voluntary and participants were given an alternative of having interviews conducted at the center or at their respective homes, depending on the time and place convenient to them. Demographic data were not included in this study as they were regarded as identifiers with the possibility of linking participants, thereby breaching the anonymity and confidentiality agreed upon. Data were collected through in-depth face-to-face interviews with the use of audiotapes for capturing voices. Semi-structured interview questions were posed to each participant as discussed below.

The first author took field notes supplemented by audiotapes. Interviews took approximately forty-five minutes per participant. The emotions of the participants were kept in check given the sensitivity and private nature of the topic. Interviews were paused for those participants who became emotionally provoked during the process and were provided with water and facial tissues. The interview was continued after the participant had calmed down. Verbatim transcriptions from audiotapes were used as primary data source supplemented by the researcher's field notes. Digitally recorded in-depth interviews between the first author and participants were transcribed and analyzed. Using an interactive process, complemented by the use of the software program ATLAS.ti, emerging themes were identified, findings documented and discussed. Data were independently analyzed by the authors through an open-coding method using Tesch's steps of data analysis (Creswell, 2009).

ETHICAL CONSIDERATIONS

This study was commenced after obtaining clearance from the ethics committee of the Tshwane University of Technology, permission to access participants from the SAPS and permission from the Bishop Lavis Magistrates, Court. Participants were further consulted on a one-on-one basis providing them with detailed information regarding the purpose and procedures to be entailed in the study. Basic ethical principles applicable to research performed on human subjects such as respect for persons, beneficence, justice, confidentiality, anonymity and right to privacy were all observed.

RESEARCH RESULTS AND INTERPRETATION

Participants shared their views regarding female sexual assaults characterized by the weaknesses in sexual assault detection and prosecution of cases. The first theme had three categories, namely victims were not central to the criminal justice process, the service standards were not streamlined and coordinated among the various responding to survivors as well as best practices:

Secondary victimization

When asked what factors contributed to low reporting of the sexual assault survivors to the SAPS, it emerged from the findings that the majority of participants concurred that overall, most victims had not been treated fairly by the CJS. The findings painted a bleak picture that sexual assault cases were significantly underreported. The cardinal question is what is it about victims' experiences in the CJS that could constitute secondary victimization? It emerged from the findings that one major barrier to reporting is that many victims feel that they will not be believed and that services cannot help them, because of their own previous experiences, the experiences of others, or because it is something that their perpetrator has repeatedly told them. Research indicates that when a woman discloses an experience of sexual victimization, it is important to explore areas of psychological distress, determine expectations for intervention, and consider available options (Yuan, Koss & Stone, 2016:1).

For years, researchers have stressed how the criminal justice system (CJS) can potentially augment victims' suffering (Wemmers, 2013:222). Growing concern about the plight of sexual assault victims led to the introduction

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of guidelines and legislation aimed at improving the treatment of crime victims within the CJS. Yet, despite years of policy and research on victims, there is still relatively little known about how victims are affected by their experiences in the CJS (Wemmers, 2013:222). The implications for policy makers are that it is that adequate guidance and support in the form of improved services offered to victims of sexual assault, such as trauma counselling, adequate feedback regarding progress made in processing the cases, as well as information about how to obtain follow-up medical, legal, or mental health services are provided to the victims. One participant said:

> *"In general, there are times when the members don't take incidents of sexual assaults seriously. Sometimes when we are called out to police stations, the victim would be sitting in the Community Service Centre (CSC) waiting for you. Upon close investigation, one would soon notice that victims have not been relocated to a more user-friendly environment away from CSC, to either a waiting room or the trauma room. Members don't treat victims with dignity they deserve and these practices should surely be addressed"* (Participant 2).

> *"I think everyone has a different opinion, but my attitude is that you need to be there for help and assistance and see to the victim that she is helped and calmed down before you listen to what she has to say and she's in a safe place… It depends on certain people. Some of our colleagues, think it is the victim's fault because they were sexual assaulted. On my side of the story, when interviewing the people, I put in empathy, I do not judge and I keep my mind open"* (Participant 7).

Based on the above responses, the results illustrated the importance of procedural justice. The procedural justice refers to the perceived fairness of procedures by the CJS (Wemmers, 2013:222). The findings of this study corroborate earlier victimological research on the importance of information and having positive interactions with the police for victims' sense of fairness. Like Carr, Logio and Maier (2003), in their study on what matters for victims as they navigate the juvenile criminal justice system, the victims in this study were strongly affected by their interactions with the police and the information that they received about the procedures. The importance that victims place on interpersonal contact with the police raises the question whether administrative procedures, such as victim impact statements, are able to provide victims with a sense of fairness and participation. As Sanders, Hoyle, Morgan and Cape (2001) in Wemmers (2013:222) argue, victims want to participate in the CJS, and direct contact between victims and prosecutors seems necessary for victims to feel part of the criminal justice process. One area of particular concern is survivors' experience disclosing their assault and seeking assistance from various community services, including police, prosecutors, doctors, and nurses. Victims sometimes receive responses that leave them feeling blamed or doubted. Some individuals receive little or no help after reporting the assault (Yuan et al., 2016:3). Although some victims were satisfied with their criminal justice experiences, many more found it unfair and lacking in moral satisfaction (Yuan et al., 2016:3).

The findings for this study, illustrated that role-players rendered inadequate services to victims without guidance from an institutional framework, thus often exposing sexual assault victims to further secondary victimization. The perceived lack of adequate procedural justice has negative impact towards creating a victim-friendly procedural process. However, it is noteworthy to indicate that participants highlighted that there were pockets of excellence from the non-governmental organizations (NGOs) as well as other role-players to reduce secondary victimization. Participants indicated that early interventions had been instituted to mobilize a positive procedural justice process for the sexual assault victims in order to reduce exposure to negative interactions earlier in the recovery process. Thuthuzela Care Centres are one-stop facilities that have been introduced as a critical part of South Africa's anti-sexual violence strategy, aiming to reduce secondary trauma for the victim, improve conviction rates and reduce the cycle time for finalizing cases. The Thuthuzela project is led by the National Prosecuting Authority (NPA) Sexual Offences and Community Affairs Unit (SOCA), in partnership with various donors as a response to the urgent need for an integrated strategy for prevention, response and support for sexual assault victims. Since its establishment, the SOCA Unit has been working to develop best practices and policies that seek to eradicate victimization of women and children, while improving prosecution, particularly in the areas of sexual offences, maintenance, child justice and domestic violence (Matthews, 2010:98-123).

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Lack of consistent collaboration

When asked what the weaknesses were in sexual assault detection and prosecution of cases; it emerged that majority of participants concurred that there was a lack of consistent collaboration among the various role-players responding to victims sexual assaults. When victims report sexual assaults cases, the system that they enter into is often confusing and potentially re-victimization. Research indicates that when the process is not streamlined and coordinated among the various responding agencies, it is often experienced by victims as a series of disconnected processes that feel disjointed and overwhelming (Clarke, Lotz & Alzuru, 2011:1) Clarke et al. (2011) argue that it is important that responders and service providers approach the response to sexual assault as one coherent process and take collective responsibility for a victim's experience during every stage, not just during "one piece" of the process. For the findings of this current study, responses showed there was no synergy within the CJS towards processing of sexual related cases. One prosecutor, for example, talked about his/her job as trying to 'make all the pieces add up' so that the survivors get justice and perpetrators are held accountable. Some said:

> *"It's been my experience that they [courts] come in with a preconceived notion that it's going to be one way and when we tell them that's it's going to be another way... there has been friction..."* (Participant 1).

> *"…There needs to be more collaboration and referral"* (Participant 5).

> "*If communication is good, then everything else falls into pla*ce…" (Participants 11).

From the responses above, the results indicated that collaboration was not priority amongst the role-players within the CJS. The implications are that in order to improve effective service delivery to victims, relevant role-players need to integrate their services in order to gain a deeper understanding of one another's roles, activities, and strengths, and consequently the value of working in deeper partnership. Improved collaboration can create opportunity to increase the capacity of all role-players. Another collaboration to be enhanced is between sexual assault coalitions, organizations, and behavioral and public health systems. Efforts to promote mental health screenings and utilization of psychological services among the general public often occur independently from activities promoting the needs of sexual trauma survivors (Clarke et al., 2011; Wemmers, 2013; Yuan et al., 2016).

Despite the fact that collaboration can be considered as a long process that requires to be prioritized by all relevant role-players, there was a consensus amongst participants that innovative ways to coordinate work across the CJS was a necessity. The participants also highlighted that innovative ways would need to address development and evaluation of new assessment tools and intervention strategies in order to be informed by service providers with direct contact with victims. Clarke et al. (2011) point out that respectful, understanding, and supportive interaction with responders can have a major impact on the likelihood that victims will participate in prosecuting the crimes committed against them, whether for current or future offenses. Being connected with effective and comprehensive support services (through local advocacy and/or mental health agencies) also can provide the support needed for victims to continue to participate in these cases.

Lack of training regarding taking victims statements

The theme of lack of training raises the challenge that the SAPS members lack the necessary skills for recording victims' statements. Getting cases right with adequate and complete statements first time hinges on getting the cases preparation right. Participants said:

> *"…Some of the statements are weak. It seems as if some member's focus more on finishing the statement as quick as possible as it's just another statement they have to take and go attend to other cases…We have to retake these weak statements. Like at Langa it's difficult as we need to get an interpreter to understand the victim. There is someone here at the office that can also assist with interpreting Xhosa to English... Especially when you come out at night during standby, you need to understand the victim lest you make an inaccurate statement"* (Participant 11).

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"To be honest, the uniform members are not adequately trained to obtain statements from sexual assault victims. Sometimes when the dockets being read or revisited during inspections, it is mostly found out that the story obtained from the victim is a different from what the statement indicates. This causes the statement to be retaken and opening up the wounds again to the victim. We would like a skeleton docket to be opened from the station level, and then the FCS will come later and retake the correct statement" (Participant 15).

The above responses, illustrated that there was not sufficient technical training for recording of victims statements by the SAPS members. The responses raised by around the theme of Lack of Lack of training regarding taking victims statements**,** show theoretical and practical evidence that the basic functioning and rhetoric of the techniques currently employed at the station level, do not support the fundamental priority that the sexual assault victims have have rights to receive adequate and professional service. The absence of specific guidelines relating to the statement taking by inexperienced police members, statement-taking skills, was identified as one of the weaknesses in the current system. The implications are that members lack interviewing and writing skills.

"The environment makes things difficult for the victim to speak out. Also the interviewer should be trained on how to interview the victim who was raped. Not having any experience in this regard would make the matter very difficult for the complainant…When it comes to rape cases, especially here, the victims are traumatized and cannot talk to us, and they say they need time. Often these are under age and we speak to the children. The language is sometimes a problem as not all of us understand Afrikaans. We often call someone who understand or can speak Afrikaans to assist. Sometimes we are even traumatised by taking statements from some of the victims; however, this is part of our duties" (Participant 21).

"If a complainant withdraws or retracts a sexual assault allegation, the police tend to interpret this as evidence that the allegation was fabricated. The possibility must also be acknowledged, however, that the victim was too afraid to proceed, or decided that the likely costs of pursuing the complaint might outweigh the advantages. The latter conclusion could be reached as a result of encountering hostile reactions from the perpetrator, negative responses from family or friends, disbelieving or judgmental police perceptions, or from her own fears, doubts and self-blaming processes. Case retractions or withdrawals can therefore signify many different things and it is important for the police to try to ascertain what it signifies for the victim rather than stamp their own interpretation on her actions" (Participant 23).

The above responses have significant implications to the policy makers. Interviewing victims of sexual assault require professional and different approaches as well as the application of different skills and techniques, as both demand adequate knowledge and the ability to identify elements of crime. The provisions to improve statement taking for inexperienced members to have legal, technical and experiential skills cannot be transferred overnight, however, innovative measures should be put in place to remedy the situation. Ethical and legal standards should at all times be taken into consideration as well as the psychological factors involved in the interview process, particularly those affecting the ability of an individual to make free decisions and rational judgments. The SAPS also need to make provision for the use of victims' languages and train the SAPS to take accurate statements that reflect the real incident without diluting the facts.

Best practices

When asked what could be the proposed best practices in responding to the victims of sexual assault, it emerged that participants concurred that the CJS need to develop adequate, procedural processes, appropriate for the accurate, timely, and effective collection and processing of DNA evidence, including protocols and practices specific to sexual assault cases, which shall address appropriate steps in the investigation, detection and prosecution of cases that might involve DNA evidence. Participants said:

"For some [victims]… the stress of going through the [criminal justice] process may be more than they can handle; they choose to heal in their own way" (Participant 2)

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"Testifying is not easy, interviewing is not easy. Going through an examination is very difficult to do. That's just three basic parts… add the trauma not to mention any other complications [such as] disease; add in telling your family, your husband, judgment from your friends. If there were a way to use taped interviews as testimony [that] would be good, but we can't do that, you can't cross examine a video tape. I think it's just our system, it's not for victims" (Participant 13)

"Our focus is on the victim's welfare and, in the first instance, dealing with medical issues and injuries. We always assess the opportunity to take the victim to a professional appointment, where they will be medically assessed and offered a counseling support worker. We are better able to meet the victims' needs and are more aware of the avenues to support those needs. Victims now have access to a direct line on which they can speak to specialised officers trained to deal with serious sexual assaults" (Participant 19).

The responses illustrated the need by the CJS to approach collection and processing of evidence by all relevant role-players involved (medical-forensic, law enforcement, victim advocacy, and forensic laboratory) to be of professional standards, encouraging well-coordinated efforts to work together towards improved and procedural in a timely and effective manner. A coordinated and collaborative approach to sexual assault provides reassurance and support to the victims of sexual violence, improves victim engagement to facilitate healing, and increases the potential for the just resolution of these cases.

CONCLUSION

This paper demonstrated that despite the efforts by the CJS minimize the scourge of secondary victimizations of female sexual assault victims, the findings indicated that, procedural process is yet to improve. The role-players responding to sexual assault are yet, to influence positively victim engagement by adhering to a victim-centred and trauma-informed approach. Utilizing trauma-informed and victim-centred approaches in the development and implementation of policies and procedures would go a long way ensuring that more improved statement taking processes are implemented, timely submission of evidence to forensic laboratories, improved communications and investigative procedures, promotes better-informed prosecutorial decision-making, and ultimately may reduce secondary victimization of victims by the CJS.

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AN EVALUATION OF HUMAN CAPITAL INVESTMENT AND EMPLOYEE MOTIVATION AS ANTECEDENTS OF UNSKILLED MINESHAFT WORKERS' PERFORMANCE AT A SOUTH AFRICAN PLATINUM MINE

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ABSTRACT

Experience from numerous studies has shown that there is a lack of, or a reduction in these mediators – human capital investment and employee motivation amidst other variables that negate improvement in operational performance. The current paper set out to evaluate the relationship between human capital investment and employee motivation as mediators of underground mineworkers' operational performance. A quantitative research strategy was adopted. This study surveyed 292 permanent mineshaft workers. Data of a primary nature were collected using a structured questionnaire focussing on a singular mining occupational category – conventional stoping. Secondary data – mineshaft workers' production 'stoping' output spanning from 2015 to 2016. SPSS version 23.0 was employed to analysis the data. This paper empirically contradicts what is expected.

Keywords: Human Capital Investment, Motivation, Performance, Mining, South Africa.

INTRODUCTION

Human capital investment consists of three essential aspects for human development. Through accumulation of education (learning), training (skill development), and healthcare, workers can be more effective and efficient, resulting in improved labour and overall organisational productivity (Marimuthu, Akokiasamy & Ismail, 2009, p. 267-268). Numerous empirical studies acknowledge that human capital investment (human development through education, training and healthcare) and motivationally inclined incentive schemes are important management tools employed to encourage improvement in workers' abilities (Boroujerdi, Siadat, Hoveida and Khani, 2014; Olayemi, 2012, Awan & Sarfraz, 2013). Resulting in improved labour and operational productivity, profit optimization and contributing significantly to South Africa's Gross Domestic Product (GDP). The concept of employee motivation has been explored extensively. Mineshaft workers are aware of the importance of mining houses employing motivationally inclined incentives such as monthly performance-based bonuses to improve overall productivity (Muogbo, 2013, p. 71). Hence, employee motivation is a significant factor when improving organisational productivity and optimising profitability (Cetin, 2013). However, some scholars have called for studies of the simultaneous contribution of both human capital investment and employee motivation paths to the performance relationship (Raineri, 2016, p. 4).

Mineshaft workers are under constant pressure to perform. This perpetual pressure to deliver within time constraints comes with problems that hamper the miners' ability to perform (Masia & Pienaar, 2011, p. 1). A successful implementation and sustainability of human capital investment depends upon a system of performance measures that combine a pool of consistent attributes with relationships that align with those attributes and operational performance measures (Taggart, 2009, p. 4). Consequently, miners are prone to errors (compromising on safety) and bad judgement calls to meet production deadlines. This fact is supported by (Ude and Coker, 2012, p.

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32), by stating that performance requires the correct attitude. Measuring performance effectively across an organisation is central to its success and to achieving long-term competitive advantage (Barr & Cook, 2009, p. 21).

In essence, organisations have to administer what they measure. Performance measures help organisations to determine how productive they are. Measures of multifactor productivity offer comprehensive and thorough information about the trade-offs among factors. However, measurement challenges (e.g., quality, external elements, and precise units of measure) might prevail (Heizer & Render, 2006, p. 15-16). Although financial measures such as return on investment, training investment value, and profitability are level plant measures, they help to assess the overall financial position of an organisation. The first mechanism is the objective (quantify) and subjective (judgmental) approach; the second mechanism is through financial (return on investment, training investment value, return on assets, net growth, sales, etc.) and operational (efficiency, customer satisfaction, quality, innovation, etc.); and the third mechanism is through primary (organisation) and secondary (database) (Yildiz & Karakas, 2012, p. 1092). Conventional measures of performance in operational management are productivity and efficiency (Greasley, 2010, p. 511).

This study set out to examine the nature relationship in terms of the following variables: Human capital investment and employee motivation versus identified key grouping variables of performance spanning from 2015 to 2016 at South African platinum mine.

LITERATURE REVIEW

Three distinct organisational theories that relate to human capital inform this paper. These theories – the classical economic theory, the macroeconomic development theory, the human capital theory. The classical economic theory depicts human beings as a labour force. This view demonstrates how added economic value is generated by the input of the labour force in production (Dae-Bong, 2009, p. 1). The focal point of the classical theory is to take advantage of human labour through capital (Marimuthu et al., 2009, p. 266). The macroeconomic development theory is based on the assumption that investing in physical capital (material, machinery, buildings, etc.) could have the same effect as investing in human capital (Dae-Bong, 2009, p. 2). From a macroeconomic perspective, as the population of the labour force ages and there is less participation by employees, human capital investment can be used to tackle any possible skill and to meet labour shortages (Shomos, 2010, p. 1). Expenditure on enhancing employees' abilities through education, training, and healthcare are invested in capital. These expenses are not just costs incurred by the organisation, but an investment with invaluable business returns (Marimuthu et al., 2009, p. 266). Human capital theory aids in interpreting the association between human capital and performance (Marimuthu et al., 2009, p. 266). The theory of human capital places the emphasis on a cost-benefit analysis, where the cost consists of direct costs such as study materials and fees, training costs incurred by the employer, and supplementary costs such as employees forfeiting their potential earnings when undertaking a skills development programme (Dae-Bong, 2009, p. 1). For the purpose of this study, classical economic theory, macroeconomic development theory and human capital theory, all serve as a fundamental argument that spending on education, training, and healthcare improves labour performance of employees. Therefore, the current study can hypothesise that:

$Factor_1$: Human capital investment

H_1: Human Capital Investment has a direct impact on mineshaft workers' operational performance.

$Factor_2$: Motivation

H_2: Employee motivation has a direct impact on mineshaft workers' operational performance.

The dimensions of operational performance are cost performance, delivery/time based performance, flexibility, and quality. To some extent, every dimension is significant for all operations; and, based on competitive positioning, how important one is over the others depends on that (Hallgren, 2007, p. 10). There is no single, universal description of the term 'quality', as it depends on the perspective of the individuals defining it (Reid & Sanders, 2010, p. 141). The term 'quality' is multidimensional, and can be seen from up to eight different viewpoints: aesthetics, conformance, durability, features, performance, perceived quality, and serviceability (Hallgren, 2007, p. 11). Today, the term 'quality' is referred to as 'total quality management' (TQM). In the mineral

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exploration industry, quality is associated with employee empowerment, performance measures, continuous improvement, the use of quality tools, human resource development, and effective knowledge management (Barr & Cook, 2009, p. 20). Flexibility is an operations strategy in which companies seek to provide customer heterogeneity (Reid & Sanders, 2013, p. 16). An attribute that differentiates between flexibility and other dimensions of operational performance is that it is more of an operational means to provide modified products (Hallgren, 2007, p. 12). Delivery or time-based performance is an operations strategy focusing on developing new commodities and delivering them to customers as quickly as possible. Speed and reliability are two main features of delivery performance (Reid & Sanders, 2013, p. 16). Delivery reliability – sometimes referred to as 'on-time delivery' or 'dependability' – relates to the capability to meet a planned delivery schedule (Hallgren, 2007, p. 11). Cost performance is a competitive strategy prioritising low product and delivery costs (Reid & Sanders, 2013:35).

RESEARCH METHODOLOGICAL APPROACH

This current paper was quantitative in nature. A convenient (non-probability) sampling technique was used to collect data. The researcher had a convenient accessibility to the respondents as they were based at a centralised training facility. This research design was best suited for this particular study, as it addressed both the descriptive and the predictive functions of a correlational research study (Masia & Pienaar, 2011, p. 4). Purposive (non-probability) sampling technique was employed to identify a suitable mining organisation.

Methods of data collection - Primary & secondary data

Primary data was collected using a structured questionnaire with a five-point Likert scale to rate management aspects of human capital investment and employee motivation between "**strongly disagree**" and "**strongly agree**". The research questionnaire was administered to mineshaft workers' (conventional stoping) in Marikana, Rustenburg, South Africa. Secondary data were collected on key grouping variables of performance (2015 -2016): the average centares produced, the average face length, the average stoping width, the total number of panels, the average panel length, the total non-blasts, and absenteeism. These were used to measure the teams from two different reefs: the Merensky Reef, and the Upper Group 2 (UG2) Reef, which was situated above the Merensky reef. **UG2 Reef** = 317 Centares (Ca) per team of 13 persons. The average face length is 28.0 metres, the average stoping width is 95 centimetres, and 24.4 Centares (Ca) per man per month. **Merensky Reef** = 385 Centares (Ca) per team of 15 persons. The average face length is 32.4 metres, the stoping width is 122 centimetres, and 25.7 Centares (Ca) per man per month. Both reefs produced 8 600 Centares (Ca) per month.

Data analysis

The Data Collected was subjected to descriptive analysis using SPSS version 23.0. Bivariate correlation was also used to test the relationship between variables. To measure consistency and reliability, a Cronbach's alpha coefficient of 0.7 was adopted (Cohen, Manion & Morison, 2002, p. 119) to test the internal consistency of the questions quantifying human capital investment and employee motivation versus key grouping variables of performance. According to Maree (2014, p. 238), the Pearson correlation coefficient, often referred to as bivariate or two-way correlation is a statistical tool that is used to ascertain if there is a relationship between two quantitative variables, one that is independent and the other dependent. It also measures the strength of the linear relationship ranging between (-1 to +1). This study used the pearsons correlation and spearman rank correlation analysis to examine the nature of the relationship between human capital investment and identified key grouping variables of performance, and employee motivation versus identified key grouping variables of performance spanning from 2015 to 2016). A positive relationship implies that, both variables will increase, while a negative correlation would imply that, as the dependent variable decreases, the independent variable would increase (Willemse & Nyelisani, 2015, p. 129-130). It was essential to examine how teams from Upper Ground (UG2) Reef versus Merensky Reef performed. Production variables - average year to date centares produced, average face length, average stoping width, total no. of panel(s), average panel length, absent without permission, and absent with permission were used to measure teams from these two distinctive reefs.

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Table 1: Non-parametric correlation analysis - (UG2 REEF)

UG2 REEF			Average centares – YTD	Total no. of panels – YTD	Ave panel length – YTD	Ave face advance YTD	Ave stoping width – YTD
Spearman's rho	Human Capital Investment	Correlation Coefficient	.000	-.132	.081	-.046	-.203*
		Sig. (2-tailed)	1.000	.117	.339	.589	.016
		N	142	142	142	142	142
	Motivation	Correlation Coefficient	-.033	-.025	-.046	-.108	-.227**
		Sig. (2-tailed)	.700	.765	.589	.200	.006
		N	142	142	142	142	142
	Total Non Blasts	Correlation Coefficient	-.373**	-.001	-.233**	.014	-.198*
		Sig. (2-tailed)	.000	.987	.005	.868	.018
		N	142	142	142	142	142
	AWOP Total YTD	Correlation Coefficient	-.522**	-.575**	-.025	-.927**	-.119
		Sig. (2-tailed)	.000	.000	.770	.000	.159
		N	142	142	142	142	142
	AWP Total YTD	Correlation Coefficient	.257**	-.176*	.039	-.033	-.084
		Sig. (2-tailed)	.002	.037	.642	.695	.323
		N	142	142	142	142	142

Source :(Statistical data analysis: 2016)
**. Correlation is significant at the 0.05 level (2-tailed).*
***. Correlation is significant at the 0.01 level (2-tailed).*

As indicated in Table 1, for the UG2 Reef: there was a negative relationship (r = - 0.203, $p < 0.05$) between human capital investment and average stoping width (year to date). The results show that, as human capital investment increased, there was a significant decline in average stoping width. There was also a negative relationship (r = - 0.227, $p < 0.01$) between motivation and average stoping width. The results show that despite rise in employee motivation, there was a significant reduction in average stoping width. In addition, there was a negative relationship (r = - 0.373, $p < 0.01$) between total non-blasts when correlated with average centares produced (year to date). This mean that, as total number of non-blasts increased, there was a significant decrease in average centares produced (year to date). Similarly, there exists a negative relationship (r = - 0.233, $p < 0.01$) between total non-blasts when correlated with average panel length (year to date). The results show that, as total number of non-blasts increased, there was a significant decrease in average panel length. Furthermore, there was a negative relationship (r = - 0.198, $p < 0.05$) between total non-blasts when correlated with average stoping width (year to date). The observed results show that, as total number of non-blasts increased, there was a significant decrease in average stoping width. Likewise, there was a negative relationship (r = - 0.522, $p < 0.01$) between absenteeism (without permission) when correlated with average centares m^2 produced (year to date). As far as maintaining production output, the results show that as more mineshaft workers were absent without permission, there was a significant decline in average centares produced (year to date). There was a negative relationship (r = - 0.575, $p < 0.01$) between absenteeism (without permission) when correlated with total number of panels. The results suggest that, as more mineshaft workers were absent without permission, there was a significant drop in total number of panels. There was a negative correlation (r = - 0.927, $p < 0.01$) between absenteeism (without permission) when correlated with average face advance (year to date). As more mineshaft workers were absent without permission, there was a significant decline in average face advance. A positive relationship (r = 0.257, $p < 0.01$) between absenteeism (with permission) when correlated with average centeres produced (year to date). As far as maintaining production output, results indicate that, as more mineshaft workers were absent (with permission), there was a significant increase in average centeres produced (year to date). There was a negative relationship (r = - 0.176, $p < 0.05$) between absenteeism (with permission) when correlated with total number of panels (year to date). Despite an increase in

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mineshaft workers being absent (with permission), there was a significant decline in total number of panels. The correlation analysis had a similar pattern to the non-parametric correlation analysis.

Table 2: Non-parametric correlation analysis - (MERENSKY REEF)

MERENSKY REEF			Average centares – YTD	Total no. of panels – YTD	Ave panel length – YTD	Ave face advance YTD	Ave stoping width – YTD
Spearman's rho	Human Capital Investment	Correlation Coefficient	-.005	-.004	-.064	.022	.168*
		Sig. (2-tailed)	.954	.964	.436	.793	.040
		N	149	149	149	149	149
	Motivation	Correlation Coefficient	-.166*	.087	-.061	-.225**	.111
		Sig. (2-tailed)	.042	.289	.460	.006	.177
		N	150	150	150	150	150
	Total Non Blasts	Correlation Coefficient	-.687**	-.312**	-.411**	-.758**	.131
		Sig. (2-tailed)	.000	.000	.000	.000	.110
		N	150	150	150	150	150
	AWOP Total YTD	Correlation Coefficient	-.841**	-.466**	-.528**	-.894**	-.240**
		Sig. (2-tailed)	.000	.000	.000	.000	.003
		N	150	150	150	150	150
	AWP Total YTD	Correlation Coefficient	.633**	.625**	.273**	.397**	.060
		Sig. (2-tailed)	.000	.000	.001	.000	.469
		N	150	150	150	150	150

Source :(Statistical data analysis: 2016)
**. Correlation is significant at the 0.05 level (2-tailed).*
***. Correlation is significant at the 0.01 level (2-tailed).*

In **Table 2** above, For the Merensky Reef: there was a positive relationship (r = 0.168, p < 0.05) between human capital investment, when correlated with average stoping width (year to date). The survey results mean that, as human capital investment increases, there was an increase in average stoping. Even though the correlation between the two variables is weak, human capital investment has a significant impact on the average stoping width. There was a negative relationship (r = -0.0166, p < 0.05) between motivation, when correlated with average centares produced (year to date). As far as maintaining production output is concerned, results found that, as more mineshaft workers were motivated, there was a significant decrease in average centered m^2 produced. Furthermore, there was a negative relationship (r = - 0.225, p < 0.01) between motivation when correlated with average face advance (year to date). Likewise, the results show that as motivation increased, there was a reduction in average face advance. In addition, as far as maintaining production output, there was a negative relationship (r = - 0.687, p < 0.01) between total non-blasts when correlated with average centares produced (year to date). The survey results show that, the more non-blasts there are, there is a significant decline in production of minerals and ore. There was a negative relationship (r = - 0.312, p < 0.01) between the total non-blasts when correlated with the total number of panels (year to date). These indicates that as the number of non-blasts increased, there was a decrease in the total number of panels. There was a negative relationship (r = - 0.411, p < 0.01) between the total non-blasts when correlated with the average panel length (year to date). As the number of non-blasts increased, there was a significant decrease in the average panel length. There was a negative relationship (r = - 0.758, p < 0.01) between the total non-blasts when correlated with average face advance (year to date). As the number of non-blasts increased, there was a significant decrease in average face advance. There was a negative relationship (r = - 0.841, p < 0.01) between absenteeism (without permission) when correlated with average centares produced (year to date). As far as maintaining production output, as absenteeism without permission increased, there was a significant decline in average centares produced (year to date). There was a negative relationship (r = - 0.466, p < 0.01) between absenteeism (without permission) when correlated with the total number of panels (year to date). The results show

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that, as more mineshaft workers were absent without permission, there was a significant decline in the total number of panels. There was a negative relationship (r = - 0.528, p < 0.01) between absenteeism (without permission) when correlated with average panel length (year to date). The empirical findings suggest that, as more mineshaft workers were absent without permission, there was a significant decline in the average panel length. There was a negative relationship (r = - 0.894, p < 0.01) between absenteeism (without permission) when correlated with average face advance (year to date). The results indicate that, as the number of mineshaft workers were absent (without permission), there was a significant decline in the average face advance. There was a negative relationship (r = - 0.240, p < 0.01) between absenteeism (without permission) when correlated with average stoping width (year to date). This means that, as more mineshaft workers were absent without permission, there was a significant decline in the average face advance. There was a positive relationship (r = 0.633, p < 0.01) between absenteeism (with permission) when correlated with average centares produced (year to date). As far as maintaining production output is concerned, as more mineshaft workers were absent (with permission), there was a significant increase in the average face advance. Furthermore, there was a positive relationship (r = 0.625, p < 0.01) between absenteeism (with permission) when correlated with total number of panels (year to date). The results show that, as more mineshaft workers were absent (with permission), there was a significant increase in the total number of panels. Equally, there was a positive relationship (r = 0.273, p < 0.01) between absenteeism (with permission) when correlated with average panel length (year to date). This means that, as more mineshaft workers were absent (with permission), there was a significant increase in the average panel length. There was a positive relationship (r = 0.397, p < 0.01) between absenteeism (with permission) when correlated with average face advance (year to date). The results show that, as more mineshaft workers were absent (with permission), there was a significant increase in the average face advance. The correlation analysis had a similar pattern to the non-parametric correlation analysis. The Cronbach Alpha was below the recommended reliability alpha value of 0.7. Human Capital Investment factor registered a below reliability alpha value of 0.675. Having a scale with four research items reduced the reliability alpha value significantly. The inter-item correlations indicated a 0.357 value, which was between the recommended ranges (0.2 to 0.4). The Motivation factor registered an above reliability alpha value of 0.858.

RESEARCH FINDINGS AND DISCUSSIONS

The theoretical framework indicated that human capital investment and employee motivation are essential tools for mining companies to use to improve operational performance of mineshaft workers. The results of this study were mostly unexpected. The Upper Ground 2 (UG2) Reef indicated that the relationship between 'total non-blasts' and 'average centares produced', 'average panel length', 'average face advance', and 'average stoping width' was negative. In the Merensky Reef there was a significant negative relationship between 'total non-blasts' and 'average centares produced'. The relationship between 'total non-blasts' and 'total number of panels', 'average panel length', and 'average face advance' was also negative. Total non-blasts, as a factor of performance, had no significant impact on some of the grouping variables of performance in both reefs. Furthermore, the UG2 Reef revealed that 'absenteeism (without permission)' when correlated with all the 'grouping variables of performance' was negative. Findings in the Merensky Reef indicated a similar pattern. The results in the UG2 Reef indicated that the relationship was negative between 'absenteeism (with permission)' and 'average centares produced'. In addition, when absenteeism was correlated with 'total number of panels', the relationship was negative. However, the empirical findings in the Merensky Reef were better. The relationship between 'absenteeism (with permission)' and 'all the grouping variables of performance' was positive. From the above results, it is clear that 'total non-blasts' and 'absenteeism (without permission)' had an adverse impact on the labour performance of mineworkers. It is also obvious that 'absenteeism (with permission)' made a positive contribution on all grouping variables of performance in the Merensky Reef. However, 'absenteeism (with permission) had a negative impact on key grouping variables of performance. In the light of the above findings and discussion, this study discovered that, even if mineworkers are trained and rewarded well, latent variables such as 'total non-blasts' and 'absenteeism (without permission)' hinder improved operational performance. 'Absenteeism (with permission)' contributed significantly in the Merensky Reef; but the same could not be said for the UG2 Reef. The working dynamics in the two reefs might be different. The implication of this is that mineworkers from the Merensky Reef might have a strong work ethic that impacted positively on their labour performance. Conversely, in the UG2 Reef, the labour performance of mineworkers who were 'absent with permission' did not improve when they came back.

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LIMITATIONS AND FUTURE RESEARCH

More research is needed to quantify further the extent to which the unobserved or external variables impact on human capital investment, employee motivation, and operational performance (productivity), and to use their synergy to improve labour performance and organisational productivity. Although the study demonstrated internal validity, it needed to be extended to other companies and occupational categories to be able to further generalize, as the scope of this study was only limited to one mining company.

PRACTICAL IMPLICATIONS AND CONCLUSION

It is imperative that companies continue investing in the advancement of employees' abilities and health. Furthermore, organizations should continue to use motivationally inclined incentive schemes to encourage improvement in operational performance by employees. The general opinion is that, when companies subject workers to engage in human capital and employee motivation, performance or productivity should improve. However, this expectation, places the whole concept in an Intensive Care Unit (ICU), requiring surgery. In their studies, (Marimuthu, et al., 2009, Ude and Coker, 2012, Awan and Sarfraz, 2013, and Boroujerdi et al., 2014) found that human capital investment and employee motivation have a direct impact on workers performance. However, the primary empirical findings of this study, revealed that, contrary to what is expected, human capital investment and employee motivation, when correlated with key grouping variables of workers' performance, registered an inverse correlation. Despite acknowledged substantial investment on workers' abilities by the company, most of the mining teams were not meeting their monthly production targets. This could have been attributed to latent or unobserved variables such as poor work ethic of mineworkers, cultural diversity problems or tribalism, anti-feminism, travelling time to working places, absenteeism, depth below mine surface, the type of reef being mined, and availability of panel(s) that could have negated improvement in operational performance. Therefore, it is recommended that businesses address external underlying issues that could have a dire impact on labour performance, organizational productivity and profit optimization.

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EXOGENOUS FACTORS THAT COULD NEGATE MINERS' PRODUCTIVITY WITHIN THE SOUTH AFRICAN MINERAL EXPLORATION INDUSTRY

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ABSTRACT

Every company has a set of organizational goals that it wants to achieve. In pursuit of these organizational targets, mining houses have been accused of failing to account for potential exogenous factors that seem to negate underground miners' operational productivity within the South African mineral exploration industry. This study was both qualitative and quantitative in nature. Primary data was collected using a structured questionnaire (five-point Likert scale) – 292 permanent underground miners. The target area – A platinum mining company. Descriptive statistical techniques were employed to answer the research question(s). The empirical findings of this study indicated that mineworkers are content with some of the identified exogenous factors, even though their fiscal average productivity output spanning from 2015 to 2016 was unsatisfactory.

Keywords: Mineworkers, Productivity, Mining, South Africa.

INTRODUCTION

The global economic environment is changing rapidly. Countries all over the world are starting to embrace free-market economy or capitalism, and as a result, international business markets have become highly competitive (Ravi, 2015, p. 22). However, the South African mineral exploration industry has taken drastic measures by adjusting to low-price environment. Mining companies have cut back on exploration and capital expenditure, reduction of operational costs through retrenchments, commodity prices dropping and reduced assets according to the Chief Executive Officer (CEO) of chamber of mines, Mr Roger Baxter when interviewed on "the money show with Mr Bruce Whitefield" **06th August 2015 6:37 pm**. Talks of mass retrenchment by mining organisations due to lose of profit as a result of uncontrollable variables such as weaker rand, fall in commodity prices, production stoppages due to load shedding and in particular labour unrests, have prompted mining houses to contemplate job cuts within the sector.

For every mining house, productivity is considered a significant key factor for optimising profitability and achieving long-term competitive advantage (Dubrin, 2009, p. 372). The mineral exploration industry is a source of wealth and the largest contributor to gross domestic product (GDP). However, according to Cairncross & Kisting (2016), these benefits seem to not accrue to mineworkers' and mining communities involved. This was evident in Marikana protests where inadequacy of housing was a burning issue (Statistics South Africa, 2016), and as a result, 34 mineworkers' were massacred (Twala, 2014, p. 65). Mining companies have to act in accordance with South African Mining Charter – "establish measures for improving the standard of housing, including the upgrading of hostels, conversion of hostels to family units and the promotion of home ownership options for mine employees". Mining houses and the South African government, failing to meet mineworkers' social and economic needs, have adversely impacted on mineworkers' social and economic standing (Chamber of mines of South Africa, 2017).

The South African labour force has an inclination of engaging in labour unrests. Employees believe that in order to effectively get a reaction out management, pertaining to work related issues (internally or externally), they must protest. In 2012, labour unrest engulfed the South African mineral exploration industry. This arose from a background of poverty, lack of proper housing, disparities in healthcare, poor sanitation, escalation of food prices,

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increase in value added tax (VAT) etc., these are some of the mining challenges that received broad attention throughout the mineral exploration industry in South Africa. The labour unrest witnessed, also highlighted poor living conditions that miners live in.

Companies often refer to workers as their most important resource; and yet this does not resonate with the kind of treatment and attention given to them. Beneath the rhetoric, workers are viewed as 'costs' and as 'not adding value' (Heizer & Render, 2006, p. 37). Mining houses reside in close proximity to mining communities, hence they are cognisant of the significant role that they play in improving the socio-economic development and sustainability of mining communities. However, according to the Department of Industry, Innovation and Science (2018), pertaining to social responsibility and community development, mining companies do not always find it easy defining their limitations. Mine owners and stakeholders alike, benefit significantly from the wealth generated. The same cannot be said for miners' and mining communities (Cairncross & Kisting, 2016). Businesses have organizational goals to meet (Makhubedu, Nwobodo-Anyadiegwu & Mbohwa, 2017). In pursuit of these targets, companies tend to fail to account for some potential exogenous determinants – housing, electricity, proper sanitation (clean reliable water and running toilets). The purpose of this study was to investigate miners' perception of potential exogenous determinants that seem to negate underground miners' operational productivity, particularly within the South African mineral exploration industry. Furthermore, demystifying the growing perception that exogenous determinants are what fuels mineworkers' engagement in labour protests.

LITERATURE REVIEW

The South African Minerals to Metals Research Institute (SAMMRI) (2011) reported that the mineral exploration industry and other supporting industries employ more than 1 million people and each mineworker is reported to support between 7 and 10 dependents, meaning that the mineral exploration industry supports between 7 and 10 million people country wide. Hence, mineral exploration industry plays an imperative role in socio-economic development and transformation. The South African economy depends on the mineral exploratory industry – the largest contributor to gross domestic product (GDP). In the past 10 years, the mineral exploration industry has contributed R2.1 trillion towards the GDP of South Africa, and just over R2.16 trillion towards export earnings (South African Institute of Race Relations, 2013). The automotive, engineering and other industries rely largely on the mining sector. Primarily, mining houses depend on underground miners' to further improve their organizational productivity, optimise profitability, and achieve competitive edge (Neingo & Tholana, 2016, p. 286). The South African mineral exploration industry, compared with other sectors, remains a major creator of employment. According to a report by Statistics South Africa (2015), South Africa's unemployment rate averaged 25 percent from the year 2012 to 2014 (Musungwini, Cruise & Phillips, 2013, p. 1).

Figure 1: **A simple bar graph on South Africa's Unemployment Rate**

Source: Extracted from trading economics/Statistics South Africa, (Taborda, 2016).

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Mining community

A mining community, also known as a mining town or a mining camp, is a community that houses miners. A mining community is created around a mine. It is a place where mining takes place and labour sending area (Government Gazette, 2016, p. 12). Mineworkers reside in these mining communities to be in the proximity of their work, thus reducing travelling time. Rooikoppies, also known as Marikana, is a town in Rustenburg local municipality, Bojanala Platinum District Municipality district in the North West province of South Africa (https://en.wikipedia.org/wiki/Mining_community).

Figure 2: Map of mining community

Source: (https://en.wikipedia.org/wiki/Mining_community)

South African Mining Charter and Housing

The South African Mining and Minerals Industry defines "***Mining Charter***" as the broad-based black economic empowerment (BBBEE) Charter. "***BBBEE***" means a workable economic empowerment of all black South African citizens, specifically focusing on women, employees, people living in rural areas, people with disabilities and the youth (government gazette, 2016). The South African Mining Charter compliance, clearly stipulates that mining houses provide miners with decent housing and living conditions. The Charter also further stipulates that they make available, *Social and Labour Plans* (SLPs) – detailing how mining houses plan to meet the terms that are stated in the Mining Charter, as a pre-requisite for granting mining rights. In order to insure compliance, mining houses have to submit progress reports to the Department of Mineral Resources on a yearly basis. In 2009/10, the South African mining Charter was then reviewed, specifying new set of objectives such as converting or upgrading hostels into family units, attain the occupancy rate of one person per room and facilitation of home ownership options for all mine employees in consultation with organised labour. Mining houses had to meet the stipulated objectives in the Charter by end of 2014. Some objectives were largely met by the mineral exploration industry. For the first two objectives – 73% and 63.4% respectively, were achieved by the industry. In regards to the third objective, the industry set out to promote home ownership, rental options and integrating mining communities into local structures (Chamber of mines of South Africa, 2017).

Abraham Maslow Needs Hierarchy Theory (1954)

In the past 100 years, a number of authors have explored the application of key concepts of employee motivation. Even though their validity is questionable, the theory of Abraham Maslow standouts in demystifying employee motivation in the workplace. Furthermore, the above-mentioned exogenous determinants are aligned with the theory of Abraham Maslow (Makhubedu et al, 2017). Abraham Maslow's theory of needs introduced in the early 1940's, has hypothesized that, it is human nature to have an innate hierarchy of five levels of needs. To develop a constructive motivational theory, individuals have a natural ladder of needs comprising of lower order known as deficiency needs (e.g., air, thirst, food, shelter and so forth). These needs will control how people behave until a

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point that they are satisfied. Unsatisfied needs can lead to a creation of psychological disorders (such as stress, anxiety, discomfort and so forth) within the workplace (Srivastava & Barmola, 2011, p. 90). Before one can satisfy the growth needs, one has to meet the deficiency needs. This theory focuses on the significance of "*satisfying needs*" in order to "*motivate employees*". It further illustrates why individuals needs are difficult to satisfy. When an individual satisfies one need, another need has to be met. Higher order needs (growth needs) have to be satisfied internally (intrinsic), whereas lower order (deficiency needs) are met externally (extrinsic) (Dubrin, 2009, p. 375). Maslow's hierarchy provides a useful summary of human basic needs. One shortcoming with this theory is that we cannot quantify accurately the level of satisfaction of one need before a higher need can become operational. ***Maslow's hierarchy*** is pivotal to this study, as it focuses on social development of workers.

HOW INTERNATIONAL ORGANIZATIONS COMBAT WORKER GRIEVANCES

Malaysia and Zimbabwe

In 2014, Malaysia's population was approximately 30 644 293. The population increased by 1.58%, which is an increase of 475 461 people compared with a population of approximately 30 168 832 in 2013. There was a significant positive increase in 2014, because the number of births exceeded the number of deaths by approximately 487 227. The population of Malaysia decreased by roughly 11 766 as a result of people moving to other countries abroad (Countrymetres, 2015, p. 1). Lee and Leu Fong Yuen (2015, p. 453) define a 'minimum wage' as the least amount of compensation made by an employer and received by an employee for services rendered. A minimum wage is a device used to fight poverty and to satisfy the basic physiological needs of workers, as shown in the Maslow needs-hierarchy. In 2014, the population of Zimbabwe was estimated to be 15 576 901 people. The population increased by 4.31 percent, which is an increase of 643 767 people compared with a population of 14 933 134 in 2013. There was a significant natural positive increase in 2015 because the number of births exceeded the number of deaths by roughly 272 978 (Countrymeters, 2015, p. 1). Zimbabwe's mineral exploration industry regards labourers as the most valuable, rare, and irreplaceable resource that they use in various ways to meet organizational goals. The provision of job security, social welfare services, profit-sharing, and competitive rewards are some of the methods mining companies in Zimbabwe use to manage their human resources (Nyamubarwa, Mupani, & Chiduuro, 2013, p. 116). The mining and manufacturing industries are similar: both employ a significantly greater number of people than any other sector. From a South African viewpoint, most industrial labour unrest arises from workers demanding salary and wage hikes. The government's proposal of a minimum wage would improve workers' social and economic standing. However, it could end up doing more harm than good.

Pertaining to the discussion above, the following questionnaire items (C29), (C30), (C31) and (C32), were used to quantify how respondents perceived some the identified exogenous (external) determinants that could negate underground miners' productivity within the workplace. This study also intends to demystify the growing perception within the South African labour industry, that the above mentioned external determinants drive workers to down tools.

Research Question item (C29): I am happy with my household.
Research Question item (C30): I have electricity.
Research Question item (C31 and C32): I have access to clean water and toilet (sanitation) respectively

RESEARCH METHODOLOGY

Research participants

This study targeted the South African Platinum Mining Industry. The target population – full time mineshaft conventional stoping miners as a measure of analysis. Through convenient (non-random) sampling technique, the researcher was able to collect 292 questionnaires (Willemse & Nyelisani, 2015, p. 24). All mineshaft miners where

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based at a centralised training facility. The sample consisted of 279 (96.2%) males and 11 (3.8%) females. This yielded a return rate of 33.6% (See Table 1 below).

Table 1: Frequency results – Gender distribution

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		Frequency	Valid Percent	Cumulative Percent
Gender distribution	**Male**	**279**	**96.2**	**96.2**
	Female	**11**	**3.8**	**100.0**
	Total	**290**	**100.0**	
Total		**292**		

Source: (Statistical calculation from SPSS analysis: 2016)

Research instrument

Different types of research questionnaires can be employed to solicit information from respondents: open-ended questionnaires that require respondents to give their own perspective on the subject of inquiry; closed questionnaires that require "yes" or "no" answers; and a combination of both (Willemse & Nyelisani, 2015, p. 20). The scale groupings were as follows (**i.e. *Strongly Agree – Disagree, Neutral and Strongly Agree – Agree***). All frequency tables were organised and re-grouped from 5 to a 3-point Likert scale to enable the results trouble-free to read, understand, interpret and present. This study followed a qualitative and quantitative approach. A structured questionnaire was employed to gather primary data. Secondary data – the mine's annual report between 2015 and 2016, on key grouping variables of mineshaft workers' productivity output was collected. The average centares produced, the average face length, the average stoping width, the total number of panels, the average panel length, the total non-blasts, and absenteeism. These were used to measure the teams from two different reefs: the Merensky Reef, and the Upper Group 2 (UG2) Reef, which was situated above the Merensky reef.

Statistical data analysis

Once the data had been collected, organised, and captured in an Excel spreadsheet, it was subjected to a systematic process of analysis using (SPSS) version 23.0. A Cronbach's alpha coefficient of 0.7 or above, indicating a reasonable reliability and dependability of the research questionnaire was adopted (Cohen, Manion & Morison, 2002, p. 119).The Cronbach Alpha was 0.825 above the recommended reliability alpha value of 0.7

Results and interpretation

Research Question Item (**C29**): This question set out to inquire on how mineshaft workers perceive their households and the survey results indicated that 63.5% of the respondents were happy with their house, 28.3% were not happy, while 8.2% were neutral. From a sample of 279 respondents out of 292, 13 of the respondents failed to answer the research question item (See Table 2 below). Yielding a return success rate of 95.5% with an average mean of $\bar{x} =$3.57 and a std. deviation of 1.527 (See Table 3 below). Research Question Item (**C30**): An inquiry was made to find out the respondents households had access to electricity and the survey results indicated that 86.6% of the respondents households had access to electricity, 10.4% had no access to electricity, while 2.9% of the respondents were neutral. From a sample of 279 respondents out of 292, 13 of the respondents failed to answer the research question item (See Table 2 below). Yielding a return success rate of (95.5%) with an average mean of $\bar{x} =$4.16 and a std. deviation of 1.110 (See Table 3 below). Research Question Item (**C30**): This question set out to find out if respondents had access to reliable clean water and overwhelmingly, 85.4% of the respondents said that they had access to clean water, 11% had no access to clean reliable water, while 3.7% were neutral. From a sample of 273 respondents out of 292, 19 of the respondents failed to answer the question (See Table 2 below). Yielding a return

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success rate of 93.5% with an average mean of $\bar{x} =$4.16 and a std. deviation of 1.145 (See Table 3 below). Research Questionnaire item (**C32**): This question set out to find out if respondents had access to proper running toilets and a significant 91.8% of the respondents said that they had access to proper running toilets, 6.8% of the respondents had no access to proper running toilets, while 1.4% of the respondents were neutral. From a sample of 279 respondents out of 292, 13 of the respondents failed to answer the question (See Table 2 below). Yielding a return success rate of 95.6% with an average mean of $\bar{x} =$4.34 and a std. deviation of 0.961 (See Table 3 below).

Table 2: Descriptive analysis – exogenous factors

Research items	Strongly disagree – Disagree	Neutral	Strongly Agree – Agree
C29: I am happy with my house.	79 (28.3%)	23 (28.3%)	177 (63.5%)
C30: I have electricity.	29 (10.4%)	8 (2.9%)	242 (86.8%)
C31: I have clean water.	30 (11%)	10 (3.7%)	233 (85.5%)
C32: I have a toilet.	19 (6.8%)	4 (1.4%)	256 (91.8%)

Source: (Statistical calculation from SPSS analysis: 2016)

Table 3: Descriptive analysis – exogenous factors

	n	Mean	Std. Deviation
C32: I have a toilet.	279	4.34	0.961
C30: I have electricity.	279	4.16	1.110
C31: I have clean water.	273	4.16	1.145
C29: I am happy with my house.	279	3.57	1.527
Valid N (listwise)	235		

Source: (Statistical calculation from SPSS analysis: 2016)

It is important to understand the distinction between the arithmetic mean and standard deviation. The mean is a measure of central tendency. These measures are numbers that represent the typical or middle values in a distribution. The mean of a data set can be seen as the centre of gravity. It is the middle of the actual numerical values of all the observations. While the standard deviation, also abbreviated as SD, is a measure of dispersion. It tells us how spread out the distribution is away from the mean (Willemse & Nyelisani, 2015). For reliability purposes, there more polarised the distribution is away from the mean, the more divided the respondents are on a particular issue and the less consistent they are. At a glance, looking at the average mean for all the research question items above, they averaged just above 4, which does not really tell us much. However, the SD as a measure of reliability for C29, C30, C31, indicate that individual responses, on average, were one point away from the average mean.

LIMITATION(S) & FUTURE RESEARCH STUDY

This study did not cover the entire South African mining spectrum. It was only limited to one mining company and one occupational mining category, hence it restricts the current study's generalizability and ecological validity to other mining houses and industries in the Republic of South Africa. With that said, it is recommended that this study be extended to other sectors, focusing on other occupational categories, and further quantifying employees

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perceptions on external determinants that could negate workers operational productivity. Furthermore, there are other external determinants that were not examined such as a weaker rand, fall in commodity prices, production stoppages due to load shedding and so on, that could be investigated.

CONCLUSION & PRACTICAL IMPLICATIONS

The empirical findings of this study provide a different insight into how workers perceive some of the exogenous determinants that were identified. The perception within the South African labour force is that, poor living conditions – lack of proper housing, no access to electricity, no access to clean reliable water and running toilets are some of the main drivers of workers downing tools. The findings of this study do corroborate with the claim that exogenous determinant are the drivers of mineworkers' engagement in labour unrests. The respondents' perceptions were closely clustered around the average mean. The current study's empirical findings on exogenous factors had an above average mean of **4**. Interestingly, **C29**: I am happy with my house had an average mean of 3.57, below an average mean of **4**, suggesting that the respondents considered this research question item the least compared to other research items. It is integral for any organization to invest in human development through education, training and provision of healthcare, while using motivationally inclined incentive schemes to improve employees social and economic standing. However, not accounting for external determinants could be detrimental to the success of any organization. The South African Department of Mineral Resources, in partnership with mining houses and trade unions should engage with underground mineworkers to identify and to have a better comprehension of how employees perceive some of the exogenous determinants that could negate their labour productivity. Thus ensuring that employees reach their full potential. It should be compulsory for mining personnel to own their own homes, instead of giving miners the discretion to choose. Mineworkers tend to choose otherwise, preferring instead to pocket the housing allowance, and to stay in informal settlements under poor living conditions. Furthermore, it is also a hub for prostitution. This can also be attributed to mining house's heavy dependence on migrant workers as they tend to travel alone. By making home ownership compulsory, this would indicate to mineworkers that mining houses care for their social development, which entails improving miners' well-being in the society. This would also ensure that mineworkers are close to their workplace, thus reducing travelling time, leading to an improvement in underground miners' operational productivity. It will also give employees some sense of independence.

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TRUMP'S CONTROVERSIAL TRADE POLICY: IS TRUMP CAUSING A TRADE WAR WITH CHINA?

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ABSTRACT

Trump has made populist, protectionist US trade policy a cornerstone of his election platform and his presidency. He has argued strongly that the United States is being exploited and taken advantage of by other countries, especially China, when it comes to trade. The US has proposed a range of protectionist tariffs against Chinese goods and China has retaliated by doing the same for US goods. This tit-for-tat trade approach could result in a trade war between the world's two major economies. This paper explores the US trade deficit with China and the possibility of a trade war between the two countries. The paper looks at the theory of mercantilism, which both China and the US seem to be espousing when it comes to their trade policy. The article concludes with a timeline of protectionist tariffs proposed by both countries and suggestions regarding ways in which China can reform its trade policies with the aim of reducing the bilateral trade imbalance with the United States.

Keywords: US-China trade, mercantilism, protectionism, tariffs, trade war, US trade deficit.

INTRODUCTION AND BACKGROUND

Since the establishment of the Bretton Woods system after World War 2, the United States has played a leading role in shaping the global economic, financial and trading system (Posen & Ha, 2017). In contrast, China assumed a less involved global role (Posen & Ha, 2017) and focused more inwardly. However, recently there has been a reversal of roles played by the US and China (Posen & Ha, 2017). Posen and Ha (2017) remark that the United States has advanced a more protectionist trade policy and Xi Xinping, the President of China, has staunchly defended and endorsed globalisation and multilateral institutions such as the World Trade Organisation (WTO).

During Donald Trump's 2016 populist election campaign in the United States, American trade policy was a central theme (Freund, 2017). Trump lambasted other countries for taking unfair advantage of the United States and remarked: "We must protect our borders from the ravages of other countries making our products, stealing our companies and destroying our jobs" (Irwin, 2017, p. 45). In his election campaign, Trump promoted a protectionist trade policy for the United States in order to 'Make America Great Again' and prioritise US economic interests (Elms & Sriganesh, 2017, p. 247). Governments which adopt protectionist trade policies do so because they claim that they want to protect their economy, industries, national security and create jobs (Cavusgil, Knight & Riesenberger, 2018).

It is interesting to note that although Donald Trump ran as a presidential candidate for the Republican Party in the 2016 US election, his election platform relied heavily on the call for greater trade protectionism and mercantilist trade policy, a message which contradicts the free trade mantra supported by the Republican Party (Elms & Sriganesh, 2017). The US has a trade deficit with all of its key trading partners, including Canada, China, the European Union, Japan and Mexico (Peng & Meyer, 2016). China has more exports than imports and runs a positive trade surplus. In contrast, the US imports more then it exports and has the world's biggest trade deficit (Peng & Meyer, 2016).

Trump also argued vehemently that the US trade deficit was so high because the US was on the receiving end of unfair trade practices, especially by China. The Trump White House pledged to wipe out the bilateral trade deficit which was seen as being caused by deteriorating American manufacturing and a worrying overreliance on

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imported goods (Swanson, 2018). In his book *The Hundred-year Marathon: China's Secret Strategy to Replace America as the Global Superpower*, Michael Pillsbury, an American defence expert on China and advisor to Trump during his transition in office, asserts that the United States has long misunderstood China's intentions (Pillsbury, 2016). He claims that China has steadily been implementing a hundred-year strategy, which started at the end of the Communist Revolution in 1949 and aims to displace the United States by 2049 as the world's economic, political and military global superpower (Pillsbury, 2016).

Trump further asserted that bilateral trade agreements were more effective for the US than multilateral trade agreements and that the North American Free Trade Agreement (NAFTA) with Canada and Mexico should be renegotiated as it was unfavourable to the US. He also called for the US to pull out of the Trans-Pacific Partnership and clamp down on unfair trade practices of other countries (Elms & Sriganesh, 2017). In a recent about-face, Trump has indicated that the US is considering joining the Trans-Pacific Partnership trade alliance. Trump has accused China of undervaluing its currency, the yuan, by up to 40% and that China should rectify this (Amadeo, 2018). It should be noted that although trade has contributed to job losses in the US manufacturing sector, 85% of factory jobs that were lost between 2000 and 2010 were due to technological advances (Augustine *et al.*, 2017).

The purpose of this paper is to explore the US trade deficit with China and the possibility of a trade war between the two countries. This paper argues that the US and China need to carefully consider what the impact of a trade war would mean for both countries and for the global economy. This paper contributes to the literature on international trade, particularly to trade wars and urges countries to be level headed in their trade policies.

LITERATURE REVIEW

Theory of Mercantilism

The theory of mercantilism can be used to shed light on the trade policy pursued by the United States and China. Mercantilism theory provides the rationale as to why some countries emphasise the importance of exports over imports in international trade (Cavusgil *et al.*, 2017). As Vaidya (2006) remarks, mercantilism was popular as an economic policy in the seventeenth and eighteenth centuries in Europe and is regarded as the first economic theory to promote protectionism. Mercantilism is also regarded as an economic theory that promotes nationalism (Lichtenstein, 2016) because it encourages a country to put its own interests above those of all other countries. The Canadian economist, Jacob Viner, said that mercantilism is "a doctrine of extensive state regulation of economic activity in the interest of the national economy" (1968, p. 439).

Mercantilism theory advocated that national wealth (measured during the 1600s and 1700s as the amount of gold and silver that a country owned) was fixed and that if a country exported more goods than it imported, it would receive more gold and silver and therefore become richer and more prosperous (Peng & Meyer, 2016; Cavusgil *et al.*, 2017). According to mercantilism theory, if a country has a positive trade balance, this leads to national competitiveness and prosperity (Cavusgil *et al.*, 2017). A positive trade balance or trade surplus occurs when a country's exports exceed its imports (Cavusgil *et al.*, 2017). Therefore, according to mercantilism theory, exports are good for a country while imports are seen as being dangerous (Peng & Meyer, 2016). Imports are therefore restricted by tariffs and quotas (Vaidya, 2006).

Lichtenstein (2016) explains that according to mercantilism, a country can grow its trade surplus if it does some or all of the following: restrict imports, increase and promote exports, regulate capital flows, implement exchange rate controls and develop trade rules or special trading privileges. The objective of protectionist policies is to curb imports so that domestic industries can be stimulated (Peng & Meyer, 2016).

Proponents of mercantilism view international trade as a zero sum game – a trade deficit is regarded in a negative light and nations which export are the ones that gain over nations that import (Lichtenstein, 2016; Peng & Meyer, 2016). While mercantilism theory advocates protectionism, it is regarded as perpetuating anti-free trade sentiment (Lichtenstein, 2016). Adam Smith, a champion of free trade, criticised mercantilism as being a barrier to

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free trade and counter-argued that the needs of consumers should be prioritised over what producers want to produce (Maneschi, 2007).

US Trade Deficit with China

Peter Navarro, a prominent trade guru in Trump's National Trade Council, is one of the key proponents of Trump's protectionist trade policy. Navarro is the co-author with Greg Autry of a book entitled *Death by China: Confronting the Dragon – A Global Call to Action,* which strongly criticises China's trade policy. Navarro and Autry (2011, p. 1) strongly argue that China's trade policy "is a potent mix of mercantilist and protectionist weapons to pick off America's industries job by job and one by one". The US-China trade deficit is highly emotional and charged with political rhetoric (Peng & Meyer, 2016). More than half Americans, or 52%, believe that the US trade deficit with China is deeply concerning (Stokes, 2016).

Moosa (2012) highlights that the United States has several grievances regarding China's trade policy and economic practices which it regards as 'unfair'. These complaints include: 1) By deliberately undervaluing the yuan, China is manipulating the price of its exports to ensure that its products are cheaper than those of other countries, including the United States; 2) China is pursuing a mercantilist economic policy which exacerbates the US trade deficit and is damaging the US manufacturing sector; and 3) China is increasing its foreign reserves (many of which comprise US Treasury securities), thus posing a threat to US national security. These economic and trade policies have resulted in higher trade surpluses for China (Posen & Ha, 2017). Feenstra and Wei (2010) state that from being almost non-existent in world trade in the global economy approximately thirty years ago, China is now a major player in global trade. China is a huge consumer of raw materials and goods and is a major exporting country (Feenstra & Wei, 2010). The Chinese economy is growing from strength to strength as every eight years its GDP is doubling (Feenstra & Wei, 2010).

There is a public perception that the massive US trade deficit with China is resulting in sluggish growth and increased unemployment (Augustine *et al*., 2018). Bradsher and Perlez (2018) indicate that the United States is also concerned about the impact of China's 'Made in China 2025' policy, which involves China investing USD $300 billion in the hi-tech industry with the objective of China becoming number one in this industry by the year 2025. Moosa (2011) contends that one cannot be sure that the Chinese yuan is undervalued because its true value has not been established. China's trade surplus and the US trade deficit is not due to an undervalued yuan but results from the US consuming more then it saves and China saving more then it consumes and produces (Moosa, 2011). Furthermore, Xiaoming (2016) asserts that the US will not eliminate its trade deficit with China by increasing tariffs on Chinese goods.

In 2017, the United States trade deficit with China reached record high levels (Swanson, 2018). In 2017, US exports to China amounted to $USD 130 billion and imports from China totalled $USD 506 billion. The US trade deficit with China reached $USD 375 billion in 2017 (Amadeo, 2018). In terms of the overall 2017 US trade deficit, 46% of its goods deficit is linked to China (Posen & Ha, 2017). Trump has vowed to drastically reduce the US trade deficit with China (Swanson, 2018). He views a deficit trade balance as a problem and an indication that the US is losing in trade (Freund, 2017). In contrast, he views a positive trade balance as a sign that the US is winning (Freund, 2017). Irwin (2017) argues that there are issues apart from international trade that contribute to a country's economic misfortunes. Stokes (2016) maintains that the challenges related to US trade policy are not only about China.

Augustine *et al.* (2018) point out that the US trade imbalance with China is due to the goods and not the services sector. Swanson (2018) notes that a major cause of the increasing US trade deficit is the growing US economy itself, which results in American consumers having disposable income to purchase more and more imported appliances, clothing and electronic goods. Irwin (2017) maintains that the US is not being inundated by imports and states that in 2016, imports from China were down by 4% in comparison to 2015. Stokes (2018) indicates that the US trade deficit with Germany is actually growing faster than its deficit with China. Augustine *et al.* (2017) point out that the US *per capita* trade deficit with Ireland and Germany is higher than that of its *per capita* trade deficit with China and Mexico.

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Although the weakening of the US dollar in 2017 made American goods more affordable overseas and assisted with improving US exports, it was not sufficient to close the trade deficit gap (Swanson, 2018). Economists have projected that Trump's massive tax cut of $USD 1.5 trillion is expected to increase the US trade deficit within a few years as it would stimulate increased investment in the country (Swanson, 2018).

China has obtained an advantage as being a low-cost manufacturer of goods in comparison to other countries (Amadeo, 2018). The reasons that China is able to manufacture goods at such low prices is because:

- Chinese firms are able to pay lower wages to their workers due to a low standard of living (Amadeo, 2018);
- The Chinese exchange rate, the yuan, is to some extent fixed to the US dollar (Amadeo, 2018).

Peng and Meyer (2016) mention that there are two opposing views in terms of the US trade deficit with China. One view sees the US trade deficit with China as threatening and calls for the US to take action against China. Proponents of this view argue that the US is a 'naïve trader' which adopts free trade policies whereas China has protectionist policies (Peng & Meyer, 2016, p. 144). China is regarded as an exploiter which manipulates and undervalues its currency in order to price its goods cheaply so that it can compete successfully against US goods; it also violates US intellectual property rights (Peng & Meyer, 2016).

The conflicting view regards the US trade deficit with China as not being cause for concern. Advocates of this stance argue the following: China does have an open market; China's low-priced products are good for consumers; the undervaluation of the yuan is not cause of concern because American firms that manufacture in China gain from this and that the US also manipulates its own currency; the US trade deficit does not lead to a decrease in the living standards of Americans and introducing "tariffs will not bring back US jobs, which will simply go to Mexico or Malaysia, and will lead to retaliation from China" (Peng & Meyer, 2016, p. 144).

Augustine *et al.* (2018) denote that the trade deficit with China results in an inflow of foreign capital to the US from China. They explain that because China runs a trade surplus on its balance of payments it therefore needs to manage its foreign reserves by investing capital in American industries and firms (Augustine *et al.*, 2018). US protectionist tariffs may decrease the US trade deficit with China but this would move a portion of the US trade deficit to other nations (Augustine *et al.*, 2018). Due to the increased price of goods caused by tariffs, US consumers would be disadvantaged (Augustine *et al.*, 2018).

Is a Trade War between the US and China Inevitable?

Trump believes that protectionism "will lead to great prosperity and strength" for the US (Irwin, 2017). He has targeted tariffs as a protectionist trade instrument in an effort to reduce the US trade deficit with China. Tariffs make foreign goods more expensive (Madeira, 2018) and are designed to encourage consumers to purchase locally made goods. Varathan and Guilford (2018) raise the question of whether US domestic producers will be able to produce sufficient goods to meet the increased demand for local goods due to import tariffs. Cavusgil *et al.* (2017) caution that protectionism can result in price increases due to the limited supply of domestic products that are available.

Irwin (2017) argues that a policy of protectionism will not close the trade gap between the US and China. Instead, the consequences of a protectionist trade policy could result in a trade war (Irwin, 2017) between the world's two main economies (Xiaoming, 2018). Xiaoming (2018) draws attention to the failed tariff policy of the US when the Bush administration imposed steel tariffs and the Obama government levied tariffs on tyres from China.

The timeline of events in the US-China 'trade war' are as follows:

- In January 2017, the Trump administration introduced a 20% tariff on imported washing machines and a 30% tariff on solar panels in an effort to stimulate US manufacturing (Swanson, 2018). These tariffs were targeted at China (Swanson, 2018).

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- On 1 March 2018, Trump stated that the US would impose a 25% tariff on steel and a 10% tariff on aluminium that it imports from other countries (Varathan & Guilford, 2018). Trump said that these tariffs would protect the US against national security risks (Bryan, 2018). These tariffs were again aimed at China as China produces 50% of the world's steel (Irwin, 2017). Varathan and Guilford (2018) point out that the Chinese government provides subsidies to its steel firms and that this results in Chinese steel being sold more cheaply than their actual cost of production. The United States exempted some of its allies such as the European Union from these tariffs (Iyengar, 2018).

- On 2 April 2018, in response to Trump's announcement regarding steel and aluminium tariffs, China retaliated and introduced USD$ 3 billion worth of tariffs on 120 US products (Iyengar, 2018) which include tariffs on US pork and fruit (Bradsher & Perlez, 2018).

- On 3 April 2018, the US threatened to introduce further tariffs of 25% on 1,300 Chinese products, amounting to USD$ 50 billion (Iyengar, 2018).

- On 4 April 2018, China's counter-measure to further proposed US tariffs on Chinese goods was the announcement that it intended to levy a 25% tariff amounting to USD$ 50 billion on 106 American products (Iyengar, 2018).

- On 5 April 2018, Trump declared that he wanted additional tariffs worth USD$ 100 billion to be imposed on Chinese goods (Iyengar, 2018).

Many of the tariff proposals by the US and China have not yet come into effect and will be negotiated between the two countries over the next few months. Both countries need to ask themselves who has the most to lose if there is a trade war between the United States and China. The impact of tariffs on consumers also needs to be considered if there is to be a trade war between these two countries. Of particular importance, is that there are no victors in a trade war (Xiaoming, 2018). China has expressed a willingness to dialogue with the US on trade issues and has claimed that it does not want a trade war (Xiaoming, 2018).

If China is sincere in its commitment to averting a trade war with the United States, it needs to undertake a number of reforms to its trade and economic policies (Posen & Ha, 2017). Posen and Ha (2017) suggest that China should consider implementing the following actions: 1) Reduce protectionism in China and open up more of its markets to the United States and other countries; 2) Increase its overall imports from the United States; 3) Specifically target imports from the US energy sector which would include oil and gas; and 4) Liberalise the Chinese service sector in order to facilitate US exports.

Posen and Ha (2017) propose that China needs to develop a coherent trade strategy that is able to address any pressures regarding bilateral trade with the United States. Furthermore, China should raise concerns and submit complaints regarding US protectionist trade policy with the World Trade Organisation (Posen & Ha, 2017).

Varathan and Guilford (2018) forewarn that if a trade war does take place between the US and China, it will have an adverse effect on the world economy. Irwin (2017) and Bryan (2018) caution that if the US ignores trade rules as set out by the World Trade Organisation regarding free trade, then there is a danger that other countries will do the same thing. For now, the world is taking a wait and see approach regarding the possibility of a US-China trade war.

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IMPLICATIONS FOR POLICY AND PRACTICE

Implications for Policy

- Both China and the US need to examine their mercantilist ideology and approach to international trade with the view as to whether these policies would be best for both countries and the global economy in the long-run.

- The US needs to carefully evaluate and consider its protectionist trade stance and the impact that this would have on the long term prosperity of the US economy, it's national and international competitiveness and its role as the leader of free market ideology.

- The implications of a protectionist trade ideology means that the continued existence of multilateral trade agreements would be threatened and the relevance of the World Trade Organisation would be scrutinised. More bilateral trade agreements would be developed and this could be disastrous for developing countries as they tend to be in a weaker bargaining position regarding bilateral trade agreements with developed countries.

Implications for Practice

- China and the US need to consult with each other on a regular basis regarding concerns that they may have with each other's trade policies instead of first introducing tariff measures and then talking about their trade concerns.

- China and the US need to have open and honest discussions about the nature of imports and exports between the two countries. Both countries need to develop a more balanced trading approach in terms of the total imports and exports between the two countries.

CONCLUSION

Trump's position of "buy American and hire American" could have unintended negative consequences (Irwin, 2017, p. 55). If all countries in the world adopted this philosophy, global trade would be in peril (Irwin, 2017). The US and China are the world's largest advanced and emerging economies (Xiaoming, 2018). They need to consider the impact of their trade actions carefully as well as the consequences of a trade war. The implications for consumers are that they would be subjected to price increases due to tariffs. The implications for business are that as a result of tariffs, US and Chinese businesses would be 'protected' by their governments and this would hinder competition and innovation. The global economy would be affected (Xiaoming, 2018) and the World Trade Organisation would be undermined. Further research can be undertaken on ways in which the US could reduce its trade deficit and on the economic impact of a trade war between the US and China.

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UNETHICAL BEHAVIOUR BY MULTINATIONAL ENTERPRISES OPERATING IN SOUTH AFRICA

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ABSTRACT

Unethical behaviour of firms, particularly multinational enterprises, has come under intense scrutiny by various societal stakeholders. South Africa has one of the most widely acknowledged corporate governance frameworks in the world. Despite this, unethical behaviour and business practices by multinational enterprises operating in the country are ongoing and persistent. This paper discusses the ethical behaviour of multinational enterprises operating in South Africa and emphasises that ethical behaviour is not only the 'correct thing to do' but is also about creating a balance between shareholder vs stakeholder interests. This paper contributes to literature on the role of corporate governance in South Africa in promoting ethical business behaviour by multinational enterprises.

Keywords: Corporate governance, King Reports, multinational enterprises, unethical behaviour.

INTRODUCTION

Corporate governance failure and reform are occurring regularly all over the world (Clarke, 2017). Luthans and Doh (2012) state that the ethical behaviour and responsibilities of business, particularly multinational enterprises, has become a focal point worldwide. Ethical behaviour in business is about the way in which a firm's managers and employees behave when they conduct business and the types of decisions that they make (Griffin & Pustay, 2007).

Business scandals involving unethical and corrupt practices of firms have gained the attention of both the media and the public (Luthans & Doh, 2012). Examples of prominent corporate governance failures and scandals include firms such as Enron, WorldCom and Tyco in the United States, Royal Ahold, Parmalat and DaimlerChrysler in Europe and Olympus and Satyam in Asia Pacific (Clarke, 2017) and KPMG, McKinsey and SAP in South Africa (Mbatha, 2018). This has resulted in intense dialogue and scrutiny regarding the social outcomes of business and in particular, the ethics of multinational enterprises when engaging in global business (Luthans & Doh, 2012).

Economic globalisation is associated with neo-liberal, economic ideology which postulates that the state should play a secondary role to the market (Howell & Sorour, 2016). Cavusgil, Knight and Riesenberger (2017) explain that economic globalisation involves international business activity and rivalry amongst firms. Multinational enterprises are key players in economic globalisation due to their vast international business operations and value chain activities that occur in different parts of the world (Howell & Sorour, 2016). Cavusgil *et al.* (2017) remark that there are approximately 80,000 multinational enterprises in operation today. Multinational enterprises which originate from the United States, the United Kingdom and the Commonwealth employ an Anglo-Saxon model of corporate governance which emphasises maximising shareholder wealth (Diamond & Price, 2012; Howell & Sorour, 2016).

Cavusgil *et al*. (2017) assert that ethical behaviour by multinational enterprises is critical if they want to succeed in international business. Clarke (2017:11) indicates that these enterprises are a *"compelling force"* in the global economic order and due to their immense power, only global rules *"might contain them"*. The recognition of the formidable power and significant influence that multinational enterprises wield, both at national and global level, has spurred increased interest in the necessity and value of corporate governance (Clarke, 2017). Howell and Sorour

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(2016:4) define corporate governance as *"patterns of rules within businesses, that is, systems, institutions and norms by which corporations are directed and controlled"*.

South Africa became a democracy in 1994 and the new government promoted an open economy which encouraged inward foreign direct investment (Wocke & Singh, 2013). The South African government recognised that foreign direct investment was necessary to stimulate the country's economic growth and development agenda in order for the country to become more competitive in the global arena (African Corporate Governance Network, 2016). Moosa (2002) explains that foreign direct investment is international business activity that is undertaken primarily by multinational enterprises. Despite having one of the best and most widely recognised corporate governance frameworks in the world (Andreasson, 2011), unethical behaviour and business practices by both multinational enterprises and domestic firms operating in the country are ongoing and persistent.

The purposes of this paper are to: 1) emphasise the importance of ethical business practices by multinational enterprises operating in South Africa; and 2) propose the notion that multinational enterprises in the country should approach corporate governance from the perspective of balancing the interests of their shareholders' and stakeholders'. This paper stresses the need for multinational enterprises to 'do the correct thing' when it comes to ethical behaviour and to embrace and implement the guidelines of the King Reports. This paper contributes to literature on the role of corporate governance in South Africa by promoting ethical business behaviour by multinational enterprises.

LITERATURE REVIEW

Stakeholder Theory and Shareholder Value Theory

Shareholder Value Theory and Stakeholder Theory are at opposite ends of the spectrum and this influences how corporate governance is considered and implemented by firms (Wixley & Everingham, 2015). Proponents of Shareholder Value Theory declare that the purpose of a business is to create as much wealth as possible for its shareholders through profits (Friedman, 1962; Griffin & Pustay, 2007). In comparison, supporters of Stakeholder Theory argue for a more inclusive approach and advocate that a business should consider the interests of all of its stakeholders instead of only its shareholders (Pedersen, 2015) and consider the impact of its business operations.

Alpaslan (2009) states that Shareholder Value Theory considers laws and practices applicable to society as impediments to the objective of wealth maximisation for shareholders, whereas Stakeholder Theory takes into consideration the laws and practices connected to society in its objective of minimising stakeholder loss. Mele (2008) argues that Shareholder Value Theory is narrow in perspective because emphasising only wealth maximisation and earning superior profits does not mean that a firm is a good corporate citizen. Firms can make huge profits while at the same time engaging in unethical behaviour (Mele, 2008). Kakabadse, Kakabadse, Kouzmin and Pesqueux (2013) claim that due to the numerous failures of corporate governance practices in Anglo-American firms as well as the 2008 financial crisis, there is a need to re-examine Shareholder Value Theory.

Corporate Governance in South Africa

According to the African Corporate Governance Network (2016), every country has unique conditions and problems and requires its own corporate governance system. Prior to 1994 during apartheid, South Africa's corporate governance approach was shaped according to Anglo-American principles and focused predominantly on promoting shareholders' interests and welfare, especially wealth maximisation (Diamond & Price, 2012; African Corporate Governance Network, 2016).

In 1994, post-apartheid South Africa introduced significant changes to the corporate governance landscape of the country (Ntim, Opong, Danbolt & Thomas, 2012). In response to the widespread political and economic changes that were taking place in the country at that time, South Africa's stance on corporate governance evolved to incorporate *"stakeholder responsibility"* (African Corporate Governance Network, 2016:70). The corporate environment in post-apartheid South Africa is characterised by *"concentrated ownership, weak enforcement of*

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corporate regulations, high levels of institutional ownership and weaker shareholder activism" (Ntim *et al*., 2012:123).

The country's corporate governance framework was determined by the King Reports which were developed by the King Committee under the guidance of the retired eminent Supreme Court Judge Mervyn King (Irwin, 2011). South Africa is a former British colony and the country's laws and corporate governance approach are strongly influenced by those of the United Kingdom (Andreasson, 2011).

The African Corporate Governance Network (2016) explains that in addition to the King Reports, laws and guidelines which shape the country's framework of corporate governance include: (1) the country's legal system which is based on common law and drawn from Roman-Dutch and English law, (2) legislation such as the Companies Act No. 71 of 2008, the Public Finance Management Act No. 1 of 1999, the Municipal Finance Management Act No. 56 of 2003 and (3) the Johannesburg Stock Exchange (JSE) requirements for firms that have JSE-listed securities.

Ntim *et al*. (2012) explain that the King Reports urge firms in South Africa to go further than economic and legal issues regarding corporate governance and to consider the wellbeing of all stakeholders. The King Reports in South Africa are unique insofar as they emphasise the development of a more balanced approach towards shareholder and stakeholder interests in corporate governance within an African context (Andreasson, 2011). These reports also encourage businesses to engage with their stakeholders (African Corporate Governance Network, 2016). There are four King Reports that shape corporate governance in South Africa. The earliest King Report (King I) was issued in 1994, the second King report (King II) was available in 2001 (Andreasson, 2011), next was King Report III which was available in 2009 and King IV was made available in 2016.

King I focuses on creating an awareness of corporate governance, what it involves and why it is important for all structures of government and the corporate sector (African Global Governance Network, 2016). The King I report articulated the need to develop codes regarding governance standards for both the corporate sector and the public sector (Naidoo, 2002). The first King Report also sought to convince potential foreign investors, including multinational enterprises, that the new South Africa was open for business and serious about promoting world class corporate governance standards and practices (Andreasson, 2011).

King II acknowledges that cultures, laws and business environments differ from country to country and therefore there is no universal corporate governance model (Andreasson, 2011). This idea is supported by Howell and Sorour (2016) who indicate that developing a universal set of rules for global corporate governance is not a straightforward issue. The second King report covers *"triple bottom line reporting"* and outlines seven elements for sound corporate governance (Rumani, 2002:12). The King I and II reports thus focus primarily on the ways in which firms should be governed (Hendriks & Wyngaard, 2010), however, some firms find it challenging to comply with these guidelines (Rumani, 2002).

King III Report stipulates that the board of directors of a firm is responsible for compiling a report that provides a complete and truthful picture of the firm's performance (PwC, 2009). The King IV Report focuses on three key issues, namely, ethical leadership, promoting an ethical organisational culture and the need for firms to be good corporate citizens (Natesan & Du Plessis, 2018).

The King Reports are not legally binding (Hendriks & Wyngaard, 2010) and compliance is voluntary (Ntim *et al*. 2012). The King Reports were developed to promote ethical behaviour by firms and organisations in South Africa. Although the King Reports are accepted as part of the corporate governance framework of the country, there is no enforcement or monitoring of compliance with their guidelines and principles (Ntim *et al*. 2012). The African Corporate Governance Network (2016) observes that there are obstacles regarding implementation of corporate governance in South Africa. Increased commitment to good corporate governance and greater efforts to advance its implementation are required by all organisations (Corporate Governance Network, 2016).

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Unethical Behaviour of Multinational Enterprises Operating in South Africa

Cavusgil *et al*. (2017) state that multinational enterprises need to navigate four business risks when they operate overseas: (1) cross-cultural risk which stems from cultural differences and wide-ranging ethical practices in foreign countries, (2) country risk which arises from challenges related to the economic, legal and political environment of the host country, (3) currency risk which emanates from exchange rate fluctuations, foreign taxation systems, transfer pricing and the way in which assets are valuated and (4) commercial risk which results from inadequate strategy implementation by firms entering into collaborative partnerships with weak firms and incorrectly timed entry into international markets.

Unethical behaviour in foreign countries by multinational enterprises includes bribery, corruption, unethical global sourcing practices, unethical accounting and business practices, unethical marketing practices and intellectual property violations (Cavusgil *et al*., 2017). Hill (2012) contends that multinational enterprises frequently have to deal with ethical dilemmas when doing business in foreign countries. He observes that the ethical obligations of multinational enterprises regarding labour practices, corruption, environmental pollution, human rights and the exercise of power are not always explicit or well defined. Peng and Meyer (2016) suggest that in order to promote ethical practices in host countries, multinational enterprises should respect human dignity and human rights, be good citizens and respect the laws and institutions of the host countries.

Rampant corruption in South Africa during the Zuma administration has been one of the biggest challenges in the country's corporate governance landscape. According to Calland (2018), former President Jacob Zuma's presidency, from 2009 to mid-February 2018, was rooted in a culture of pervasive corruption at all levels of government and society. This led to the 'capture of the state', where self-enrichment and loyalty to the Zuma government were valued instead of competency. The accumulation of personal wealth over public interest was the order of the day and private interests were paramount in the form of the Gupta family influencing and controlling decision-making and public policy at various levels of government (Martin & Solomon, 2016).

In the 2018 *Corruption Perceptions Index*, South Africa was ranked 71st out of 180 countries for corruption (Transparency International, 2017). The lower a country's ranking, the 'cleaner' or 'less corrupt' its public sector is perceived to be (Transparency International, 2017). In contrast, in the 2010 *Corruption Perceptions Index*, the country was ranked at 54th out of 178 countries (Transparency International, 2010). This means that the level of corruption in the country's public sector increased drastically over the last eight years. It was therefore relatively easy, in this kind of corrupt atmosphere, for firms to be lax and uncompliant with corporate governance in South Africa.

The World Bank's (2018) *Doing Business* report ranks South Africa 82nd out of 190 countries for ease of doing business. A low ranking indicates that it is easy to conduct business in a particular country. South Africa's relatively high ranking indicates that it is not particularly easy for domestic and international firms to do business in the country. The current president, Cyril Ramaphosa, has vowed to tackle and reduce all forms of corruption in the country.

Examples of multinational enterprises operating in South Africa whose unethical behaviour and business practices have gained attention include the well-known international consultancy firm, McKinsey, the global auditing firm, KPMG and the German software giant, SAP. These multinationals were accused of corrupt business activities and violations of company law and the Company's Act by working with firms linked to the tarnished Gupta family, accused of capturing the state (Cotterill, 2018).

Criminal charges were laid against the South African subsidiaries of KPMG, McKinsey and SAP by the country's Companies and Intellectual Property Commission (Mbatha, 2018). Accusations include:

- KPMG: the auditing firm is alleged to have violated its internal quality control and risk management policies when developing a report for the South African Revenue Services and also for making judgments that went beyond its terms of reference and professional know-how (Mbatha, 2018);

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- McKinsey: the consultancy firm could have violated the Companies Act by informing a government department (Eskom) that a Gupta-linked firm (Trillian) was a sub-contractor in part of a project when McKinsey did not have a contractual agreement with Trillian (Mbatha, 2018); and

- SAP: the software firm could have breached the Companies Act as it knowingly employed an external sub-contractor from a totally different line of business in order to secure a government contract from Transnet, a state-owned enterprise (Mbatha, 2018).

HSBC and Standard Chartered banks have been accused of complicity in a money laundering scandal involving the Gupta family (Wild & Choudhury, 2017). These firms are under investigation in the United Kingdom for their role in the Gupta money laundering saga and have been accused or ignoring suspicious monetary transactions conducted by the Guptas (Wild & Choudhury, 2017).

Ford South Africa came under the spotlight for allegedly selling unsafe Kuga 1.6 model cars in the country (Downward, 2017). Several car owners reported that their Ford Kuga 1.6 cars caught fire due to engine overheating problems (Downward, 2017). One fatality occurred when motorist, Reshall Jimmy, was burnt alive and died in December 2015 when his Ford Kuga caught fire (Hosken, 2017). Since then, 60 more Kuga vehicles in South Africa have caught alight (Hosken, 2017). Ford South Africa was forced to recall approximately 4,600 Ford Kuga cars in the country (Downward, 2017).

Nestle is the world market leader in baby formula products (Changing Markets Foundation, 2018). Knowler (2018) explains that according to the report, *Busting the Myth of Science-based Formula* compiled by the Changing Markets Foundation in the United Kingdom (which uncovers unethical practices of firms), it was found that Nestle has been involved in selling poor quality baby formula products in South Africa. In an effort to boost its profits, Nestle works at persuading parents to purchase more expensive baby formula products by making them believe that this will result in their children becoming healthier. Other findings of the report indicate that while labels of Nestle products sold in Brazil and Hong Kong warn parents not to give sucrose to their children, two Nestle milk formulas sold in South Africa were found to contain sucrose (Changing Markets Foundation, 2018). Nestle marketed baby formula in Hong Kong as being nutritious with the message that it did not contain additional vanilla flavour or flavourings that would impede a baby's growth yet Nestle baby products sold in South Africa were found to contain vanilla flavouring (Changing Markets Foundation, 2018; Knowler, 2018).

The above examples of KPMG, McKinsey, SAP, HSBC, Standard Chartered, Ford and Nestle unethical practices in South Africa indicate that these multinational enterprises have strongly emphasised a shareholder perspective with the objective of achieving wealth and profit maximisation at all costs.

Approaches to managing ethical behaviour of multinational enterprises

Cavusgil *et al*. (2017) propose that if multinational enterprises do not already have a code of ethics and a code of conduct, they should develop them. A code of ethics contains "*written statements of the values and ethical standards that guide the firm's actions*" (Griffin & Pustay, 2007:122). A code of conduct should clearly outline business behaviours that are acceptable and those that are prohibited (Cavusgil *et al*., 2017). A multinational enterprise needs to decide whether it will develop a global and universal code of conduct for all of its business operations or whether it will customise its code of conduct in line with local circumstances of countries where it conducts business (Griffin & Pustay, 2007). Monitoring and enforcement procedures are necessary to ensure that all employees (including senior executives) comply with a firm's code of conduct (Peng & Meyer, 2016).

Multinational enterprises should encourage their employees to adopt ethical behaviour (Cavusgil *et al*., 2017). When making decisions, managers at multinational enterprises should understand whether a decision is ethical or not (Hill, 2012). They should also engage in ethics training of their employees (Griffin & Pustay, 2007) and promote a corporate culture that values ethical business behaviour (Hill, 2012). Furthermore, they should ensure that their employees receive compliance training annually (Peng & Meyer, 2016). Multinational enterprises need to be mindful of not placing undue pressure on their employees to make profits at any cost or setting unrealistic

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performance expectations (Hill, 2012). Senior leadership at multinational enterprises should be aware that they need to set a positive example regarding ethical behaviour because their employees will follow suit (Hill, 2012).

IMPLICATIONS AND POLICY RECOMMENDATIONS

Implications and recommendations for policy

- In an effort to reduce unethical behaviour of multinational enterprises in South Africa, the country should introduce legislation aimed at prosecuting these firms when they are found to be involved in unethical business practices.

- The South African government should continually strive to reduce corruption and unethical behaviour in the country's public sector by improving compliance and prosecution mechanisms. This will send a message to the corporate sector that unethical behaviour will not be tolerated.

- Multinational enterprises business behaviour should be regularly monitored by the media. Ethical behaviour should be praised, while unethical behaviour should be exposed and reported on.

- The King Reports need to be revised with the aim of making ethical behaviour by all organisations including multinational enterprises mandatory.

Implications for Practice

- Multinational enterprises in South Africa need to balance ethical business practices and the motivation to maximise profits at any cost.

- Multinational enterprises should be required to submit regular reports to the government which indicates that they are compliant with the country's corporate governance framework.

CONCLUSION

The problem of pervasive levels of corruption at all levels of South African society needs to be urgently addressed. Greater implementation of corporate governance and monitoring of compliance with the King Reports is required. Multinational enterprises operating in South Africa which engage in unethical behavior should be held accountable for their actions. Monitoring unethical business practices by firms and government entities in South Africa should be an ongoing initiative.

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THE LIABILITY OF COMPANY DIRECTORS FOR UNETHICAL CONDUCT IN BUSINESS NEGOTIATING AND DEAL MAKING: THE SOUTH AFRICAN PERSPECTIVE

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ABSTRACT

As soon as legal personality is attained by registration, a company exists separately from its shareholders/members. As a juristic person, a company has continued existence even after the death of some of its shareholders/members. Consequently, the assets and profit of the company belong to the company and not to its shareholders/members. As a separate legal entity, the entity issues summons in its own name. It will also be similarly sued in its own name. But when fraudulent use is made of the corporate entity, the courts will disregard the separate legal existence of the company and treat the members/shareholders and the company as one. In such a case, the member will incur personal liability for the obligations or debts of the company. Terms such as "piercing the corporate veil", "peer through the corporate veil" and "lifting of the corporate veil" are used to indicate that in appropriate circumstances, the courts are willing to ignore the separate legal existence of the company. The paper adopts research approach of literature review and it becomes more relevant, when one considered that hitherto, the research opinions of academics and case law have not had much influence on the issue. This paper is concluded on the outcome of the research findings that if ever possible to do, directors should be always held accountable for their unethical conduct in business negotiating and deal making.

Keywords: directors, unethical conduct, business, legal subjects, liability.

INTRODUCTION

Companies are regarded as juristic persons and they become legal persons[i] immediately after their registration. The general rule is that the corporate entity is something quite distinct from its members, its assets and liabilities are its own.[ii] Legal persons are artificial persons as they do not exist in the same way as natural persons. Legal persons exist in a theoretical way, as an artificial legal reality, but they nevertheless exist.[iii] Juristic persons exist separately from their members, but when fraudulent use is made, the courts will disregard the separate legal existence of companies and treat the members and companies as one. In such a case, the members will incur personal liability for the obligations or debts of companies. Terms such as "piercing the corporate veil", "peer through the corporate veil" and "lifting of the corporate veil" are used to indicate that in appropriate circumstances, the courts are willing to ignore the separate legal existence of companies or juristic persons.[iv]

In company groupings, each company in the group is, in principle, a separate legal entity. Each company therefore has its own rights, liabilities and assets, regardless of its ownership. This stance follows as a result of the principle of legal personality first laid down in *Salomon v Salomon and Company*.[v] Consequently the court decided that:

- a subsidiary company, though under the control of the holding company, is an independent juristic person with distinct legal personality, and with the legal capacity to have own rights, duties and assets;
- shareholders of each company within a group have limited liability, regardless of who they are;
- creditors of each company have claims only against the specific company that incurred the debt; and

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- the insolvency and liquidation of a subsidiary does not necessarily affect its holding company and its co-subsidiaries.[vi]

DIFFERENT LEGAL SUBJECTS

Legal persons are also known as juristic persons or corporations. Few examples of legal persons are companies, close corporations, universities, municipalities, co-operatives, churches and charitable organisations. Legal persons have rights, they trade and they can incur debts. These rights and duties are not attached to the members of companies, but belong to companies themselves. A companies are not merely associations of individuals. In law they are considered persons in themselves and the law treats them as independent persons. As independent persons, companies have the capacity to acquire rights or incur obligations independently from the individuals forming them. They have the powers of natural persons but act through representatives.[vii]

ACQUISITION OF LEGAL PERSONALITY

Legal personality is acquired in three ways. Firstly, by way of a separate Act specifically creating the legal person. Secondly, by way of a general enabling Act such as the Companies Act.[viii] Thirdly, where an association of people conduct themselves in such a way that the courts will ascribe legal personality to them.[ix]

A specific Act of Parliament

Legal persons which are not companies are usually created by way of a special statute.[x] Many of the older universities in South Africa were established in terms of a separate Act of Parliament.[xi] Similarly, some of the state-owned companies were created in terms of specific legislation.[xii]

A general (enabling) Act of Parliament

This is a general legislation. The Companies Act and the Close Corporations Act[xiii] are examples of general (enabling) Acts. Over 1, 5 million close corporations (and therefore legal persons) were registered in terms of the Close Corporations Act. Over half a million companies were created in terms of the Companies Act. So what we have is a single Companies Act that regulates all companies, and a single Close Corporations Act that applies to all close corporations.[xiv]

Conduct

When an association of persons conducts its business with the intention of making a profit, it can do so either in the form of a partnership, or as a legal person.[xv] Constitutions of such a legal person created in terms of the common law usually explicitly state that the association is a legal person; has perpetual succession; has the right to acquire property in its own name; is not pursuing financial gain for the association or the members comprising it, and that the members are therefore not liable for payment of the debts of the association.[xvi]

THE CONSEQUENCE OF LEGAL PERSONALITY

The consequence of legal personality is that the juristic person exists separately from the members comprising it. As such it has perpetual succession and does not come to an end when its membership changes. Property that the legal person acquired belongs to the legal person and not to its members. The same applies to debts incurred by the legal person. The legal person will sue and be sued in its own name and execution will be raised against the assets of the legal person and not of its members. The same principle of separate existence applies within a company group structure between a holding company and its subsidiaries.[xvii]

Consequences of legal personality are as follows.

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Perpetual succession

A legal person has continued existence or so-called perpetual succession. This means that a legal person continues to exist even after there has been a change in its membership. So whereas individual members of a legal person may come and go, this does not affect the continued existence of the legal person. It can carry on business although it no longer has any of its original members. [xviii]

Assets

The company as legal person is owned by its owners or shareholders. However, the business is owned by the company itself and not by its members. Consequently, the assets of the business belong to the company and not to its members.[xix]

The principle that the property of the business belongs to the company and not to shareholders of the company is clearly illustrated in the case of *Dadoo v Krugersdorp Municipality*.[xx] A statute of 1885 prohibited persons from certain race groups to own immovable property in the Transvaal province, South Africa. A company, of which all members belonged to the Asiatic group, bought land in Krugersdorp, a town in the Transvaal Province. The court ruled that the property belongs to the company and not to its members. Consequently, the property could be registered in the name of the company as purchaser irrespective of its shareholding.[xxi]

Profit and loss

The profit of the business belongs to the company and not to its members. Members only have a right to share in the profit the company realised after the company has declared a dividend. Likewise, liabilities incurred by the company belong to the company and not to the individual members of the company. Creditors of the company cannot claim any shortfall from members of the company. The risk of members is limited to the amount they have paid to acquire shares in the company.[xxii]

Sue and be sued in own name

As a separate legal entity, the legal person issues summons in its own name. It will also be sued in its own name.[xxiii]

Acts through its duly appointed representatives

A partnership acts through its partners while a company acts through its board of directors. A member of a company does not have the right to represent the company or act on its behalf unless specifically authorised to act as agent of the company.[xxiv]

THE DISREGARD OF THE SEPARATE EXISTENCE OF A LEGAL PERSON

Introduction

The general principle is that legal persons ate separate from their members.[xxv] But where there is fraud or abuse of the corporate personality by a member, the courts may pierce the corporate veil and disregard the separate existence of the legal person.

The case of *Robinson v Randfontein Estates Gold Mining Company Ltd*[xxvi] illustrates how the courts will disregard the separate existence of the legal person. Robinson was the chairman of the board of a company. He then used a subsidiary company to acquire and sell property at a huge profit to the holding company. The court disregarded the existence of the subsidiary company, as it was used as a mechanism by Robinson to evade his

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fiduciary duties towards the holding company. Consequently, the profit made by Robinson was regarded as profit belonging to the holding company.[xxvii]

Liability of directors

Section 77 of the Companies Act regulates liabilities of directors. For purposes of determining liability, "director" includes an alternate director, and a member of a committee of the board or the audit committee even where the member is not a director of the company. Liability is based on breach of a fiduciary duty, delict, claims arising from unauthorised acts, reckless trading, fraud, false or misleading financial statements or untrue statements in a prospectus, acts relating to the maintenance of capital, and on the breach of the solvency and liquidity criteria.[xxviii] This liability of company directors is as a result their unethical conduct in business negotiating and deal making.[xxix]

Grounds for liability of directors

Breach of trust

A director will be liable for any loss, damage or costs incurred by the company for breach of trust where the director has, in accordance with the common law principles of breach of a fiduciary duty, failed to disclose a personal financial interest in a transaction or agreement with the company; avoid a conflict of interest; act in good faith and for a proper purpose; and act in the best interest of the company.[xxx] This conduct is unethical and therefore unprofessional.

Breach of a duty of care

A director will be liable in accordance with the common law principles relating to delict for any loss, damage or costs sustained by the company as a consequence of any breach by the director of the duty to act with reasonable care, skill and diligence; any provision of the Act not specifically mentioned in this section; and any provision of the company's Memorandum of Incorporation.[xxxi]

Unauthorised acts

A director is liable where he, despite knowing that he lacks the authority to do so, acts in the name of, signs or authorises action on behalf of the company.[xxxii]

Reckless trading

A director is liable where he allows the company to carry on business knowing that it was conducted recklessly, with gross negligence, with intent to defraud any person or for any fraudulent purpose, or trade under insolvent circumstances.[xxxiii]

Fraud

In addition to the above provision, a director is liable where he has knowingly been a party to an act or omission by the company calculated to defraud a creditor, employee or shareholder of the company, or has another fraudulent purpose.[xxxiv]

Misleading financial statements and prospectus

A director incurs liability where he has signed, consented to or authorised the publication of financial statements that were false and misleading or a prospectus which contains untrue statements. A director further has to compensate a person who acquired securities on the faith of untrue statements in a prospectus unless he had reasonable grounds at the time the securities were allotted to believe the statement to be true.[xxxv]

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CONCLUSION

A director must exercise his powers and perform his duties in good faith for a proper purpose, in the best interests of the company and with the degree of skill and diligence that may be expected of a person performing the task and having the knowledge, skill and experience of the director.[xxxvi]

In terms of the business judgment rule, a director would have met the required standard of conduct if he had taken reasonable steps to become informed, and acted rationally with the acquired knowledge, or was entitled to rely on the performance of someone else to whom the board has delegated a task.[xxxvii]

A director must disclose a personal financial interest in a contract with the company and any material information before the matter is considered at a meeting failing which he will be acting unethically. A provision in the Memorandum of Incorporation, the internal rules or a separate contract is void to the extent that it relieves a director of his duty to disclose a personal financial interest in a contract or to avoid a conflict of interest or to limit his liability for an act or omission that constitutes wilful breach of trust.[xxxviii]

A director will be liable for breach of a fiduciary duty where he fails to disclose his personal financial interest in a contract, for failure to avoid a conflict of interest or to act in good faith and for a proper purpose or in the best interest of the company. A director will be liable in delict for failing to act with the required care, skill and diligence, and for breach of any provision of the Act or the Memorandum of Incorporation.[xxxix]

A company will have a claim against a director for any loss, damage or costs arising from specific breaches such as the signing-off of false or misleading financial statements, the unauthorised issue of shares, the provision of financial assistance or the authorisation of a distribution where the solvency and liquidity criteria were not met. Each shareholder of the company has a claim against any person, including a director, who fraudulently and due to gross negligence causes the company to do anything inconsistent with a restriction, limitation or qualification in the Memorandum of Incorporation or with the Act. A company may provide indemnity to a director in respect of any liability or related legal costs save for acting wilfully outside his authority, for wilful misconduct and breach of trust, and for reckless and fraudulent trading.[xl] This paper is concluded on the outcome of the research findings that if ever possible to do, directors should be always held accountable for their unethical conduct in business negotiating and deal making.

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[i] Legal persons are also known as juristic persons or corporations. Examples of legal persons are companies, close corporations, universities, municipalities, co-operatives, churches and charitable organisations.

[ii] *Salomon v Salomon and Company* 1897 AC 22 (HL) and Airport *Cold Storage (Pty) Ltd v Ebrahim* 2008 (2) SA 303 (C). See also Kopel, S,. Guide to Business Law, (Oxford University Press: Cape Town).

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[iv] *Cape Pacific Ltd v Lubner Controlling Investments (Pty) Ltd* 1995 (4) SA 790 (A).\

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[x] A separate Act of Parliament that creates a specific legal person.

[xi] For example, the University of Cape Town was created by the University of Cape Town Act 14 of 1916.

[xii] Examples are Iscor, Sasol, Eskom and Telkom. See Haupt, A., & Malange, NJ,. Corporate Law for Commerce Students, (*Van Schaik Publishers*: Pretoria 2015).

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[xxii] *Salomon v Salomon and Company* 1897 AC 22 (HL) illustrates this principle. See Haupt, A., & Malange, NJ,. Corporate Law for Commerce Students, (*Van Schaik Publishers*: Pretoria 2015).

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GENDER AND GENERAL SATISFACTION, PAY SATISFACTION, AND STRESS LEVELS OF EMPLOYEES WORKING OR VISITING MARABASTAD MALL

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ABSTRACT

The purpose of the study was to determine the differences between gender and general satisfaction, pay satisfaction, and stress levels of employees working or visiting Marabastad Mall. Equity theory was utilised to give theoretical grounding to the study. A cross-sectional and survey design was used as a blueprint for the study. A purposive sampling technique was used to select two hundred and five (n=205) respondents. Since 250 questionnaires were printed, the response rate was 82%. The major findings of the study were that women were generally dissatisfied and disgruntled with the lower wages or salaries they earned. It was also found that women had lower stress levels than male employees. The managerial implications of the study were that paying employees unequally can lead to labour disputes, and that having employees with high stress levels is counter-productive, because such employees might take leave on a regular basis and have high absenteeism rates. Recommendations for future research and management implications are made.

Keywords: Equity theory, gender, general satisfaction, pay satisfaction and stress levels.

INTRODUCTION

The difference between gender and pay, general satisfaction, and stress levels have been researched globally (Judge & Welbourne, 1994; Williams, McDanie & Nguyen, 2006; Bajpai, 2016). Gender inequality is in line with sustainability development goal (SDG) number 10, which is about inequality (Carr, Maleka, Meyer, Barry & Haar, 2018). In the study conducted by Joshi, Neely, Emrich, Griffiths and George (2015) in the United States of America (USA), it was found that men are generally more satisfied with their working conditions than their female counterparts. A gender study in China revealed that men were more satisfied than women because they were paid more than women (Zhu, Konrad & Jiao, 2016). In the United Kingdom (UK), research showed that women were less likely to be stressed than men even though women were paid lower wages (Gyllensten & Palmer, 2005). Similarly, in a study conducted on a mine in South Africa, it was argued that women were more stressed because they were bullied (Botha, 2016). The commonality of these global studies is that they were conducted in different workplaces.

It was against this background that this study was conducted because the researcher aimed to contribute to gender research by taking a different approach to collecting data at a mall, unlike other global and South African studies that were conducted in workplaces. The importance of this study is that the data were collected mainly from low-income workers, who are under-researched in the South African context (Carr et al., 2018). 2018). A study on gender and human resource management (HRM) (i.e. affective commitment, job satisfaction, vigour, and co-worker relationship) was recently conducted at Marabastad Mall (Maleka, 2017) but it did not measure the difference between gender and general satisfaction, pay satisfaction, and stress levels. In order to address this gap in the literature, the following research question was developed: Are males and females visiting or working Marabastad Mall more likely to be generally satisfied, have higher pay satisfaction, and lower stress levels compared to women?

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THEORETICAL FRAMEWORK

Different definitions of gender exist (see Tladi, 2017, Tladi & Maleka, 2017); for the purpose of this study gender means female and male employees (Maleka, 2012). From an HRM perspective, the theory relevant for gender parity is known as equity theory (Nel, Kirsten, Swanepoel & Jordaan, 2016). Equity theory states that "individuals compare their job inputs and outcomes with others and then respond to eliminate any inequalities" (Robbins & Judge, 2017, p.705). In South Africa, section 6 of the employment equity act (EEA) no. 55 of 1998 and section 9 of the Constitution of 1996 were promulgated in order to implement gender equity in workplaces (Nel et al., 2016). in this study, the researcher was interested in the differences between gender and pay satisfaction, general satisfaction, and stress levels.

Gender and general satisfaction levels

Locke (1976) states that general satisfaction is employees' feeling or attitude towards their work. Previously, researchers discovered that women, unlike men, experienced dissatisfaction because they were not considered for managerial positions (Pema & Mehay, 2010), they were not shortlisted even when they met job requirements (Miller, 2004), and they were given mundane tasks (Jansen & Backes-Gellner, 2016).

It is thus hypothesised that:

H1o: There is no significant difference between gender and general satisfaction levels of employees either visiting or working at Marabastad Mall.
H1a: There is a significant difference between gender and general satisfaction levels of employees either visiting or working at Marabastad Mall.

Gender and pay satisfaction levels

Pay satisfaction entails employees being content with their pay based on market and gender comparisons (Fields, 2002). International research has shown that female employees were dissatisfied because they were paid less than their male counterparts (Schein, 2007), irrespective of whether they were competent or had the same qualification (Schaefer, 2008) and experience (Watson, 2012). The following hypotheses are thus suggested:

H2o: There is no significant difference between gender and pay satisfaction levels of employees either visiting or working at Marabastad Mall.
H2a: There is a significant difference between gender and pay satisfaction levels of employees either visiting or working at Marabastad Mall.

Gender and stress levels

Positive stress is known as eustress and negative stress is known as distress (Quick, Murphy & Hurrell Jr, 1992; Veldsman & Johnson, 2016). For the purpose of this study, the focus was on negative stress. Research has shown that employees, irrespective of their gender, are stressed because of working conditions (Adriaenssens, De Gucht & Maes, 2013), an abusive supervisor (Ahmad, Khattak & Ahmad, 2016), and unfair labour practice, such as unfair promotion practices (Steel & Lounsbury, 2009). Gyllensten and Palmer's (2005) study revealed that women were more stressed than their male counterparts because of the glass ceiling or lack of career progression, they were discriminated against, and were sexually harassed.

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Based on previous research, the following hypotheses are suggested:

H3o: There is no significant difference between gender and stress levels of employees either visiting or working at Marabastad Mall.
H3a: There is a significant difference between gender and stress levels of employees either visiting or working at Marabastad Mall.

In the next section, the methodology followed to address the research question and hypotheses is discussed.

METHODOLOGY

In order to address the research question, the research approach was quantitative and the research design was cross-sectional and a survey (Au & Leung, 2016). Since the research approach was quantitative, the research paradigm was positivism (Babbie, 2013) because the researcher used hypotheses to generate new knowledge (Du Plooy-Cilliers, Davis & Buizendenhout, 2014). The researcher's intention was not to generalise the study findings to a population, hence the sampling technique used in this study was purposive (Bless, Higson-Smith & Sithole, 2013). Two hundred and fifty (n=250) questionnaires were printed and 205 were completed. This means that the response rate was 82%. A research assistant who understood the language spoken around Tshwane was recruited and trained to translate the questionnaire for respondents who did not understand English. Content validity was achieved by sending the questionnaire to HRM experts at the university (Spector, 2012) to validate its items and the questionnaire was pre-tested on 10 respondents at Marabastad Mall. The researcher received ethical clearance prior to data collection. As can be observed from Table 1, the majority of the respondents were male (56.60%) and did not speak English as a home language (90.20%). Almost 45% of the respondents were employed on a permanent basis, and 75.50% were not unionised.

Table 1: Sample distribution

Variable	Frequency	Percentages
Gender	Male (n=116)	56.60%
	Female (n=89)	43.40%
Language spoken at home	English (n=20)	9.80%
	Other languages (185)	90.20%
Employment status	Permanent (ongoing) job (n=91)	44.40%
	Fixed contract (n=63)	30.70%
	Casual work (n=39)	19.00%
	Self-employed (n=10)	4.9%
Union membership	Yes (n=45)	22.00%
	No (n=154)	75.10%
	Missing (n=3)	1.5%

The validated WageingWell questionnaire developed at Massey University in New Zealand was used, and after conducting Cronbach's alpha in the Statistical Package for the Social Sciences (SPSS) version 25, the overall Cronbach's alpha of the variables (i.e. pay satisfaction, general satisfaction, and stress levels) was 0.74. Maree (2014) argues that variables with a Cronbach's alpha of between 0.6 and 0.9 are reliable. The data were coded in Microsoft Excel and exported to SPSS version 25 for analysis. The descriptive statistics comprised frequencies, and Pearson's chi-squared test of independence (χ^2) was used to test the hypotheses. As suggested by Pallant (2016, p. 220), the researcher tested the assumption of whether "minimum expected cell frequency" was 5 and greater. As can be observed from Tables 3, 4 and 5 in the footnotes, "0 cells (.0%) have expected count cells less than 5", suggesting the assumption was not violated.

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RESULTS

This section is divided into descriptive and inferential statistics.

Descriptive statistics

The data in Table 2 show that 25.2% of the male respondents were satisfied, compared to 11.40% of the female respondents. Interestingly, 55.70% of the women were neutral, compared to 46.10% of the men. It was further revealed that 36.50% of the men, compared to 18.20% of the women, were satisfied with their pay. The majority (i.e. 55.70%) of women were neutral about their pay satisfaction levels, compared to 40.00% of the men. Lastly, 54.80% of the men were not stressed, compared to 69.30% of the women. Of the men, 39.90% were neutral, compared to 27.30% of the women.

Table 2: Gender and pay satisfaction, general satisfaction, and stress levels

General satisfaction levels						
			Unsatisfied	**Neutral**	**Satisfied**	
Gender	Male	Count	33	53	29	115
		%	28.7%	46.1%	25.2%	100.0%
	Female	Count	29	49	10	88
		%	33.0%	55.7%	11.4%	100.0%
Total		Count	62	102	39	203
		%	30.5%	50.2%	19.2%	100.0%
Pay satisfaction levels						
			Unsatisfied	**Neutral**	**Satisfied**	
Gender	Male	Count	27	46	42	115
		%	23.5%	40.0%	36.5%	100.0%
	Female	Count	23	49	16	88
		%	26.1%	55.7%	18.2%	100.0%
Total		Count	50	95	58	203
		%	24.6%	46.8%	28.6%	100.0%
Stress levels						
			Not stressed	**Neutral**	**Stressed**	
Gender	Male	Count	63	39	13	115
		%	54.8%	33.9%	11.3%	100.0%
	Female	Count	61	13	115	88
		%	69.3%	11.3%	100.0%	100.0%
Total		Count	124	63	3	88
		%	61.1%	31.0%	3.4%	100.0%

Inferential statistics

The data in Table 3 indicate that there are significant differences between gender and general satisfaction of employees visiting or working at Marabastad Mall. Based on the study results, H1o is not supported.

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Table 3: Gender and general satisfaction

	Value	df	Asymptotic significance (2-sided)
Pearson chi-square	6.190[a]	2	.045
Likelihood ratio	6.476	2	.039
Linear-by-linear association	3.358	1	
N of valid cases	203		

a. 0 cells (0.0%) have an expected count less than 5.

The data in Table 4 indicate that there is a significant difference between gender and pay satisfaction of employees visiting or working at Marabastad Mall. Based on the results, H2o is not supported.

Table 4: Gender and pay satisfaction

	Value	df	Asymptotic significance (2-sided)
Pearson chi-square	8.631a	2	.013
Likelihood ratio	8.894	2	.012
Linear-by-linear association	4.123	1	.042
N of valid cases	203		

a. 0 cells (0.0%) have an expected count less than 5.

As can be observed from Table 5, the chi-squared was below 0.5, indicating that there are significant differences between gender and stress levels of employees visiting or working at Marabastad Mall. Based on the study results, H3o is not supported.

Table 5: Gender and stress levels

	Value	df	Asymptotic significance (2-sided)
Pearson chi-square	6.375a	2	.041
Likelihood ratio	6.775	2	.034
Linear-by-linear association	6.138	1	.013
N of valid cases	203		

a. 0 cells (0.0%) have an expected count less than 5.

DISCUSSION

The purpose of the study was to determine the differences between gender and general satisfaction, pay satisfaction, and stress levels of employees working at or visiting Marabastad Mall. The study's results replicated global studies that have shown that women are generally dissatisfied (Joshi et al., 2015) and they are dissatisfied because they are paid less than their male counterparts (Zhu et al., 2016). Similar to the findings of Gyllensten and Palmer's (2005) research, the present study found that women's stress levels were lower than those of men. This study has implications for managers in that when women are paid less than men, it will affect their job satisfaction, which is a proxy of productivity (Robbins & Judge, 2017). Another implication for managers is that they can be taken to dispute resolution institutions for violating section 6 of the EEA, which indicates equal pay for equal value (Nel et al., 2016). A further implication for managers is that having employees with high stress levels is counter-productive because such employees might take leave on a regular basis and have high absenteeism rates. For policymakers, the implication of the study results is to monitor and establish why women are still paid less even after the implementation of the EEA, which is about equality and non-discrimination based on gender.

Despite this study contributing to the body of knowledge by using different research approaches and collecting data from an under-researched sample, it had limitations. Firstly, this study did not use a probability sampling technique, therefore its results cannot be generalised. Lastly, the study used a small sample size (n=205)

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and a cross-sectional design. The latter only gives a once-off picture of employees' perception of the research topic (Bless et al., 2013). Hence, in future, it is recommended that a panel study using mixed methods should be conducted, and researchers can also obtain a sampling frame from the City of Tshwane Metropolitan Municipality so that they can randomly select low- to middle-income employees. In conclusion, the following recommendations are made for management to enhance gender equity:

- Strive to reduce gender-based wages inequality;
- Implement a wellness programme to address employees' well-being (i.e. financial and stress); and
- Conduct more job satisfaction surveys.

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ACCELERATING DEVELOPMENT OF MULTIPLE SOURCES OF ENERGY IN SOUTH AFRICA CAN ENHANCE SUSTAINABILITY IN ENERGY SUPPLY CHAIN

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ABSTRACT

The South African Energy supply chain is going through a transformation phase. Presently, fossil sources dominate the industry with coal producing 88% of electricity generation and 40% of liquid fuels, resulting in high carbon emissions. The study aimed to establish that accelerating development of renewable energy, use of clean coal technologies in the new coal-fired power stations, and nuclear would enhance sustainability of the energy supply chain. Utilizing sustainability theory, a qualitative research methodology was pursued. Energy professionals form energy industry were interviewed and the data collected transcribed and interpreted. The outcome was that renewable sources made the energy supply chain more reliable through consistent supply, and reduced carbon emissions rendering it more sustainable.

Keywords: carbon-emissions, coal, energy-supply-chain, renewable-energy, sustainability.

INTRODUCTION

Since the first industrial revolution, coal has maintained its dominance in energy provisions that drive economic development in the world. Presently, coal contributes 41% of the total global electricity production (World Bank Report, 2015). In addition to electricity generation coal is a coking agent in the heavy industries and used for cooking and space heating at home. In South Africa, coal is the primary source of energy contributing 88% of the country's electricity generation and 40% of the national liquid-fuels production (DMR, 2009).

The global coal producing countries strived to maintain the ever-rising energy demand that emanated from rising population and rapid industrialization (BP Energy Stats Review: 2017). The volatile energy demand required a suitable supply model to satisfy the present and the future requirements (Holldorsson & Svanberg, 2013).

Despite its adversity in carbon emissions, coal will remain a dominant source of energy for generations in many countries including South Africa (Baxter, 2015). South Africa has abundant reserves of coal that exists in situ, and at the current rate of exploitation, it could last over 200 years (Thopil & Pouris, 2010). The country is home for some of the largest coal mines and has the largest coal export terminal in the world (Chamber of Mines, 2016). The South African coal is used 75% for domestic market and 25% for export market (DMR, 2009).

The South African energy supply chain is going through significant transformation aimed at boosting energy supply reliance, and drastically reduce carbon emissions (IRP, 2010 and NDP, 2011). The Integrated Resource Plan (IRP) is driven by the Department of Energy and the National Development Plan (NDP) is a national economic development. The NDP target on energy is to drastically reduce carbon emissions by increasing renewable sources of energy, use of clean coal technologies in the future build of coal-fired power stations, and refurbishing the existing coal-fired power stations (NDP, 2011). The strategy included the completion of two giant coal-fired power stations namely Medupi and Kusile that will utilize clean coal technologies, and development of independent

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power producers (IPPs) under the government initiative of renewable energy independent power producers' procurement program (REIPPPP) (Eberhard & Kolker, 2014).

THEORETICAL GROUNDING

This study was grounded on the 1987 Brundtland Report on 'Sustainable Development' theory delivered at the United Nations World Commission on Environment and Development. Sustainable development was defined as: "development that meets the needs of the present without compromising the ability of the future generations to meet their own needs" (Johnston, Everard, Santillo & Robert, 2007).

The analogy to this study is the importance of South Africa accelerating development of multiple sources of energy to avoid over-reliance on fossil sources as stipulated in IRP and NDP. This would culminate into an energy supply chain with less carbon emissions, reduced power outages, and consistent energy supply due to use of multiple sources that would ultimately lead to supply chain sustainability.

COAL MINING AND CONSUMPTION

The bulk of South African coal is produced by five leading international companies which together produce 84% of the total coal production in the country. Those companies are Anglo Coal, Sasol, BHP Billiton, Glencore, and Exxaro. The other 16% of coal is produced by junior miners that included upcoming black economic empowerment (BEE) companies (Oberholzer, 2014).

The South Africa's coal production is 75% for local consumption and 25% for export markets. The local consumption is 70% for electricity generation by the Electricity Company of South Africa (Eskom), 20% for liquid fuels production by the South African energy multinational South African Synthetic Oil company (Sasol), and the other 10% is broken down into (5% general industry, 3% merchants, and 2% home use) (DoE, 2011).
Coal is exported from Ermelo, Mpumalanga through a 650km distance to the world's largest coal terminal, Richards Bay Coal Terminal on the Indian Ocean coastline (RBCT 2015).

Electricity generation by Eskom

Eskom has 15 coal-fired power stations, and most of them are in Mpumalanga province, and operate under 'tied-colliery' contracts that entails power stations having adjacent coal mines that supply coal through conveyor belts (Eskom, 2009). With depleting resource in the last decade, most of the designated mines are unable to meet the required capacity forcing the power station to source the deficient coal from other mines. The outsourced coal is transported by road causing extensive degradation to the environment through air pollution, noise, and road accidents (Prevost, 2010: 17). However, there are plans to relocate the coal-fired power stations in future to the Waterberg coalfields in Limpopo province (Ryan, 2014). Eskom is building two giant coal-fired power stations: Medupi and Kusile under the new coal technologies of super-critical and ultra-super-critical respectively to reduce emissions.

Most of the old coal-fired power stations are approaching the end of life and would be decommissioned in the next ten to fifteen years, and most of them have been retrofitted with bag filters to control particulate and carbon emissions (Eskom, 2009). Eskom operates a nuclear power plant at Koeberg, Cape Town that generate 5% of the total electricity generation capacity, and there are plans to build three new nuclear plants when budget allows with a total generation capacity of 9 600 MW (Mining Weekly, 2016).

Liquid Fuels Products by Sasol

Sasol operates its own coal mines that produce coal for conversion into synthetic fuels or liquid fuels through coal-to-liquid (CTL) and gas-to-liquid (GTL) processes that contributes 40% of the country's total liquid fuels (Sasol,

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2015). The Sasol plant at Secunda imports most of the natural gas feedstock from Mozambique via 850km pipeline, and the plant is the heaviest polluter in Southern hemisphere (Sassol, 2008).

Renewable Sources of Energy

The advent of the first United Nations earth summit at Rio de Janeiro, Argentina in 1992 (UNCED, 1992) ushered in the era of renewable sources of energy to combat carbon emissions that has precipitated into the global warming or climate change phenomenon. Apparently, it has been confirmed that carbon emissions contributed towards global climate change (Union of Concerned Scientists, 2015). In South Africa, renewable sources of energy were initiated by independent power producers (IPPs) to fill the gap in the electricity market and become part of the solution of the energy shortage that commenced in 2007. The electricity law allows IPPs 30% share of power generation from private sector from renewable sources and 70% by the state entity Eskom (DoE, 2006). The IPPs are also supported by NDP to assist in the transformation unfolding in the energy sector.

The government initiative of renewable energy independent power producer procurement program (REIPPPP) is accelerating the development of renewable sources mainly solar, wind, and biomass energy projects (Eberhard & Kolker, 2014). The IPPs will play a great role to increase the energy mix as stipulated in the strategies of NDP and IRP. The future projection of energy mix between 2015 and 2030 was targeted as: coal (90% to 65%), nuclear (5% to 20%), renewable sources (0% to 9%), and hydro/gas (5% to 6%) (DoE, 2011). The country has an ambitious target of decarbonization of between 3.3% to 5% per annum, that translates to 398 MtCO2e (Million tons of carbon-dioxide equivalent) (BP Energy Stats Review, 2015).

Legislative environment

The legislative environment covering the mining industry include the South Africa government's Department of Mineral Resources (DMR), Department of Water and Environmental Affairs (DW & EA) and the National Energy Regulator of South Africa (NERSA). The main legislations include DMR's Mineral and Petroleum Resources Development Act (MPRDA) (Act No. 28 of 2002) (DMR, 2002). The Act is still undergoing review (DMR, 2018). The DW & EA under National Environmental Management Act (NEMA) (Act No. 107 of 1998) control the environmental affairs (Government Gazette, 2010: 3). NERSA regulates the energy sectors in electricity, piped gas and petroleum (NERSA, 2009: 5).

PROBLEM STATEMENT

Accelerating the development of renewable energy to increase variety of sources (mix) in pursuit of consistent supply and reduction of carbon emissions with the view of enhancing sustainability in the South African energy supply chain.

EMPIRICAL OBJECTIVES

The following empirical objectives were targeted in the South African energy supply chain:

- Accelerating development of multiple sources of energy would ensure consistent energy availability.
- Renewable sources of energy, the use of clean coal technologies in new coal-fired power stations and refurbishing the old coal-fired power stations would drastically reduce carbon emissions and enhance sustainability.

METHODOLOGY

A qualitative research methodology was pursued for the study. Lee and Lings (2008) described qualitative research as the process of a researcher generating data from the interviews conducted with the respondents. According to

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Saunders and Lewis (2012), the research design entails understanding the purpose of the research, pursuance strategy, and ability to attain credibility of the interviews, as their outcome must be acceptable and reasonable.

This study aimed to establish the benefits accrued by accelerating development of multiple sources of energy in the South African energy supply chain. This is crucial as fossil fuel provide dominant sources that are heavy in carbon emissions. The other crucial aspect is that energy supply from more than one sources becomes more consistent as all sources are unlikely to fail at the same time. Consequently, you would achieve sustainability in the energy supply chain. Hence, exploratory approach with the energy industry role players both public, and private sectors provided insights to the research.

The participants in the study were top professionals in the energy industry and role players. They comprised Eskom, Department of Energy, National Energy Regulator, rail logistic company Transnet, IPPs and energy consultants. There were 14 participants that represented 95% of the energy industry. A semi-structured questionnaire was used, and interviews lasting one hour were recorded using a digital data recorder. The recorded interviews were then transcribed, analyzed, coded and interpreted via content analysis, and the emerging themes provided the outcome of the study.

RESULTS

The results were determined by the themes that emanated from the study. There were seven major themes and several sub-themes. The major themes comprised: coal heavy in carbon emissions, intermittent nature of renewable energy, energy mix, transforming energy supply chain, energy pricing, emergence of IPPs and regulations and policy. The issues of consistent energy supply, renewable energy and emergence of IPPs, additional mix, carbon emissions, and the use of clean coal-technologies to have a sustainable energy supply chain were expressed by all the respondents.

Empirical Objective 1: Accelerating development of multiple sources of energy in South Africa would ensure consistent energy availability (Achieved

Most of the respondents (12) agreed that speeding up multiple sources of energy, and specifically referring to the renewable sources: solar, wind, hydro and biomass would be the best way to avoid power outages as multiple sources cannot fail at the same time. They expressed that over-reliance on one source (coal) was risky, hence the country has experienced power outages since 2007.

Empirical objective 2: Accelerating development of renewable sources of energy, the use of clean coal technologies in new coal-fired power stations, and refurbishing of the old coal-fired power stations would drastically reduce carbon emissions, and enhance sustainability in the South African energy supply chain (Achieved)

Ten of the respondents expressed the need to fast-track the renewables sources, use of clean coal technologies, and the refurbishing of the old coal-fired power stations as a way of reducing carbon emissions. They referred to South Africa's global positioning among the top 20 worst carbon emitters due to over-reliance on fossil fuels.

CONCLUSION AND RECOMMENDATIONS

The study explored the energy industry and the domination of energy supply from fossil sources for electricity generation through the state entity Eskom, and for liquid fuel production by Sasol. The incorporation of renewable sources of energy in the energy supply chain from 2006 when IPPs were authorized by the electricity Act in 2006.

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The energy policies and the cumbersome (MPRDA) Act of 2002 and the environmental legislation were explored. The South African abundant coal reserves and the danger of carbon emissions from coal burnt at the coal-fired power stations to generate electricity were examined. The advent of renewable energy drive since the first UN earth meeting in Rio de Janeiro, Argentina in 1992 was reviewed.

The study explored the measures being taken to accelerate development of renewable sources of energy, use of clean coal technologies, and the government initiative of accelerating IPP projects.

The study recommended the fast tracking of NDP 2030 program and review of the mining Act MPRDA to appeal to all the stakeholders in the energy industry.

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CONTEXTUALISING TRANSFORMATIONAL LEADERSHIP TO PROMOTE GOOD GOVERNANCE IN HIGHER EDUCATION

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ABSTRACT

The premise of this paper is to assess the application of transformational leadership styles in higher education and link it with governance in South African Higher Education (HE) reforms. The intention of this paper is to contribute towards the understanding of a transformational leadership style that can sustain governance in South African HE. In the last decades, leaders and managers in higher education in South Africa have responded to various challenges that impact their transformational agenda. Some of these challenges include globalization, innovation and information technology, socio-economic factors, and national policy reforms. This paper argues that leaders in higher education are at cross-roads in their plight to transform universities and sustain good governance. This conceptual paper employed a qualitative data approach for collecting and analyzing data. This paper draws on findings that reflect concerns on the application of transformational leadership in the South African higher education, and lessons that can be learnt on how HE institutions can enhance good governance.

Keywords: leadership, governance, higher education, new managerialism, systems theory, university of technologies.

INTRODUCTION

This paper assesses how transformational leadership is applied in Higher Education (HE) in South Africa (SA), with the intention of promoting good governance. It argues that institutions of higher learning are at a cross-roads in their plight to transform universities (Jansen, 2016). The current universities in South Africa went through a phase of transformation since the inception of democracy in 1994. They were also expected to drive transformation agenda and apply transformation indicators by increasing access and success rates, introducing a diversity of programmes, students and staff, addressing inequalities such as gender and disability and lastly to merge in order to produce a single coordinated and uniform higher education style. In the context of this paper, transformational leaders present a new paradigm in leadership that implies that leaders must steer the direction of change and create new adaptive systems in HE. In the 24 years of democracy, leaders in HE are still grabbling with change, and are responding to the demands brought forth by government and other stake-holders.

There is a paucity of literature on studies focusing on transformational leadership in the South African higher education. This paper reviewed studies that focused on various leadership styles and how they have applied transformation indicators in various South African Universities. Transformational leaders are expected to create a future for institutions of higher learning against all odds and remove apartheid legacy challenges in the context of their core businesses (CHE, 2016). In the post-merger phase, leaders have moved from being transactional to be transformative in order to sustain their operations that have been strained by the consolidation of legacy institutional policies with new political, social and economic demands. At the most, leaders and governors in higher education are expected to manage resources and be responsive to the needs of their stakeholders. This paper intends to reflect on how leaders can be transformative in response to new emerging governance issues such as responsiveness, accountability, institutional autonomy, stakeholder involvement and deliberate democracy.

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Leadership and governance in the post-merger phase has been influenced strongly by historical trajectories, both at the level of the individual institution and of the system in general, since the introduction of different governance models varying from cooperative governance to managerialism, which compels institutions to merge business principles with public values, and align their institutional practices with government demands. In order to address these challenges, Higher Education in South Africa requires a new model of leadership that is dedicated to serving the stakeholders and recognising the national objectives, with the intention of contributing to that country's economy. The intention of leadership must be aligned with HE outcomes and demands in order to produce competent and skilled personnel with cutting edge qualifications that will enable them to participate in building the economy. This conceptual paper employed a qualitative approach to collecting and analyzing data. In contextualizing TL, this paper will focus on the conceptualisation and theoretical framework of transformative leadership, transformational leadership and good governance, policy implications, and finish with a conclusion and recommendations. Using the document analysis research approach, this paper draws on findings that reflect concerns to the path traversed by institutions of higher learning while the new demands of HE requires them to be open about transformation and policy reforms. The next section will provide some background to the higher education problem.

BACKGROUND TO THE PROBLEM

Global changes and national realities brought about changes in the new academic landscape that required leadership styles qualities able to steer change in a new direction while sustaining development of these institutions. The newly conceived democratic government in 1994 introduced various policy reforms to transform higher education and later created new institutions with new governance structures. The most prominent policy reforms that set the agenda for transformation in HE post- 1994 include the government National Plan (2001), the White Paper for Post-School Education and Training of 2013, the National Development Plan 2030, the Human Resource Development Strategy for South Africa 2010 – 2030, the National Skills Development Strategy III, and the Presidential Outcomes 5.1 (Higher Education and Training). While these policies were striving for a coordinated and unified HE system, each university had its own unique challenges in sustaining their institutional culture, branding, student success and other matters while striving for allegiance to the common interest of public good.

Higher education has experienced enormous challenges that include globalization, use of technology on innovation and transmission of knowledge, mobility and the internationalization of HE, legacy challenges and new student demands. Woldegiorgis & Doevenspeck (2015), assert that African higher education institutions have been marginalized in the knowledge production and dissemination processes by other countries. Various scholars have highlighted the surfacing of a leadership crisis in various institutions of higher learning that are expected to carry transformation mandates in the post-apartheid South Africa (Ngcamu and Teffera, 2016). It is apparent that HE is experiencing a crisis in leadership with new governance challenges emanating from the external environment and within the university community (CHE, 2016). However, there is limited success in associating transformational leadership traits (by applying various transformation indicators) with the governance of higher education (CHE, 2016). The current students' demand for equal and free education is a wake-up call that is reminding government to provide better resources to enable institutions of higher learning (IHL) to effectively and efficiently operate their core business. Although scholars have alluded to desirable leadership styles to help drive universities, on their ongoing success during change, there is relatively less attention given to transformational leadership factors which promote good governance within the university setting. This study therefore contextualizes transformational leadership by linking it with the goals of transformation in the post-merger phase in higher education in South Africa, with the intension to establish the extent to which transformational leadership capabilities can influence and promote good governance in higher education.

RESEARCH METHODOLOGY

The reviewed scholarly literature indicates that there is a growing need for conducting studies on how transformational leadership traits can influence universities in attaining good governance in the context of change management. Therefore, a qualitative data analysis approach was adopted in order to generate themes that can

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establish how transformational leadership is understood and distributed in order to attain good governance in various university structures. Data was collected from higher education policy documents, legislation, research reports, as well as from Masters and Doctoral dissertations and theses. The flexibility of qualitative research makes is an added advantage in the exploratory investigation of new concepts and theoretical background of a transformational leadership (Bryman, 2016). The intended outcomes of qualitative research are to gain a deeper understanding of transformational leadersip within a university and its impact on good governance. Data was also drawn from commisioned research reports on post-merger assessor reports, HEQC audit reports on quality assurance and governance practices.

CONCEPTUAL FRAMEWORK

Transformational leadership can be defined as a highly ethical standard of leadership that virtues the respect of employees and society (Caldwell, Dixon, Floyd, Chaudoin, Post and Cheokas, 2012) The higher education environment requires leaders that are committed to adapt to change in the context of the business of the institution in the diverse and complex environment. Cream of the crop leaders are expected to positively influence the other employees to excel beyond their duties in relation to the university core business. Hempsall (2014) is of the view that organizational leadership requires capacity and managerial skills in order to adapt and respond to the continual fluctuations of responses towards change. Various scholars have contextualized transformational leadership style and highlighted the following attributes:

a) A visionary leader that works with subordinates to identify change, and act as a real model while displaying charismatic personality that influences others (Mohamed, 2016: 50).
b) A leader serve to be inspirational and motivating others to improve their morale and job performance (Hetland, Hetland, Bakker & Demerouti, 2018).
c) A role model that makes followers to have stake in the ownership of their work, and understand the strength and the weaknesses of the workers (Ramsey et al., 2017).
d) An intellectual stimulator that creates values and autonomy among others by involving them in the decision-making process (Li, Richard, Arvey, Zhang & Song, 2012).

With these relevant skills and attributes, transformational leaders must drive institutional governance structures effectively and efficiently. In the context of effectiveness, Matsiliza (2016) is of the view that leaders must be able to steer the process of change with a vision that is accepted by their followers. Sotirofski (2011: 3560) holds the view that effective leadership must be concerned with the ability to achieve the objectives of an organization. Olu-Abiodun and Abiodun, (2017:23) agree that transformational leaders must inspire and motivates their followers through a visionary journey. Furthermore, transformational leaders must demonstrate effectiveness during new government demands, globalization and technology which seems to be continuously affecting its core business. Woldegiorgis & Doevenspeck (2015) also agree that globalization has influenced university operations as well as the mobility of people and the interdependence of nations to a higher level due to the expansion of Information Communication Technology (ICT).

While diverse scholars attempt to conceptualise governance, they fail to provide a uniform definition. Governance can be regarded as an act of coordinating HE business through various structures that are not only driven by government as a stakeholder, but also by other representatives from the private sector and the community. Manna and MacGuinn (2013:685) assessed how governance has been contextualized by other scholars and employs a systematic approach in contextualizing governance with the view that it assists in establishing the relationship between institutional arrangements and valued outcomes. This study notes that governance is inescapably related from leadership since executive managers and the governors of HE institutions are at the forefront of organizing and leading in governance structures.

Governance is directed towards decision-making processes within the institution with diverse stakeholders involved in the facilitation and and coordination of the core business of the university. Stakeholders are also required to effectively implement not only its policies and objectives, but also national policy reforms of transformation agenda. Some of the stakeholders in HE are responsible for auditing and monitoring progress to assure that these goals of transformation are achieved. However, governance in public higher education has suffered

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a considerable effect due to government and political interference Higher education has evolved over the decades and is shaped by government policy reforms that compel it to be responsive to societal needs and to those of the stakeholders.

Higher education in the South African National Qualification Framework (NQF) is composed of the formal education offered in universities, universities of technologies and tertiary education and training colleges. The HE system is inherited from an Anglo-Saxon tradition of education and draws from British and other European influences. These institutions of higher learning have undergone enormous transformation changes, and have modern 'mass schooling' with a rich history of recent democratic development, driven with transformational goals such as equity and success of students, curriculum reforms, responsiveness and accountability to stakeholders, as well as other operational matters related to their core business. Qualifications offered vary per their faculty programme qualification mixes. Public higher education's core business is influenced by the state regulatory policy frameworks such as the Higher Education Act (1997) and other policy guidelines.

STRUCTURES AND MODELS OF GOVERNANCE

In Post-Apartheid South Africa, governance presumes a functional and structural dimension; based respectively on what is expected to be done , and how structures are organised. In light of these two dimensions, governance requires a collabarative and adaptive role from participants in managing IHL at diferent levels of order. After 1994 policy directives from the White Paper 3 (1997) and the Higher Education Act (1997) provided detailed information on governance structures for tertiary education functions and roles. Section 34 of the South African Constitution, Act 101, 1994, provides for the freedom of every-one to have and establish, where practical, educational institutions based on a common culture,language or religion, provided that there shall be no discrimination on the grounds of race.

The South African Constitution (1996) provisions for HE that has a functional domain in the national sphere of government. On that note, HE institutions are regarded as public institutions, and are expected to operate for the "public good". The implication of this is the acknowledged constitutional provision that allows for the practice of "cooparative governance and the principles of Public Administration" (reference). In the context of this study, HE institutions and their structures are expected to relate well and cooperate with each other and with other stakeholders regarding legislation, service delivery and resolution mechanisms where there is dispute and conflict. The philosophy of cooperative governance was recognised in the government baseline policy and HE legislation along with emerging principles of new managerialism. The Higher Education Act (1997), which was later promulgated, endorsed the principle of cooperative governance on the grounds of transforming the governance system in SA.

The current theoretical policy debates on governance practices in HE reflect more on managerialism. Managerialism, shared governance and cooperative governance emerged in the post-apartheid era as a means of promoting the national agenda of transformation. However, the National Council on Higher Education (NCHE) notes that the governance process is a process that includes all activities that have purposeful efforts to guide, steer, and control or manage HE institutions and their sectors. Consequently, the scope of this project includes structures, processes and values by which institutions take decisions in pursuing their objectives.

The NCHE's pursue the notion of providing good governance through co-operation and partnership in governance, where policies are successfully implemented through a managed and monitored process that requires the existence of a relationship between HE, the state , the industry, stakeholders and the communities. An interesting account on the models of governance is provided by the NCHE (1997), as being state control, state interference and state supervision. State control focuses on the direct government involvement, where the state plans budgets, access, and quality assurance. This model is common in communist countries where the state does the central planning of the economy and development. This model also implies rigid bureaucratic tendencies. In the State supervision model, the government is responsible for the broad framework and planning of HE, and Seeks to encourage self-regulatory capacities of decentralised decision-making units.

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The Higher Education Act (1997) clearly states the structure of governance in HE as vested in the Council, the Senate, the Institutional Forum, union structures, student representative council and stakeholders. Even though cooperative governance can been seen as having elements of Weberian bureacracy, it does not accommodate the absolute system of governance with rigid legal principles. There is an element of flexibility when it comes to power sharing and change management, even though governance is currently contested. In the study conducted by CHE (2016), it is pointed out clearly by academic leadership predecessors that higher education in South Africa in the post-apartheid era has never been more volatile than it is currently, some two decades into democracy.

The fundamental principle of cooperative governance is expressed, with some practicality in the role and responsibilities of the Senate and the Council, through the newly formed Institutional Forum (IF) and its interrelationship with the workers union and the society. The role of the Senate and the Council is motivated by the principle of institutional autonomy and academic freedom. The new governance structures also include the imperative of student governance. The Higher Education Act (1997) provides for the responsibility and prerogative of Students Representative Councils (SRC) in university decision-making processes in order to ensure an effectively responsive higher education. Brown (2011:195) asserts that the developing research evidence on learning and teaching indicates that students can have high impact in making and sustaining changes in learning, teaching and professional development in their universities.

Policy directives emphasises the role of different decision making bodies at Higher Education Institutions such as the previously mentioned Council, Senate and the Institutional Forum. The shared responsibility in academic matters between the Senate and the Council, results in a Bi-cameral system. Provide a brief explanation of the bicameral system However, there is nothing said about the power of the IF in making final decisions. The IF only advises Council in making final decisions. Furthermore, the Council, as the highest decision-making body, is responsible for the good order of governance in an institute's mission, financial policies, performance, quality assurance and image / reputation of the institution. However, the Senate is responsible for research and teaching the core business and the purpose for the existence of HE institutions. The Council may be in charge of the academic and research functions without disrespecting and undermining the Senate, while operating under the same institutional mission. The folowing section will focus on the application of transformational leadership in pursue of good governance.

DISCUSSION: EMERGING NEW NARRATIVES

Based on the literature used to analyse and scrutinise data, new narratives that link transformational leadership and governance were identified as: 1) Institutional autonomy and academic freedom, 2) responsiveness, 3) stakeholders involvement 4) accountability and transparency. 5) equity, redress and social justice.

1. Institutional autonomy and academic freedom

During the apartheid era, issues relating to academic freedom were applied along the racial lines. Universities in South Africa were created according to the British models of education. Proponents of academic freedom, such as Dr Davie, (the former vice chancellor of the University of Cape Town), indicate that the essentials of academic freedom include 'four essential freedoms … to determine for itself on academic grounds who may teach, what may be taught, how it shall be taught and who may be admitted to study' (Van de Sandt, Centilivres et al 1957: 11). In the post-apartheid era, governnment has responded to issues of inequalities in HE and academic freedom was on the cards and endorsed, but the playing field is not yet level. Moreover, the South African Constitution provides for the protection of human rights inclusive of the freedom of speech.

The Higher Education Act (1997) also provides for some institutional autonomy and academic freedom in HE. This lies in the ambit of the roles and the responsibilities of the Council, Senate and the Institutional Forum. Power sharing between these bodies (to run the business of the institutions of higher learning) is also subject to ministerial decisions and other laws regulating and governing HE. Transformational leaders are expected to emerge and drive the relations between the governance structures and support academic freedom. Given the visionary traits of successful leaders, behaviors that are associated with effective leadership, views and ideas of academic freedom

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are also considered as important and needed in order to maximize productivity (Sotirofski, 2011).

In the context of the White Paper (1997), academic freedom implies the absence of outside interference and disturbances while pursuing academic work. However, academic freedom seems too far a fetched dream since academics are confined to various institutional prescriptions and national policies, which restrict them from exercising their rights. According to the Higher Education Act (1997), the Council of a public HE institution must govern the institution subject to the provision made by the Higher Education Act of 1997, and any other institutional statute and legislation that is desirable for governance in Higher Education. Academics can participate when they are senate members in the adoption of academic activities such as the approval of academic programmes and activities such as the core business of the university.

In pursuit of good governance, university leaders must promote institutional autonomy and allow academics to exercise their poweres in the transmission of knowledge with less outside interference. A university must avoid to be used by other institutions like the state, church and political organisatio to further their interests. Given the space to exercise their educational goals, academics, and in their spirit of inquiry, university leaders must be proactive in conducting research that can assist in addressing the problems related to institutional interference and disregard of academic freedom in higher education.

2. Visionary, Accountable and Responsive leadership

Unlike transactional leaders, transformational leaders are expected to be visionary and to be strategic in planning and adopting programmes that can alleviate development while motivating others in HE institutions. In the same scenario of change, leaders are expected to be responsive to the pressures and demands brought about by global factors and national realities. It is imperative to point out that HE operate as an open and a closed system. Leaders are expected to be responsive to forces of change that come from outside more effectively that the internal ones. Jonesa, Lefoeb, Harveyc and Rylanda (2012) are of the view that HE needs a new leadership type that will respond to new global demands while sustaining their development. Leadership capabilities have been tested during the desperate times of ‘’Fees Must Fall’ in South Africa, where students demanded free education. It was evident that there was a lack of preparation in the responsiveness of university managers in pre-empting the need for free and equal education. However, it emerged that free education was mentioned on the manifestos of the ruling party when it was preparing to take-over the reigns of power before 1994. Also, the Freedom Charter, adopted in 1855, prescribed the goal for a free and just education system (ANC, 1955).

Transformative leadership capabilities are needed to drive the vision of a coordinated and single higher education system and to explore options that do not compromise the sustainability of the HE system. Brown (2011) supports the idea of a visionary leader that must observe and manage new student demands and challenges brought about by transformation. He further concurs that it is imperative to focus firmly on core purposes aligned with the university student-centred mission that can insure that student satisfaction and quality assurance are high on the agenda. The current student demands require a transformed leader that must also be consultative to the university community, and be democratic in finding solutions that can bring good governance. Some imperatives to be considered by a transformative leader in sharing a common vision with the university community and stakeholders, such as addressing the historical legacy of inequality, promoting equity and access, addressing learners’ needs, transforming the curriculum based on democratic values, and creating a conducive environment within the institution to affirm gender equality and cultural tolerance (Jansen, 2016).

In addition, in the event of responsiveness, leaders are compelled to account for their responsibilities particularly on the spending of public money that is generated through government grants and donations. From time to time, university operations are affected by transformation indicators and state interventions. Leadership in higher education has been subjected to a plethora of changes in the past 24 years in South Africa. Grigoriadisa and Kamaras (2012) illustrate through the case study of Turkey higher education reforms, that government policy reforms have influence on the operations of state universities. These scholars also agree that government policy reforms can create paradoxes on change, and influence leadership to pursue a much more intrusive central government control than hitherto had been the case. There is continuous change in HE that propels university communities to be regulated and more accountable in their operations such as in relating to student admissions,

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human resources, financial management and cost accounting, teaching and learning, research management, contract management and community engagement. However, there is an exercise of academic freedom in some aspects such as in teaching and learning, research and academic citizenship. Academics are given an opportunity to use their expertise and creativity to lead in knowledge transmission and produce excellent academic work in Higher Education. This type of accountability thus give the university academics and management some degree of control over idealistic research and teaching, without requiring any real engagement with its content.

3. Openness and Participation

The maintenance of good relations between universities and stakeholders is considered central to higher education operations. Universities, through their governance structures, have a mandate to inform and influence the public debate on the policy framework for the transformation of the higher education system (White Paper in Higher Education 3, 1995). Leaders in HE have limited space and capacity to be 'open' due to external interference while they operate their core business and government regulatory transcript. The current status of HEs suggests that the playing field has not yet been levelled in some universities. There are still ongoing implications of unintended objectives regarding lack of openness and transparency in some other universities in South Africa. Transformation indications can be observed through stakeholders participation as guided by the principle of "openness''. Universities cannot be totally open since they follow guidelines on how to interact with communities and external forces and respond to issues relating to its core business.

A transformative leader is expected to adopt a visible, open, and participative approach that focuses on communication, cooperation, and learning to develop sustainable practices, and one that seems to be a promising leadership approach to sustainability change (McNamara 2008). Higher education leadership must provide new ways of responding to current leadership challenges as traditional leadership is orientated from the experiences of the industrial paradigm which might not be relevant for higher education (Brown, 2011). Issues of openness in HE have raised mixed feelings, where some scholars agree with openness while some claim that it is an ideal situation. Universities have autonomy in running their core business if they comply with government policy directives.

In the early 1990s government directed universities to increase the diverse presence of students by overcoming the historical legacies, and to increase access and participation of previously disadvantages groups such as black students, females, disabled and mature learners. According to HEMIS, the Higher Education Management Information System (CHE, 2016), overall student enrollments have increased by 23% from 2008 until 2013. This increase indicates that the proportional representation of South African students of different races in public HE is improving, in as far as its racial composition is concerned. The proportion of enrolled black South African students is still increasing and becoming more reflective of the national population every year. It can also be argued that students are important stakeholders in South African higher education operations and governance matters. Despite the increase in enrollment numbers, there has been slow and modest improvement in the representation of black academics at faculty and senior leadership levels of universities, yet inequalities persist, with 17 753 black academic staff members in 2013 compared to 26 847 whites (CHE, 2016).

Also, despite an increase in the number of Black South African postgraduate enrolments from 64 396 to 97 294 from 2008 to 2013, and an increase in postgraduate qualifications awarded to Africans within the same five year period , the pipeline of black academics in post-graduate studies is generally small to build into the next generation of graduates. Literature suggests that HE governance does not paint a good picture of racial and gender diversity, especially with senior executives (CHE, 2016). Literature has shown that institutional transformation has been influenced more by the government policy frameworks than by transformational leaders. There is less institutional autonomy when it comes to crafting a vision that is isolated from the national transformation agenda. In observing the team-effectiveness of leaders, Ngambi and Bozalek (2013) agree and assert that some leaders in HE find it more appropriate to focus on individual concerns instead of pursuing communal interests.

Some leaders cling more to benefits associated with their transactions of tenureship and contracts than the dedication to achieving transformation goals that can produce good results. This brings about mixed feelings with regards to success rates in managing change. Muller (2017) asserts that the pressure for academics to comply with

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the current transformation challenges has persuaded them to seek distorted incentives that can benefit them, and get them recognition from their leaders.

4. New Students Demands

Knowledge transmission in HE also creates paradoxes. Curriculum reforms such as the movement for decolonisation and demands for free and equal education for all students were launched by students in 2015 in various universities across South Africa. However, these demands are set to be implemented in a slow pace. Leaders have been suprisingly pressured by student community to respond to their needs. As part of the transformation agenda, student representatives form part of university governance syste and their rights are protected by the SA Constitution (1996). Moreover, universities in the 21st century are considerable responsive to change. Heleta (2015), is of the view that university communities epistemologies and knowledge systems are changing considerably. However, in some instances they remain rooted in colonial, apartheid and Western worldviews and epistemological traditions. Ranrathan (2016) also agrees that some of the numerical changes to patterns of higher education offerings originate from the legacy of apartheid ideology, together with that of the new democratic government that sought radical transformation. To some extent, Heleta (2016) traces these students demands as part of the colonial legacy, and have played a key role in promoting apartheid and white supremecy in the education systems in South Africa.

Information as a resource is imperative and should be prioritised accordingly to suit the changing times and the nature of transformation. In the context of this study, transformational leaders are epected to observed these malladies and direct the agenda for transformation in order to regress all the imbalances in the transmission of knowledge. The irony is that universities managers are expected to lead while their decisions are driven by political, social and economic forces of the past oppressive regimes. Consequently, debates on the decolonisation of the curriculum are a constant reminder that transformation is not open enough for to effect change. Mouton, Louw & Strydom (2013) argue that the new type of students entering tertiary education in the recent years have been exposed to outcomes education, hence there is a need for tertiary institutions to prepare them different that before. On the same line of decolonizing curriculum, Jansen (2017) is of the view that the road to the decolonization of the university will come at a price, since universities will need to invest more time in engaging students on these reforms, and students have limited time since they are primarily there to acquire their qualifications. Institutions of higher learning are also compelled to show their commitment to responding to inequalities caused by Apartheid and fight against all forms of injustices and discrimination while decolonizing the curriculum. They also need to spend time with instructors and advance them in an understanding of what decolonization encompasses.

Leaders in various IHL are not only faced with new demands to decolonise the curriculum, they are expected to adequately manage resources in a landscape that is challenged by the legacy of racial and colonial tendencies that have prevented students from acknowledging their roots and historical backgrounds. The leaders' failure to manage resources and to increase black academics in senior positions puts pressurise the leadership and government to respond. Signals from various stakeholders indicate preparation challenges in the implementation of free education. Education is currently costly and severely overpriced relating to financial aid issues, and this has become an enduring feature of the higher education landscape which is likely to increase in frequency and intensity. Some of the financial constraints in South Africa are influenced by the global economic down-turn of 2007 up to the current county recessions. In some other countries like South Africa, corruption and budget deficits have remained high since 2009 and government departments are starting to feel the pressure of cutbacks. The last quarter of 2019 saw negative growth in the South African economy that has been troubled by down grades from SNT and Moody due to the instability in politics and governance (The State Capture Report, 2016).

CONCLUSION AND RECOMMENDATIONS

This paper has contextualized transformational leadership with the intention to promote good governance in higher education. The objective was also to highlight various factors that have been considered by HE leaders in the post-apartheid South Africa, in addressing the inequalities which are conceived from the colonial and the apartheid ideological stance. This paper has revealed that there has been a move from transactional leadership to transformative leadership in higher education, and that transformational leadership is inextricable linked to

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governance that is observed through acts of institutional autonomy and academic freedom, openness, responsiveness and accountability. Lessons were also learnt in the plight of students demanding free and equal education, in inclusive and socially-just learning environments that can be sustainable for the future use. Transformational leadership appears to be ideal and good governance has appeared to be too complicated to be sustained by leaders.

South African university leaders have little experience in identifying transformational goals on their own. They rely on Western and European Colonial knowledge in teaching and learning at various institutions of higher learning. This tendency has grown and has been inflicted upon other scholars. Furthermore, scholars are made to think that Western and European knowledge should form a greater part of their decision-making, and consequently this isolates indigenous knowledge systems and other newly emerged needs. The responsibility of leaders in HE is to transform and decolonise the curricula, and respond to new demands of free education, by first agreeing on the directives and guidelines that inform the current weak agenda setting of the government. Inclusion of all stakeholders in these discussions is paramount. It has emerged that HE leaders are challenged in the development of higher education governance, by maintaining the characteristics of co-operative governance in practice at institutional level, due to the interdependency of governance structures (such as councils, VCs and unions) and the dependence of good governance on the capacity of individuals.

However, there is progress of transformational goals applied through governance activities such as institutional leaderships involved anticipating and responding to the changing environment, and to policy initiatives. To make transformational leadership fit in the higher education academy, this study considered how university leaders could focus on diverse principles to promote governance being visionary, responsive, accountable, including stakeholders in decision-making and continuously improving their institutional capacity in line with societal challenges in theory and in practice. This study found that universities that were previously disadvantaged are far from fulfilling the goals of transformation and good governance, hence they need transformational leaders to drive operationalize their vision and mission. Leaders in these institutions are constantly impacted by change with fewer resources at their disposal to address these challenges.

Recommendations

This study proposes a transformational leadership model that connects with good governance to enhance the following aspects:

1. Consultation: Importantly, executive managers and governors in HE must be encouraged to work as a team and consult with all stakeholders in pursuit of their strategic leadership mandates. They must comply with transformation indicators and recognize the needs of the institutions they are leading in order to maneuver their way forward during possible crises in the highly politicized working environment.

2. Responsiveness: Faculty administrators and university governance structures must spend sufficient time listening to and addressing student problems before they escalate to riots. Universities should fully embrace the idea that they serve the students- at- large who are regarded as the country's future leaders and should therefore be included in decision-making processes that affect their determined future goals.

3. Capacity building: Thus, continuous training of academic leaders is beneficial for the success of institutions of higher education. It can increase the effectiveness of transformational leaders in institutions of higher education. Performance management can be used to identify gaps and to recommend strategies to improve the overall performance of executive managers and leaders in those institutions.

4. Effective governance: Higher education institutions must move away from conditional cooperative governance to shared governance. This will contribute to effective governance and fighting for academic freedom. Institutions of higher education must be lead in a direction that can achieve good governance through a combination of participatory governance and well-developed, formal systems of governance that practise both institutional autonomy and academic freedom.

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BRIDGING THE ACADEMIC-PRACTITIONER CHASM: TOWARDS A MODEL OF HOTEL B2B SALES

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ABSTRACT

This paper presents a synthesized hotel B2B sales model, relevant to practitioners, while anchored in theory. This is in response to calls for further research to integrate fragmented existing theory and to bridge the theory-practice divide. The paper shows that (i) the hotel B2B sales model comprises complex constructs, which hold challenges for theory development; (ii) the (major) hotel corporations operate in all modes of Inter-Organizational Integration and various relationship strengths – i.e. transactional, consultative, collaborative and strategic; and (iii) economic and behavioral theories explain this evolving model. The contribution of this paper stems from enhancing understanding by integrating fragmented knowledge.

Keywords: B2B sales; competitive advantage; conceptual; hotel industry; model; strategic accounts; theory building; value-exchange management.

INTRODUCTION

Neil Rackham (2012), the prominent sales scholar and practitioner, opined, "… the future of B2B sales requires that we build a systematic body of knowledge. We need to bring together sales knowledge that is as good as the current body of marketing knowledge. And, though fragmented, the sales knowledge is out there." To complicate matters "The word *sales,* is an unfortunate and imprecise term," states Rackham, as it often simultaneously refers to both selling cookies and selling enterprise-level computer systems. Isn't *sales,* from the most simple to complex engagements, essentially a *value-exchange process* between parties? Articulating and framing a systematic body of sales – or alternatively stated, *value-exchange management* - knowledge is needed, but in addition, threatened by an academic-practitioner divide.

Applied disciplines, like sales and marketing, are characterized by a theory-practice gap (Lilien, 2016; Mora Cortez & Johnston, 2017; Swanson & Chermack, 2013). In the case of sales and marketing, this gap dates to the earliest publications (Hadjikhani & LaPlaca, 2013). Many reasons are advanced for this theory-practice gap. On the one hand, scholars generally do not have experience or access to B2B practice (Lilien, 2016). On the other hand, practitioners, consume as little as 4% of scholarly articles because they question the relevance of the research (Mora Cortez & Johnston, 2017). Consequently, practitioners do not use theory proposed by scholars (Lilien, 2016). This is not surprising as scholarly research generally does not incorporate their theoretical descriptions and confirmations into practical terms. Scholarly research often overinterprets partial theories resulting in incomplete explanations (Swanson & Chermack, 2013). This is contrary to sound theory as proposed by *inter alia* Jaccard and Jacoby (2010) and Swanson and Chermack (2013). Moreover, theory development is slow (Mora Cortez & Johnston, 2017) and seldom progresses beyond the conceptualization phase (Swanson & Chermack, 2013). Practitioners need immediate answers (Swanson & Chermack, 2013) for problems that evolve faster than academics can deliver theories, or

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models in the case of social sciences (Jaccard & Jacoby, 2010; Mora Cortez & Johnston, 2017). To advance towards a rigorous theory, that is actionable in practice, both theory and practice are required (Mora Cortez & Johnson, 2017; Swanson & Chermack, 2013).

Business-to-Business (B2B) sales, specifically in the hotel industry, presents a current example of the theory-practice divide (McNeill & Nienaber, 2018). A contributing reason for this divide is the different goals pursued by academics and practitioners (Mora Cortez & Johnson, 2017). A review of the academic literature showed the dominating topic as the successful implementation of B2B sales, by using a variety of economic or behavioral theories (Hadjikhani & LaPlaca, 2013; McNeill & Nienaber, 2018). A review of the practitioner literature, in contrast, revealed dominating practical models for enacting B2B sales (see Andersen & Stein, 2016; Capon, 2001; Schultz & Doerr, 2014; Zimmerman, 2018). However, these models lack theoretical grounding. It was also noted that the terminology used differed across sources, whether from academic or practitioner literature (Lacoste, 2018). Furthermore, some concepts, like *relationship*, are ambiguous (Hadjikhani & LaPlaca, 2013; Sheth, 2017). These observations allude to and support the notion that B2B sales lack a well-developed and systematic body of knowledge (Mora Cortez & Johnson, 2017; Rackham, 2012; Roberts & Shea, 2017; Sheth, 2017). Consequently, the B2B sales field is fertile ground for theory building. Hence, it is surprising to note that, specifically hotel, B2B sales is neglected in the academic literature (Lilien, 2016; McNeill & Nienaber, 2018). This observation is perplexing as both academic and practitioner literature acknowledges the importance of B2B sales in generating organizational revenue (Lilien, 2016; Wang & Brennan, 2014; Zimmerman, 2018).

Major hotels, including the two major hotel corporations, headquartered in the US are present across the globe (Hotel Magazine, 2017:36). Furthermore, the US hotel corporations dominate the industry globally with revenue reaching about US$193 billion in 2017, and, is estimated to amount to about US$235 billion in 2022 (Euromonitor, 2018). Moreover, hotel B2B revenue contributes a significant proportion of top-line revenue (Noone & Hultberg, 2011; Wang & Brennan, 2014). Thus, it stands to reason that ineffectiveness and inefficiencies in hotel B2B sales models put top-line revenue and profitability under pressure (Capon, 2001; McNeill & Nienaber, 2018). This pressure is intensified by (i) the high failure rate of B2B sales, mainly operating in the collaboration and strategic account modes (see Figure 1) (Capon, 2001; Guenzi & Storbacka, 2015; Hadjikhani & LaPlaca, 2013), and (ii) the evolving nature of B2B sales (Arli, Bauer, & Palmatier, 2018; Lacoste, 2018; Moncrief, 2017; Rach, 2015). Hence, better research addressing concerns of both scholars and practitioners is needed to improve understanding and practice of successful B2B sales.

An overlooked area of academic research is the changing landscape of B2B buying/selling, such as the evolving shift from transactional toward strategic selling (Lilien, 2016; McNeill & Nienaber, 2018; Moncrief, 2017; Rackham, 2012). Previous B2B studies attended to switching cost (Blut, Evanschitzky, Backhaus, Rudd, & Marck, 2016); value-based selling (Töytäri & Rajala, 2015); value co-creation (Möller & Halinen, 2018); relationship selling (Arli et al., 2018); building an effective B2B program, as practiced by key/strategic account management (Davies, Ryals, & Holt, 2010; Gounaris & Tzempelikos, 2014; Lee, Su & Dubinsky, 2005; Sheth, 2017); the competencies of salespersons and strategic account managers (Lacoste, 2018; Weilbaker & Crocker, 2001); the interface between sales and other functional areas such as marketing and revenue management (Wang, 2012, Wang & Brennan, 2014); the future of B2B sales (McNeill, 2017); and the development and future of a B2B marketing/sales theory (Hadjikhani & LaPlaca, 2013; Mora Cortez & Johnson, 2017). These studies were mainly approached from the seller's perspective, without significant input from the buyer/purchasing organization. This is odd as today, power is shifting to the buyer organization (Friend, Curasi, Bole, & Bellenger, 2014; Paesbrugghe, Rangarajan, Sharma, Syam, & Jha, 2017).

This study is in response to the call for further research to address the changing B2B buying/selling landscape, and to close the theory-practice gap (Lilien, 2016; McNeill & Nienaber, 2018; Moncrief, 2017; Mora Cortez & Johnston, 2017; Rach, 2015; Roberts & Shea, 2017). The focus is on B2B buying/selling in the US hotel industry. The purpose of this paper is to present a synthesized hotel B2B sales model, relevant to practitioners, while anchored in theory. The research question is: "What are the key components of a contemporary US hotel corporate B2B sales model?" Thus, the objectives of this paper are to contribute to bridging the theory-practice gap in general B2B sales as applied to the hotel industry while integrating fragmented existing knowledge in a systematic body.

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Literature, especially academic literature, is not unanimous about B2B sales (Lilien, 2016; McNeill & Nienaber, 2018; Mora Cortez & Johnson, 2017). However, it is generally accepted that *relationship* is central to B2B sales (Akrout & Diallio, 2017; Andersen & Stein, 2016; Capon, 2001; McNeill & Nienaber, 2018; Moncrief, 2017; Sheth, 2017; Schultz & Doerr, 2014; Zaeferian, Thiesbrummel, Henneberg, & Naude, 2017; Zimmerman, 2018). Also, not all literature distinguishes between B2B sales and marketing probably because sales and marketing converge, as discussed later in this paper. For purposes of this paper, we adapted the B2B hotel sales definition of McNeill (2017). Hotel group sales are acquired by living, breathing salespeople regardless of the source of prospects/leads. S*alesforce* refers to a group of people – inbound salespeople in regional centers (*Cube Farms*), local or hotel property-level salesforces, and strategic account teams – national, multi-national, and global – facilitating the exchange of products and services, solutions and other value to a B2B market. This market is primarily meeting and convention planners and decision-makers, who purchase meeting space and ancillary services from hotels and other venues. This definition is elaborated on in the next section, which clarifies the terminology used in this paper. The clarified terminology serves as input to the proposed model of hotel B2B sales. This paper closes with conclusions and recommendations for further research.

TOWARDS A HOTEL B2B SALES MODEL

Clarifying terminology ensures a shared understanding, to aid the classificatory and explanatory functions of theory. We first define applied disciplines in view of theory in applied disciplines and the components of theory. Then, we elaborate on B2B sales in the US hotel industry to progress towards an exemplar model of B2B sales in the hotel industry.

Theory Defined

According to Swanson and Chermack (2013:6) "applied disciplines are fields of study and practice which are fully understood through their use in the functioning world." This requires a balanced approach between theory and practice to succeed (Swanson & Chermack, 2013). Consequently, sound theories are necessary to displace false theories, which can inflict harm on people, organizations and societies (Ghoshal, 2005; Swanson & Chermack, 2013). Thus, theory should be anchored in confirmed effective alternatives (Swanson & Chermack, 2013). This may be challenging for the applied disciplines, because of a range of impacting factors that are difficult to control (Swanson & Chermack, 2013). Consequently, theories that account for differences are considered not formal. Yet, these theories can still fulfill the function of explanation by (i) constructing causal models of phenomena, which are (ii) plausible to the degree that they identify real causal processes that produce certain states of affairs (Jaccard & Jacoby, 2010). Furthermore, these models do not purport to be more than an approximation or partial representation of a specific phenomenon, as they only agree in a broad sense to the phenomenon they are fashioned on (Jaccard & Jacoby, 2010; Swanson & Chermack, 2013) and thus enhances understanding. As such, theory in the social sciences, regardless of its scope and degree of specificity, provides an explanation of events or phenomena by way of causal models by postulating a causal process that accounts for phenomena (Jaccard & Jacoby, 2010; Swanson & Chermack, 2013).

There are different strategies to build theory in the applied disciplines (Swanson & Chermack, 2013). We have pursued the 'theory-to-research strategy', which makes theory building explicit by the continuous, iterative interaction between theory construction and empirical inquiry (Swanson & Chermack, 2013). This theory-building strategy is qualitative, reflecting multiple and divergent realities (Swanson & Chermack, 2013). Theory building in applied disciplines consists of five phases, namely, (i) conceptualize, (ii) operationalize, (iii) apply, (iv) confirm, and (v) refine. All phases are necessary to produce a trustworthy, rigorous and relevant theory for improved action – i.e., successful hotel B2B sales in this instance. This paper focuses on the first phase, that is, *conceptualize*. It encompasses the formulation of initial ideas that describe the contemporary understanding of a phenomenon, to develop a sound conceptual framework providing an initial understanding and explanation of the nature and dynamics of the phenomenon. Conceptualization includes the development of critical elements of the theory, an initial explanation of their interdependence, and the general conditions and limitations under which the framework can be expected to operate. The conceptualization phase culminates in an explicit framework that can take the form

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of, *inter alia*, a *model*, the core explanatory capacity of a theory (Jaccard & Jacoby, 2010; Swanson & Chermack, 2013).

Identifying the Critical Concepts of a Hotel B2B Sales Model

To identify the critical elements of a hotel B2B sales model, it is necessary to start by elaborating on the definitions. Definitions serve to indicate meaning and relationships between concepts in a model (Jaccard & Jacoby, 2010). Note that the following concepts are complex because they are multi-dimensional and often interwoven, posing challenges for theory development.

B2B Sales – business sellers interacting with business buyers who are purchasing on behalf of their organizations for the purpose of enhancing organizational performance, at varying relationship strengths and levels of integration between buyer/seller. B2B differs from B2C (business-to-consumer) buyer/seller interactions as consumers personally use the purchase. This definition corresponds to that of Mora Cortez and Johnson (2017).

Relationship – Relationship refers to a connection, based on both affinity for each other (personal), and the strength of the values-exchanged (Akrout & Diallio, 2017; Gounaris & Tzempelikos, 2014; Schultz & Doerr, 2014). Some authors point out that the personal connection should not be underestimated in the strength of the value-exchanged as it leads to *trust*, which is imperative in a long-term relationship (Akrout & Diallio, 2017; Andersen & Stein, 2016; Schultz & Doerr, 2014). Trust, a multi-dimensional, dynamic construct, is not universally defined as it pertains to B2B relationships (Akrout & Diallio, 2017). Nevertheless, trust is, commonly, described as a willingness to rely on exchange partners, based on their credibility, to perform as expected, without monitoring the partners, nor by taking advantage of the partners' vulnerabilities (Zaeferian et al., 2017). As such, trust is impacted by a person's and/or team's and/or organization's (i) competence (i.e. knowledge, skills and ability to deliver according to the promised and expected); (ii) integrity (to do the right thing for the right reason and honoring commitments consistently); and (iii) intimacy (closeness to customer in business dealings), which impacts value-exchanged (Akrout & Diallio, 2017; Capon, 2001; Lee et al., 2005; Schultz & Doerr, 2014; Zaeferian et al., 2017). In short, a relationship is a potential state-of-being between organizations comprised of individuals that require varying levels and combinations of value to be exchanged.

Value Exchanged – Values exchanged between B2B buyer and seller organizations are the hoped for and realized relationship and the relative strength of that relationship. Value exchanged can take various forms or a combination thereof (i) *functional* – solution to existing customer problems and/or needs not yet envisioned by the customer; (ii) *economic* – price or cost to B2B relationship whether direct or cost savings and return on investment (ROI); (iii) *psychological* – risk reduction, safety, certainty, peace of mind, status and comfort with a relationship that do not fulfill specific functional or economic needs; and (iv) *meta-level values* – such as accessibility, responsiveness, keeping promises, understanding critical customer issues, communication, ease of doing business with, and competence (Capon, 2001: 206).

The relative strength of the buyer/seller relationship will vary on a continuum from low to high and based on the quantity and quality of the value exchanged as mutually agreed upon between buyer and seller. This level of relative strength may be unrealized or realized – that is, it may exist in a vacuum or be unrealized or not. However, when the buyer and seller engage in interactions, the level of relative strength becomes realized. This engagement attains a label (*modes*) – again on an inter-organizational integration continuum reflecting the degree of integration between engaging parties: *Transactional*, *Consultative*, *Collaborative*, and to *Strategic*. These modes intersect with the relative relationship strength continuum to aggregately form a curve (Figure 1) representing the buyer/seller interactional position within the competitive landscape.

Modes: Degree of Buyer/Seller Inter-Organizational Integration – As discussed above, relative relationship strength between buyer and seller can independently exist without inter-organizational integration. Integration refers to the degree of adaptation between buyer and seller organizations in unifying one or more aspects of their businesses e.g., processes and systems. With varying degrees of integration or unification, a different mode can be assigned. Thus, at low relationship strength and low degree of inter-organizational integration, this is a

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Transactional mode. At high relationship strength and high degree of inter-organizational integration, this is a *Strategic* mode.

Transactional – Buyer/Seller interactions are concerned with perceived commodity-like products/services where price is the major value exchanged (Capon, 2001). This mode is characterized by price competition and inclined to be short-term and buyers often easily switch between sellers (Blut et al., 2016; Capon, 2001; Lilien, 2016; Zimmerman, 2018). Today, buyers have gained negotiation power vis-à-vis sellers (Gounaris & Tzempelikos, 2014; Rackham, 2012) for two primary reasons: access to vast amounts of relevant information (Zaeferian et al., 2017) and the almost universal rise of quality products and services (Rackham, 2012). The nature of this mode minimally requires a low relationship strength and a low degree of inter-organizational integration.

This mode reduces uncertainty i.e. psychological value and is characterized by frequent rebuying, largely based on price/cost considerations based on economic value (Capon, 2001; Lilien, 2016). In this mode back-office activity and technology play an important part in the success of the relationship (Arli et al., 2018; Lacoste, 2018; Zimmerman, 2018). Competencies of salespeople servicing customers in this mode should match the goals they pursue e.g., delivering on the short-term to a broad portfolio of customers (Lacoste, 2018). Economic theories, specifically transaction cost theory can be used to explain the phenomenon, because they are regarded to have a short-term, profit-driven focus and aim to stimulate demand based on a reward system (Hadjikhani & LaPlaca, 2013; Williams & Plouffe, 2007).

Consultative – Buyer/Seller interactions are bounded by existing product/service features and benefits. Within these limits the seller uses expertise to modify the basic product/service to match the needs of the buyer. Here price remains a significant concern but, the expertise of the seller becomes an increasingly important value to the buyer (Capon, 2001). Ease of buyers switching sellers becomes more difficult given the rising value of consultative expertise offered by the seller (Blut et al., 2016). Compared with the transactional mode, this mode requires incrementally rising relationship strength and rising inter-organizational integration.

Competencies of sales persons should correspond to the goals they pursue i.e. delivering improved operational efficiencies on the short-term to a broad portfolio of customers (Lacoste, 2018). Economic theories like transaction cost and resource-based theories can be used to explain the phenomenon (Hadjikhani & LaPlaca, 2013; Williams & Plouffe, 2007). According to Paesbrugghe et al. (2017) about 60% of the organization's customers are in the transactional and consultative mode.

Collaborative – In the collaboration mode both buyer and seller are committed to interactions that will uncover mutually beneficial solutions for both organizations (Andersen & Stein, 2016; Capon, 2001; Schultz & Doerr, 2014; Töytäri & Rajala, 2015). Here, both buyer and seller actively engage in a co-value creation (Friend & Johnson, 2014; Zimmerman, 2018), which differs from the consultative mode which is a '*quasi-one-way*' seller controlled question and buyer answer session. In the collaborative mode, resource integration becomes increasingly more important than price albeit, price may decline to marginal significance (Capon, 2001; Blut et al., 2016). Additionally, solutions mutually reached by collaboration parties move past limited and short-term product/need-satisfaction issues (consultative mode) and become longer-term oriented to include concerns such as ROI for both buyer and seller organizations (Andersen & Stein, 2016; Friend & Johnson, 2014; Schultz & Doerr, 2014). The collaborative mode crosses a relationship strength and inter-organizational integration threshold potentially moving toward the *Strategic Mode*.

In the collaborative mode functional and psychological value exchanged becomes more important than economic value exchanged (Blut et al., 2016) in enhancing operational efficiencies at the buyer organization and stimulating repeat business (Capon, 2001). Competencies of sales persons to deliver superior value becomes more important. Economic theories like resource-based theories as well as behavioral theories, emphasizing long-term, profitable, relationships with important customers, entailing commitment to mutual goals to ensure success in satisfying customer needs, can be used to explain the phenomenon (Hadjikhani & LaPlaca, 2013; Viio & Grönroos, 2016; Williams & Plouffe, 2007).

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Strategic – The last position on the Inter-Organizational Integration continuum (Figure 1) is the strategic mode where sellers interact with a select few important customers vital to both the buyer and sellers' long-term performance, necessitating a right fit between partners (Andersen & Stein, 2016; Friend & Johnson, 2014; Gounaris & Tzempelikos, 2014; Schultz & Doerr, 2014; Zimmerman, 2018). This is analogous to a human marriage, albeit a polygamous one, where all partners are not equal, justifying a differential prioritization (Zimmerman, 2018). Moreover, each of these partners are engaged in other polygamous relationships which reduces risk and vulnerability from a reliance on any single partner (Arli et al., 2018; Blut et al., 2016; Zimmerman, 2018). In this mode, buyer and seller organizations interact at a long-term strategic level whereas the previous modes involved tactical and operational levels (Zimmerman, 2018). The nature of the strategic mode requires a high level of relationship strength and a high degree of inter-organizational integration where buyer/seller switching costs are very high.

In this mode buyers and sellers become 'partners' where long-term business plans of both buyer and seller organizations are linked and adapted (Davies et al., 2010; Friend et al., 2014; Guenzi & Storbacka, 2015; Guesalaga, 2014; Guesalaga & Johnston, 2010; Ivens et al., 2017; Noone & Hultberg, 2011; Viio & Grönroos, 2016; Wang & Brennan, 2014). Suppliers/buyers cannot easily be replaced by competing suppliers/buyers (Blut et al., 2016; Zimmerman, 2018). This relationship is seen as managing a business strategy and anchored in the corporate strategy of the seller/buyer organizations (Zimmerman, 2018). In this relationship the seller organization becomes more responsive to the needs of a few carefully selected important customers (Friend & Johnson, 2014; Zimmerman, 2018). A strategic account manager is the custodian of the relationship with a portfolio of a limited number of customer accounts and thus responsible for all sales activities, including profitability (Andersen & Stein, 2016; Guesalaga & Johnston, 2010; Schultz & Doerr, 2014; Zimmerman, 2018). It stands to reason that this relationship is influenced by many considerations including a multiplicity of stakeholders with different roles, responsibilities and competencies; attracting, selecting and deselecting the most important customers/partners; managing the relationship continuance; the design and implementation of a strategic account program; averting conflict and ensuring harmonious interactions, which impact the relationship strength with these most important customers (Andersen & Stein, 2016; Davies et al., 2010; Friend et al., 2014; Guenzi & Storbacka, 2015; Guesalaga, 2014; Guesalaga & Johnston, 2010; Noone & Hultberg, 2011; Schultz & Doerr, 2014; Wang & Brennan, 2014; Zimmerman, 2018).

It is thus imperative that the strategic account manager has the necessary intra-organizational support and inter-organizational alignment to enable value delivering, including an appropriate position in the organization, possess relevant competencies, support from CEO, and a deep knowledge of the customer's organization (Guesalaga, 2014; Lacoste, 2018; Rackham, 1989; Zimmerman, 2018). The competencies of the strategic account manager must enable him/her to think and act at a strategic level (Lacoste, 2018). Generally, the relationships in the strategic mode represent 20% of customers that contribute 80% of profit of the selling organization (Capon, 2001; Zimmerman, 2018). In this mode economic theories, particularly resource-based theories and capability theories as well as behavioral theories can be used to explain the phenomenon (Hadjikhani & LaPlaca, 2013; Williams & Plouffe, 2007).

Given the dynamic nature of the relationship, it should be noted that the customers' position on this continuum is not necessarily stable – it may change due to changes in the needs and value of the customer (Zimmerman, 2018).

Red, Purple, and Blue Oceans: The Competitive Landscape – Authors Kim and Mauborgne (2017), metaphorically distinguish boundaries between price competition (Red Ocean) versus value differentiation (Blue Ocean) strategies. As a rule, in B2B sales, it has been noted that the *Pareto* principle operates: 80% of customers generate 20% of business revenue while 20% of customers generate 80% of revenue. Kim and Mauborgne (2017) imply that the 80% of customers are labeled, *Red Ocean* – indicating that there is a bloody competitive battle between apex predator sharks (sellers) hungrily chasing a limited number of fatty but nimble fur seals (buyers). This is price competition where buyers agilely and often switch between sellers; loyalty is *thin*. By contrast, Kim and Mauborgne (2017) note that when a business adapts a new and innovative strategy, they can potentially move to the *Blue Ocean*, free of dominating price competition. Organizations compete through creating complex value differentiation where switching costs are high (due to the degree of inter-organizational integration) and loyalty is generally *thick, and sticky.* The authors of this paper, adding to the Kim and Mauborgne (2017) ocean metaphor,

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note that there is a transition zone between Red and Blue Oceans. A *Purple Ocean* (See Figure 1) - blending of the colors red and blue – is where businesses transition from price competition toward, yet not fully realized, complex value differentiation. In Figure 1, approximately 20% of a company's customers are conceptualized to be in this transition zone.

Hotel B2B Sales Context

Approximately 10 years ago, the two largest global hotel corporations – USA-based and size measured in number of rooms and number of countries served (Hotels, 2017) – began redesigning their corporate-wide approach to B2B sales and marketing (Bartlett, 2010; Lodrige-Kover & Parke, 2006). These hotel corporations followed the lead of innovative, leading, and exemplar non-hotel corporations. They were motivated by rising marketing/selling costs, enabled by advancing digital technological capabilities, and empowered by their rising global hospitality market dominance facilitated by a stunning rapidity of mergers/acquisitions and expanded hotel brand portfolios. Guided by theory, the *Evolving Hotel Sales B2B Go-to-Market Model* (See Figure 1) proposed in this paper, synthesizes industry practices from both generic corporations and from these two largest global hotel corporation pioneers.

Re-Conceptualization of the Word, Sales. These two hotel corporations began a journey toward rethinking and redesigning traditional B2B sales/marketing and expanding the very meaning of the word, *sales*, to be re-conceptualized as *value-exchange management* between organizations. *Sales* and *selling* can be re-conceptualized into management of the exchange of value as depicted in Figure 1 and elaborated on in the previous section.

In the *Transactional* mode of value-exchange management (selling by a salesperson), basic and simple buying and selling of a product/service is definitely an exchange of value: the buyer receives value intrinsic to the product while the seller usually receives monetary value. This is an exchange primarily based on price and even the most novice salesperson is the manager of this value-exchange process.

In the *Consultative* mode of value-exchange management, the foundational transactional mode is enhanced and transformed by increasing buyer/seller inter-organizational integration, relationship strength, and increasing quantitative and qualitative value attributes involved in this value-exchange. A salesperson selling in this mode is a more sophisticated manager of this, now more complex, value-exchange process.

In the *Collaborative* mode, increasing relationship strength, integration, and number of co-created value attributes are exchanged between parties. Again, the increasingly complex value-exchange process requires involved management. No longer a collaborative salesperson; a collaborative value-exchange manager is born.

In the final *Strategic* mode of value-exchange, the inter-organizational integration state-of-existence becomes analogous to a human formal marriage where relationship strengths are high and integration deep and wide, as mentioned before. Here, customers are reclassified into *Strategic Accounts* (national, multinational and global) and total value-exchanged between the buyer and seller organizations involves multiple and mutually agreed upon values, particularly functional and psychological as discussed previously. These multiple values include: process integration synergies, high trust, mutuality, accessibility, to mention a few. In the Strategic mode, no longer are these customer/accounts *sold-to* on a product/service by product/service basis as occurs in transactional, consultative, and collaborative modes. Total value is exchanged. This value-exchange management process is implemented by *Strategic Account Managers* (SAMs).

The 80%/20% Principle: Partitioning Corporate Hotel B2B Customers. The group and meetings segment of hotel B2B business is a significant percentage of total hotel top-line revenue; this can range to 50% and higher in the top three STR (Smith Travel Research Global) chain scales (classifications) of global corporate hotel brands (STR, 2017). The two largest global hotel corporations recognized that approximately 80% of their B2B engaged customers delivered only about 20% of their corporate-wide hotel and B2B revenue while 20% of their existing and accessible customers could potentially deliver 80% of their B2B revenue. In response, around 2006 they began to restructure their B2B marketing and sales organizations (Bartlett, 2010; Lodrige-Kover & Parke, 2006). Their business strategy appears to be: (i) Dramatically reducing costs associated with pursuing and acquiring the 80% of B2B lower revenue producing customers and (ii) Invest in the long-term acquisition and retention of the

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20% of B2B major important revenue producing customers. Reportedly, their journey has been iterative with set-backs and periodic readjustments (HSMAI, 2018, February 8). In practice, attempts to achieve the afore-mentioned 80%/20% business strategy has yet to solidify. Therefore, it is not surprising that a chasm between hotel B2B sales/marketing evolving practice and lagging academic theory remains.

Emerging Hotel Industry Practice. Emerging hotel B2B sales/marketing practice – especially as exemplified and modeled by the two largest global hotel corporations – appears to, first, converge the traditional roles of the sales and marketing functions while disaggregating *pricing* from the marketing structure. Second, bifurcate both traditional marketing structures and traditional personal B2B sales structures. Here, the 80% of corporate customers generating 20% of B2B revenue are engaged at the least possible cost - primarily facilitated by intensive use of digital technology. Third, these hotel corporations focus on selected strategic customer accounts. The emerging hotel B2B sales/marketing practice aspires to significantly invest in and partner with the 20% of customers who generate not only 80% of B2B revenue, but also significant other value to both buyer and seller corporate partners.

First, *convergence* is discussed. Traditionally and in the pre-digital world, the marketing function ideally generated prospective customer leads (*prospects)* which were then handed-off to a personal salesforce who would engage with these prospects to continue the process to convert them into contract signed customers. This was an ideal world as salespeople, who were accountable to quota production of contracted revenue production, openly distrusted the marketing function to quantitatively and qualitatively complete this prospect-generation function. Thus, salespeople actively sought their own prospects through telephone cold-calling and other means. Salespeople refused to leave their quota-accountability-fate in the hands of the marketing function. Additionally, the marketing function included strong control over pricing.

In today's digital world, a welcome convergence between sales and marketing is taking place as sophisticated software unifies the pre-digital ideal of both marketing and sales to work seamlessly to generate corporate top-line revenue. This unification and importance of better use of the marketing function to generate prospects is vital as buyers seek seller information on the Internet and refuse to accept sales people making telephone cold-calls. Particularly in the hotel industry, the pricing function, traditionally a domain of marketing, has been subsumed by increasing power of *Revenue Managers* using sophisticated software to forecast future buyer demand and set ever fluctuating pricing.

Second, *bifurcation* is addressed. The marketing function is bifurcating. Marketing is a *pull* function (pulling prospects inbound to the corporation) whose goal is to create and maintain corporate image and to attract and generate potential customers (prospects) who will either directly make purchases or will be further intermediated and developed by a personal sales function. Today's emerging corporate hotel marketing structure can be conceptualized as dividing into two parts: (i) *Traditional marketing* functions such as segmentation, targeting, and positioning and (ii) *Inbound marketing* where total corporate hotel brands their global locations are accessed by prospective customers and through an Internet-based hotel corporate "Digital Marketing Demand Generation Machine" (DMDGM) (a neologism by the authors of this paper). Comprising and servicing the DMDGM are corporate inbound digital marketing specialists who manage the corporate website, produce blogs, engage in hotel reputation management of online customer reviews, monitor and enhance social media sites, engage in search engine organic and paid placement, and the like. The primary purpose of the DMDGM is to inexpensively pull and attract the general (80% of customers) hotel B2B customers.

The personal sales function is also bifurcating Personal B2B sales is generally a *push* function. Here, salespeople interact with buyers in value-exchange modes i.e. *Transactional, Consultative, and Collaborative* (see Figure 1) to the DMDGM *pulled* prospects. The sales structure is organized into two distinct salesforces: (i) *Inbound Sales* where novice and potentially rising salespeople officed at regional centers the authors analogously label, *Cube-Farms* (think: regional reservation center specifically for B2B group business) respond to incoming B2B potential customer leads pulled by the DMDGM – they tend to sell in a transactional mode and at basic-level consultative mode, (ii) *Property-Level Sales* where traditional salespeople have long-been officed in larger properties with significant meeting-room space; they tend to sell in higher-level consultative mode and in

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collaborative modes. NOTE: As mentioned earlier, the word *sales* is being re-conceptualized as *value-exchange management.*

Combining convergence and bifurcation facilitates the first business strategy of the two largest hotel corporations as mentioned above: Dramatically reduce costs associated with pursuing and acquiring the 80% of B2B less revenue productive customers. How? The DMDGM inexpensively generates prospects; the expensive use of traditional salespeople to prospect by telephone or other means is reduced by means of digital inbound marketing. The inbound salesforce at the regional *Cube-Farms* 'take orders' from incoming prospects inquiring to purchase smaller group/meeting business. Larger group/meeting business prospect inquiries are redirected by the DMDGM system to specific geographically situated property-level salespeople. Thus, overall sales/marketing costs are reduced.

Third the focus on *strategic customer accounts* is discussed. The *Strategic* mode in Figure 1 contains *Strategic Accounts* who are the most important revenue producing and other reciprocal value generating customer accounts. These are the 20% of all customers who generate 80% of buyer/seller value exchange. There are no salespeople here, but managers – *Strategic Account Managers* (SAMs) as mentioned earlier. These are highly selected strategic customer accounts and managed by SAMs and cross-functional teams often in a matrix management structure. There are no former or present salespeople at the SAM corporate offices. Selected property-level salespeople, when required, have a matrix reporting structure: a solid reporting line to their local and geographically distributed hotel and a dashed reporting line to the SAM and the strategic account team. For example, one SAM may manage one global account, such as a major global company. This major global company, with divisions located in multiple countries throughout the world may wish to hold a meeting/conference with their hotel corporate strategic partner which is equally globally distributed. The hotel corporate SAM, being totally responsible for managing relationships with this major global strategic account, will ensure that the major global account's specific division will be put in contact with that division's desired geographically located hotel property-level collaborative mode salesperson where the meeting/conference contract can be locally negotiated.

Focusing on strategic customer accounts facilitates the second business strategy of the two largest hotel corporations as mentioned above: Invest in the long-term acquisition and retention of the 20% of B2B major revenue productive customers. Why? Because share of business dramatically increases with effective strategic account programs. For example, one of the two largest global hotel corporations reported that five years after the launch of their strategic account program, "… share of business from strategic accounts has increased by nearly 40 percent" (Bartlett, 2010).

A Proposed Hotel B2B Sales Model

Based on the above discussion, a proposed evolving hotel B2B sales model is illustrated in Figure 1, below. Caveat: This proposed model is limited to major, usually globally distributed, hotel corporations which engage with B2B customers. However, less resourced hotel organizations can adapt many of the concepts, albeit, to a less intensive degree.

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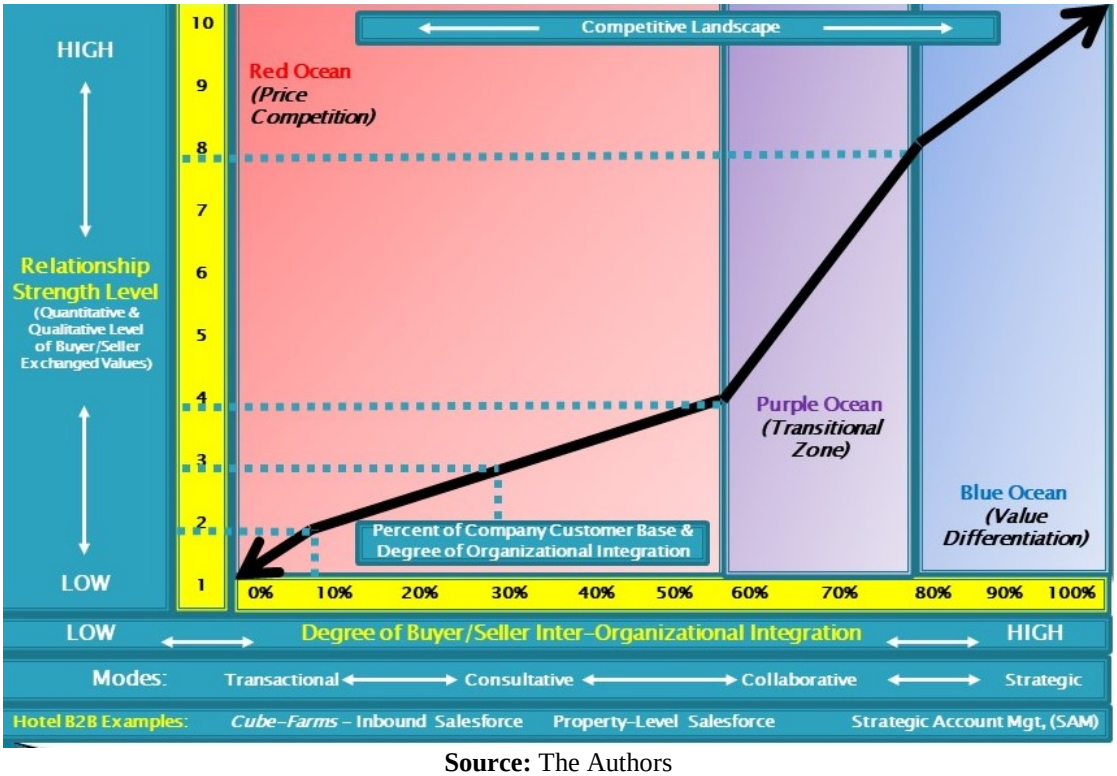
Figure 1: Evolving Hotel B2B Sales Model



Source: The Authors

Figure 1 is discussed in this section. *Relationship Strength Level* on the Y axis is in a *potential* state (1 – 10) until *actualized* by the *Degree of Inter-Organization Integration* on the X axis where the scale, 0% - 100%. The Y axis scale simultaneously measures two things: (i) the scale measures the degree of buyer/seller value being exchanged and mutually integrated with each other and (ii) the percentage of customers/accounts engaged by the seller. In short, buyer and sellers each have desired values that only ideally exist until both parties actually engage with each other and, then begin to exchange these values.

The intersection of the Y and X scales metrics develops a positively rising line which describes various selling or value-exchange modes labeled along the X axis: *Transactional, Consultative, Collaborative,* and *Strategic.* Corresponding to the mode labels and, also on the X axis, are examples of hotel B2B types of salesforces i.e. Cube-Farm, Property-Level, and Strategic Account Management. Further, there are three zones covering 100% of a company's customers/accounts in the competitive landscape:
(1) *Red Ocean* – a 60% zone of price competition – bloody waters - where approximately 10% of low revenue producing customers engage in a transactional mode and 50% of customers engage in a rising low to high consultative mode;
(2) *Purple Ocean* – a 20% transition zone - exiting the red waters and entering the clear and blue waters - where 20% of the previously low revenue producing customers are rising in importance. Here the value-exchange process (selling process) is converting from a consultative mode, and through a collaborative mode and, finally, advancing toward a strategic mode; and
(3) *Blue Ocean* – a 20% value differentiation zone – waters now clear of both bloody competition and transitional residue. Here sellers attain and integrate with their 20% of important revenue producing customers who are now renamed, *strategic accounts.*

Figure 1's positively rising line, which traverses red, purple, and blue ocean zones, describes key thresholds: The transactional mode of selling is exited at relationship *potential* level - 2 and integration *reality* level - 10% (and approximately 10% of a company's customer base). From this point, the consultative mode is entered

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and rises in sophistication until reaching relationship *potential* level - 4 and integration *reality* level - 60%. Entering the collaboration mode, the rising line continues until it exits at relationship *potential* level - 8 and integration *reality* level - 80%. Entering the strategic mode, Blue Ocean of strategic accounts, the line continues to rise until the remaining top 20% of a company's most important accounts are fully captured. NOTE: The double directional arrows in Figure 1 indicate two-way dynamism: Strategic modes may regress to other less complex modes; relationship strengths vary, inter-organizational integration may lessen or increase, and regular customers/accounts may be selected and deselected. A synthesized and representative example of a major corporate hotel B2B sales model summarizes Figure 1:

Transactional value-exchange mode practiced by the hotel *Cube-Farms* are at very low relationship strength, level, 1 to 2 and low integration degree levels, 0% to 10%.

Consultative value-exchange mode practiced by both the hotel *Cube-Farm* are at relationship strength, level, 2 to 3 and integration degree levels, 10% to 30%, and practiced at the property-level salesforce at relationship strength, levels, 3 to 4 and integration degree levels, 30% to 60%.

Collaborative value-exchange mode practiced by the property-level salesforce are at relationship strength, levels, 4 to 8 and integration degree levels, 60% to 80%. Note: During the collaborative mode and due to the rising relationship strength and degree of integration, several of the company's customers are being carefully considered as targets for selection and reclassification as strategic accounts – advanced to the strategic mode.

Strategic value-exchange mode practiced by the *Strategic Account Manager* (SAM) are at relationship strength, levels, 8 to 10 and integration degree levels, 80% to 100%. Here product/service selling is vital, yet is only one value in a total population of many and complex values that are exchanged between buying and selling organizations. This mode is managed by a SAM is empowered by the top levels of the organization. The SAM orchestrates a company-wide team of functional experts reporting through a matrix management structure (two lines of reporting; one a formal solid line and one an informal dashed line). SAMs do not personal sell products/services; they orchestrate total inter-organizational relationship/value integration. A property-level salesperson is an *ad hoc* team member who, when called upon by the SAM, actually negotiates a buyer/seller value-exchange (selling) process).

CONCLUSIONS AND RECOMMENDATIONS

This paper endeavored to integrate the fragmented body of B2B sales knowledge into a systematic whole, while reducing the theory practice gap as illustrated in the synthesized hotel B2B sales model. Figure 1 proposes a model to describe the major interactive components of today's evolved hotel B2B sales practice. In addition, ambiguous constructs like relationships are clarified, as they pertain to hotel B2B sales. The synthesis, reducing of the theory-practice gap and clarification of ambiguous concepts are the contribution of this paper. As such, the paper answered the research question. Implications, include that selling organizations need to carefully select buying partners according to the mutually agreed upon values to be exchanged in the different modes. A limitation of this paper is that the proposed hotel B2B sales model is based on major US hotel corporations with global distribution. Though, smaller hotels can replicate some of the ideas e.g. 20-80% selectively. Another limitation is the nature of the constructs – most if not all are multi-dimensional and interwoven, making them complex. The complexity of constructs challenges the advancement of theory. The limitations are the basis for our recommendation for further study. In addition, future research remains to detail each of the components in the proposed hotel B2B sales model and whether and to what degree the model can be useful to especially smaller and less resourced hotel corporations.

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CLIMATE CHANGE IMPACT AND ECONOMIC OPPORTUNITIES: A CASE STUDY OF SOUTH AFRICA

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ABSTRACT

Climate change have a negative impact on health and environment, and could also present economic opportunities to all countries. From secondary data it has been found that climate change impact has been felt in almost all regions in South Africa. The western region had experienced high water crises and the eastern region experiences, heavy flood, thunderstorms and death. Educating the community about the business opportunity of waste management and planting trees can be economical opportunity in creating jobs and livelihood. Climate change pose risks on human health and environment impact, however educating people will increase adaptability in the changes.

Keywords: Climate change impact, economic opportunities, temperatures, and water security.

INTRODUCTION

Global warming is driven by the build-up of carbon dioxide (CO_2) in the atmosphere. The concentration of CO_2 has increased by 40% since industrialisation due to human activities (Zickfeld and Herrington, 2015). One of the most common human activity is the burning of fossils fuel for energy particularly. Climate change is a global threat to all plant, animals, and people. Human behaviour or activities such as uses of natural resources and growth in human population had been contributing to the climate change. Climate change refers to how the earth adapts to change in the amount of energy it receives from the sun. The climate change takes hundreds of years to complete a warm-to-cold cycle, and the biosphere normally adapts easily when changes happen over such long periods. However, when the changes happen too quickly due to human intervention the biosphere is not able to adapt easily and negative effects result (Provincial spatial development framework, 2005). Turpie et al., (2002: 3) reported that there are Hadley Centre Coupled Model version 2 (HADCM2) model that predict the climate change that has shown that South Africa temperature will increase by an estimated 2°C over the next century. This model suggest that if the growth in emissions continues (Semenov, and Stratonovitch, 2010), global average temperatures are expected to rise between 1,4 and 5,8°C by the end of the 21st century. Global temperature has increased by between 0.3 – 0.6°C during the last century and the warmest years globally have occurred since 1990. This suggests that right now the earth is in the midst of severe climate change. South Africa has the size up to an area of 1,232,037 sq. km and is found in the southern tip of Africa continent between 22° 07'S and 35° 52'S from the equator. The temperature ranged between 20 and 32°C in summer and between 10 to 20°C in winter. The country can be divided into two regions (Eastern and Western) and there are different impact on climate change as per regions (Daron, 2014). The western region is boarded with the Atlantic Ocean which characterised by the Cold Benguela current which pushes the cold air, in which this cold air has little rain. The annual average rainfall is 600 mm (STATSSA, 2010; Tadross and Johnstone, 2012). The eastern region is boarded with Indian Ocean where it experience much high rain as the Warm Agulhas current drives moisture from the ocean and moisten the country. The average rainfall in the eastern region is over 1400 mm. These two regions are different, the western side is desert and the eastern side in the forest. The climate change, therefore, had a different impact on South Africa due to this types of climate. Cavé et al., (2003) reported that the southern part of South Africa, particularly, the Western Cape, is likely to experience an extended summer in the future. However, the most devastating problem about Western Cape is the lack of rainfall in winter season as expected. Most of the water in the dams in 2017 were reported to be less than 30% (Wimberly, 2017). Western Cape Province has been declared a disaster area in 2017/18, and there is day-zero in which is expected to happen in 2018. In summary the study attempt to answer this question, what are the benefit or/and

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opportunities of climate change? Therefore, the economic opportunities or benefit in which developing countries might have to help them in this climate change are not known.

AIM AND OBJECTIVES

The aims of the study were to provide a preliminary desktop estimate of the economic opportunities of climate change. While the objectives are to determine the impact of climate change, and to assess the economic opportunities as the results of climate change.

METHODOLOGY

This study was a desktop study, which was reporting the current South Africa situation comparing it with what other countries had/have done in the same or similar situation. The study design is qualitative study due to the nature of the data used. Exclusion and inclusion of the articles. Inclusion was when the following were reported then article was included in the study: Climate change and temperature, food security, water security, energy, waste management and final education. Excluded data were those articles that were reporting on one of the variables however without associating it with climate change. Data were searched in the following search engines: google scholar, science direct, Yahoo, you tube and google etc. There were more than 1 million papers reporting about the climate change and few were assessed and screened according to the study variables. The daily news reports were always followed for the current affairs related to climate change in South Africa. Total of 32 papers were analyzed and data were reported qualitatively. Most data were from published work such statistics South Africa (STATSA), World Bank as well as World Economic forum. The data were reported as a comparison to what is happening in South Africa and what could be a possible economic opportunity.

RESULTS AND DISCUSSION

Impact of Climate Change in South Africa

The western region is currently experiencing drought as results of low or no rain falls in the winter season and high temperature had resulted in less drinking water affecting water security. Western and Northern Cape provinces are two measure South African provinces to be on the western side. Table 1 shows the main parameter in which climate change have an impact on (Table 1).

Table 1: The economical impact of the climate change in the western region

<table>
<tr><th colspan="8">Western Region</th></tr>
<tr><th></th><th>Temperature Changes</th><th>Cholera</th><th>Floods</th><th>Thunderstorms</th><th>Food security</th><th>Water Security</th><th>Risk Economically</th></tr>
<tr><td rowspan="3">Western Region Summer</td><td>37°C</td><td colspan="3" rowspan="3">There are less rain flood or thurderstorm and cholera out break is not experienced in this region</td><td colspan="2">No food production as they relay to Winter rain</td><td>Low Risk</td></tr>
<tr><td>35°C</td><td colspan="2">Less rain fall in summer seasons</td><td>Low Risk</td></tr>
<tr><td>32°C</td><td colspan="2" rowspan="3">Poor Winter rain fall affected food production and securing water</td><td rowspan="3">High Risk</td></tr>
<tr><td rowspan="2">Western Region Winter</td><td>30°C</td><td colspan="3" rowspan="2">Floods and thunderstorm were expected in winter however, there were no rain</td></tr>
<tr><td>25°C</td></tr>
</table>

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The region as temperature increases in summer to the average of 37°C. Increases by 4% global, however, the average temperature in South Africa is in summer (max=29°C and min=18°C) in winter (max=22°C and min=6°C). However, the Weather2 (2017) reported the increases in temperatures from an average maximum of 30°C to average maximum of 37°C. The western region depends on the winter rainfall which for a decade there was a decrease in rainfall from 641 mm to 152.5 mm (Climate System Analysis Group, 2018). These changes affected the food security and water security which lead to a high risk of economic growth in that region.

The rainfall in South Africa differ within the regions and they are affected by the different currents they are closer to. The eastern region receives more summer rain than western region. In the eastern region rain causes floods, thunderstorms and disasters. The pattern of the rain has increased the spread of malaria, which was dominated in Limpopo, KwaZulu-Natal, and Mpumalanga provinces (Frean et al., 2014), now there are cases reported in the North-west, and Gauteng provinces (Heyl, 2017). However, the areas are non-endemic malaria areas. Eastern region is affected by the thunderstorms, heavy rain, flood affects growing of the food and different rainfall partner (Table 2). Malaria cases and deaths for 2016/2017 had significant increase compared to 2015/16 season when drought condition prevailed. By March 2017, a total of 9 478 malaria cases and 76 deaths had been reported in SA compared to 6 385 malaria cases and 58 deaths in 2015/16 season. According to Nabi and Qader, (2009), the increased of temperature had increased the spread of malaria to other provinces that were initially reported of malaria such as Gauteng and North West (Frean et al., 2014, Heyl, 2017). Such increases in malaria spread had a negative impact on the country economy.

Table 2: The economical impact of the climate change eastern region of South Africa.

<table>
<tr><th colspan="8">Eastern Region</th></tr>
<tr><th></th><th>Temperature Changes</th><th>Cholera</th><th>Floods</th><th>Thunderstorms</th><th>Food Security</th><th>Water Security</th><th>Risk Economically</th></tr>
<tr><td rowspan="3">Eastern Region Summer</td><td>37°C</td><td colspan="3">Increase in these parameters</td><td colspan="2">Affacted by High temperature</td><td>High Risk</td></tr>
<tr><td>35°C</td><td colspan="3">Acceptable challenges</td><td colspan="2" rowspan="2">Food and water will be secured</td><td>High to Medium Risk</td></tr>
<tr><td>32°C</td><td colspan="3" rowspan="2">Challenges can be managed</td><td>Medium Risk</td></tr>
<tr><td rowspan="2">Eastern Region Winter</td><td>25°C</td><td>low to Medium Risk</td></tr>
<tr><td>20°C</td><td colspan="2">Below acceptable because it will be winter</td><td>Low Risk</td></tr>
</table>

The impact in the eastern regions where floods and thunderstorms were experienced in KwaZulu-Natal and Gauteng provinces, more roads and buildings were damaged. From 2013 to 2018 there were 81 people death cases reported across the eastern region due to flood and storms. The economic cost of malaria was estimated to be R124 million (US$20 million) in 1997/98 (Tren, 1999), however, there is no current cost only World Health Organization estimate of Africa US$12 billion. Food security is an umbrella term which includes, the availability of food that is nutritious and safe, an assured ability to procure and acquire food of good quality in a socially acceptable way (Labodarios et al., 2011). The temperature increases challenged the level food production, change of rain pattern and flood. STATSSA (2017), reported there are increase of poverty amongst people from rural provinces.

The level of poverty determines the average income per person per months of R441, it is reported by (STATSSA, 2017) that in 2015 there are more than 13.8 million South African leaving in an extreme poverty. People settle everywhere without basic needs. This movement is affecting waste management and more than 8 158 663 tonnes of waste are generated in which 54% is diverted from landfills and 46% is available for recycling (Table 3). The country is also using disposables (Nappies, teacups, curry bags and etc.) which are contributing to waste. South Africa is recycling 10% of the waste generated every year. The 90% is dumped in landfill site. However, currently most of the landfill sites are full or not licensed and space is limited.

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Table 3: PROs and recyclables managed (Source: green cape 2016)

Name of PRO	Material	Generated (tonnes)	Diverted from landfill (tonnes)	Still available for recycling (tonnes)
Paper Recycling Association of South Africa (PRASA)	Paper	2 200 000	1 100 000	1 100 000
Plastics SA	Plastics	1 400 000	315 000	1 085 000
The Glass Recycling Company (TGRC)	Glass	845 663	338 265	507 398
e-Waste Association in South Africa (eWASA) South African e-Waste Alliance (SAEWA)	e-Waste	322 000	45 000	277 000
Metal Recyclers' Association of South Africa	Scrap metal	3 121 000	2 497 000	624 000
REDISA	Tyres	270 000	109 906	160 094

The use of energy was reported to be for cooking (78%) was electricity, while other rural provinces such as Limpopo, Eastern Cape, and Mpumalanga use wood as sources of energy for cooking. Eskom and government will; spend R17.6 billion to connect 840 000 households before 2019 (DoE, 2017). More coal used to generate the electricity, while trees are chopped down for fire wood. Increases in the energy demand are also caused by industrialisation where more people are now moving from rural to urban areas.

Economically benefit or opportunities for climate change

The economy is the when people are doing something for themselves to generate money. Climate change has more impact on human life, moreover is adjustable of the people in this century. When the temperature is high it gives the country opportunities to come with an innovation such introducing new crops or replant the indigenous plant that will be able to withstand the climate change. South Africa is one of the developing countries that is acting on the disaster or another aspect of climate change such as drought and flood in order to prevent it.

One of the most fundamental aspects of economic growth is education (King, 2011). It is important to educate people about both the impact and opportunities of climate change, as we all contribute to climate change. South Africa is one of the lowest countries in education (The Economist, 2017). However, it has the best constitution in the world. The South Africa president Mr. Cyril Ramaphosa had supported that the entrepreneur subject should be introduced in our schools. The climate change education should also be introduce to all schools. This initiative can support community projects such as people in those areas can contribute to the economy. Fin24 (2018) reported that there are big 5 priorities that will help the growth of the economy of South Africa, 1). Advanced manufacturing, 2). Infrastructure productivity, 3). Natural gas, 4). Service exports and 5). Agricultural transformation. The advantages of plant trees in their homes as well as within their communities. Trees reduce CO_2, provide shelter, prevent soil erosion, prevent a flood, maintain soil moisture, and provide food.

The evidence is what France is doing where they have demarcated some of their lands for planting trees, the main purpose is to reduce CO_2 (Garfield, 2018). Most important in the education of trees people should be trained about the type of trees that are indigenous and their use. Plants reduce air pollution by taking in the CO_2 on the space that turns to be harmful to people. This is an economic opportunity as the presence of trees prevents toxic air to affect human health which is going to be a burden to the country health system. China and Japan are the countries that have involved it's army personnel to plant trees around their countries, this model can be implemented in South Africa as a job-creating of some percentage out of 27% unemployed people. Food security education, such as planting trees as mentioned above retains the moisture on the soil, which will support the growth of the crops, then improves food production. Food trees also contribute in supplying necessary nutrients. If most people in the community are producing fruits they will pay nothing and they can also supply the community market. This improves the economy of the community as well as of the country.

The area in which is covered by the plant results in streams and dams retained water. This water supports other water species such fish and birds. This increases the food chain supply. South Africa economy had experience challenges and was downgrades to junk state by both Moodys and S&P (Global Credit Research, 2017). Even

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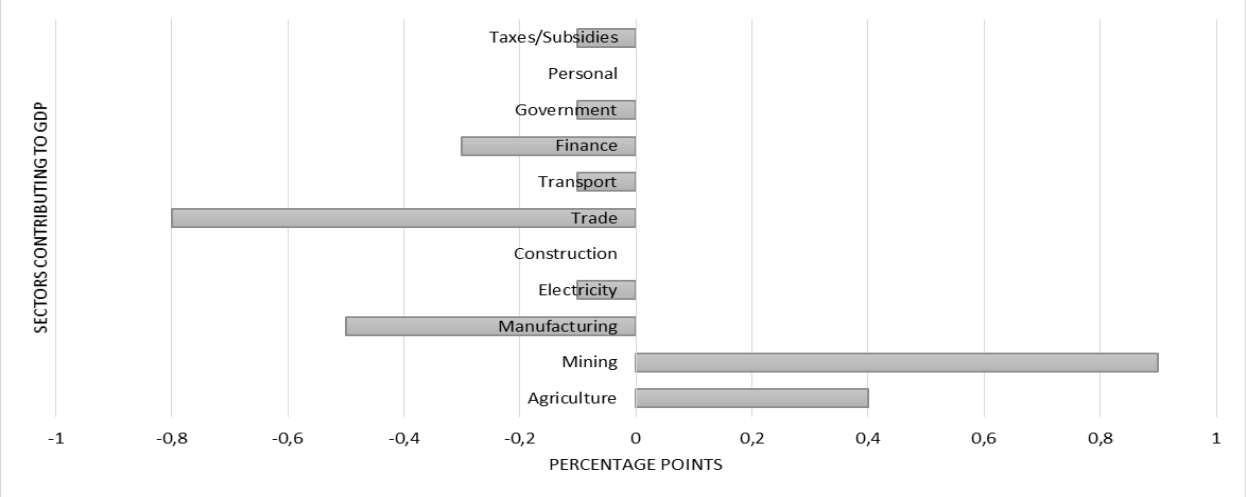
though there are those challenges, the South Africa economy growth was experience in 2016 to 2017 by 1% instead of 3.5%. The farming and the mining industry where the two main contributors to the economy growth (Figure 1). Even with the climate change challenges, however, farming industry in South Africa did well, where the maize mealies, wheat, and grain are the leading products (Hlomendlini, 2017). This can be an economic opportunity during this climate change to produce biofuel from farming industry (Figure 1) (Brent, 2014).

Figure 1: Major contributes of economical growth in South Africa GDP (Sources from www.agrisa.co.za)



The country can be African bread basket if the government is supporting and providing land for farming. Plant protect soil erosion that soil keep moisture, the moisture which supply streams, the streams supply water to people. The streams supply community with surface water and groundwater. People in the area where there are more trees receive more rains and this rainwater can be harvested and stored for future use. As part of climate change in water and food security, the urban people should be educated in reusing grey water for the garden and flushing the toilets. This will save more water which is wasted. Water is also used in large volume by industries during processing of their products, the wastewater from industries can be used to water the community parks. South Africa government has invested billions of rand to build dams in Lesotho, in order to supply the economic Huber of South Africa, Gauteng Province with water. Such investment can be done in rainy provinces to preserve the water that can be used by western region people. The areas in western region will have to adopt the strategy used by Israel for irrigation their plant, which is using drip-irrigation methods. This will increase the survival of the plants even in this climate challenges. Economic benefit of the climate change in the energy sector could be that, in the developing countries like South Africa experiencing increases in temperature, which can be used as an opportunity to harvesting energy from the sun. The western region of the country will be a perfect place to build solar project to generate natural energy from the sun such as in China. Greenpeace reported that massive investments in renewable energy such as wind and solar and energy efficiency could provide three-quarters of South Africa's electricity by 2050 and at the same time save 46 million US$. Bangladesh is one of the country that is fighting poverty by installing solar energy to every households. They targeted to complete installation of the solar energy to all remaining 38% by 2020.

This can also be a solution for climate change in South Africa situation. This is possible in time of climate change challenges. South Africa has more than 27% of unemployment and more than 54% of the people are the young between the age of 25 and 40 years. The waste generated can be turned into job creation. South Africa generate 53 425 tonnes per day of waste generates from plastic, papers, tins, bottles, and tires include food. Figure 2 shows the type of the waste produced and how much is recycled. Most of the waste mentioned is an import stuff and recycling can generating millions of dollars in the country that have good system to manage waste such Sweden (Sheffield, 2016). They are importing waste from the other country in order to continue using their plant to generate energy. Figure 2 less recycled plastic and more than 60% recycled of paper.

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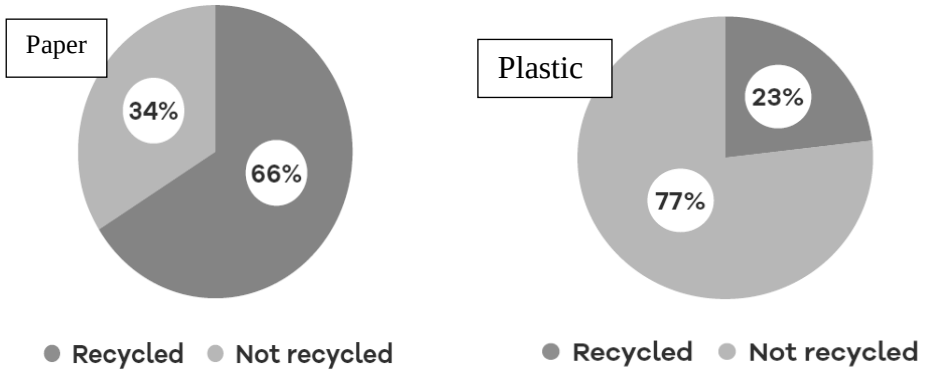
Figure 2: Waste management of plastic and paper after collection (Sourced: GreanCape, 2016)



The South Africa government can use this Sweden model to solve the waste management problem (Figure 2) such households keep separating their newspapers, plastic, metal, glass, electric appliances, light bulbs and batteries (Freden, 2017). South Africa can also adopt Ethiopian Reppie project of converting waste to energy, using of incinerator plant to burn rubbish while heat boils water until is steam (Taylor, 2018). Wastes are poisonous, affect the environment (Water, Soil, Air, humans). Rwanda educated their people about waste management, and they reduced the use of the un-degradable material and focus on biodegradable as well as reducing cars in their cities. Therefore, people walk or run this help them with exercises. Economically they saved their air from pollution, less waste in their cities this reduce the health problem through water contamination and food poisoning and they encouraged their citizen to participate in the exercises which improve their health. This work address the challenges that South Africa and other countries are experience regarding the challenges and opportunities that are related to climate change. South Africa is one of the developing country, which had one of the greatest constitution. The finding of this study informs policy or the act regarding the service that can be implemented. Economic opportunity due to climate change in South African content are mentioned above for both eastern and western regions, the most important aspect need is the: amendment of the policy that assist all municipality to re-use or recycle waste (paper, plastics, wastewater), and all climate change opportunities (planting trees, extracting energy from natural resources, and to generate employment and revenues most importantly educating community members about business opportunities from waste and trees. If these policies are implemented, then it will empower the youth and unemployed adult by creating jobs and increasing entrepreneur.

CONCLUSION

Climate change is a concerned of every country, however, the impact to the nation can be minimised if the country is willing to invest. Many and most developed countries have long-term plan to fight against and boost their economy. In developing country like South Africa, investing in educating members about the entrepreneur and economic potential of climate change from lower school to adults will be one of the solution to the people as they will create jobs for themselves. While the adapting some successful models to improve life in this climate change need a willing government to support long-term projects both physical and resources.

RECOMMENDATION

South Africa has the potential for the economic growth: education needed to be improved not for primary only as well as adults. Infrastructure and resources for long-term projects to solve the main and future challenges need to be clearly defined and funded. Policies related to climate change should be forced to municipal levels to participate in the waste management, energy or bricks or tar producing from waste and to go green from all communities' members. Plant (trees) should be celebrated as the key to reviving the climate change challenges in order to growth opportunities of jobs creation, cleaning air, and circulating water.

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BRIQUETTING OF WASTE BIOMASS FOR SUSTAINABLE ECONOMIC DEVELOPMENT IN SOUTH AFRICA

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ABSTRACT

We explore the United Nations' Sustainable Development Goal 7-"Affordable, reliable, sustainable and modern energy for all" and establish whether the briquetting of waste biomass would present any potential economic development opportunities for South Africa to address unemployment, inequality and poverty. Opportunities and challenges experienced by African countries in relation to biomass briquetting are analyzed and potential drivers for sustainable briquetting of waste biomass in South Africa are identified. Lastly, several recommendations are made, which include advocacy for Public Private Partnerships-locally, regionally and internationally; creation of enabling environment for investment in waste biomass briquetting and related infrastructure.

Keywords: Waste biomass briquettes, sustainable development goals, renewable energy, charcoal, fuelwood.

INTRODUCTION

Energy self-sufficiency is as critical as water and food security for socio-economic wellbeing of humankind. The latest report by United Nations (UN) (2018) highlighted that currently, around a billion people live without electricity and that despite the rapid expansion of renewables in 2017, little progress has been made on integrating renewable energy into end-use applications in buildings. Moreover, close to three billion lack access to clean cooking solutions, they rely on wood, charcoal, animal and crop wastes, or other solid fuels to cook their food and heat their homes (United Nations, 2018a). This scenario is likely to persist until 2030, with 2.5 million premature deaths each year still attributable to the resulting household air pollution, from which most women suffer as they spend on average four hours cooking and using fuelwood (OECD/IEA, 2017).

The reality of climate change, triple challenges of unemployment, inequality and poverty, as well as coupled environmental problems of deforestation and soil erosion as a result of unsustainable consumption of fuelwood in an attempt to satisfy energy needs, can no longer be down played. The research work on these aspects in general and that on energy poverty and its associated negative impacts in particular, have prompted the global community to call for action in 2015 to end poverty, protect the planet and ensure that all people enjoy peace and prosperity through the United Nations Sustainable Goals (UNDP, 2018). In the case of energy and in line with this global agenda, nations and people in their respective capacities, agreed that there is an urgent need to find alternative solutions for the universal provision of energy in a sustainable manner by the year 2030. This call is clearly documented in Sustainable Development Goal 7, which advocates for the global nations to *"Ensure access to affordable, reliable, sustainable and modern energy for all"* (UNDP, 2018). This Goal not only attempts to realize universal access to energy, increased energy efficiency and expanded use of renewables by 2030, but also aims at achieving the commitment related to the Paris Agreement on Climate Change (UN, 2018b).

In the latest "Accelerating SDG 7 achievement policy briefs" of 2018, the UN Under-Secretary-General and chief of UN DESA, Liu Zhenmin, delivered an inspiring message that *"billions of people stand to benefit from the achievement of Sustainable Development Goal 7 through technological advancements, new economic opportunities and jobs, empowered women, children and youth, better education and health, more sustainable, equitable and inclusive communities, and greater protections from, and resilience to, climate change"* and he urged all the

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stakeholders not to disappoint those people (UN, 2018b). This embracive plea is indicative of the significant role that the SDG 7 can play in achieving almost all the 17 SDGs. However, this will solely depend on the collective efforts made by individual countries. This paper focuses on the role the South African government can play in order to fulfil the aspiration of the SDG 7. It attempts to answer the following question: *How can South Africa strive for Affordable Energy for All and unlock economic opportunities through the use of its waste biomass to produce affordable, reliable, sustainable and cleaner energy sources?* The paper provides the economic data related to the production and consumption of charcoal on the African continent, with a view to highlight the magnitude and significance of the charcoal business on the continent. In the subsequent section, economic opportunities of briquetting of waste biomass in South Africa are presented. Lastly, several recommendations are given with a view to ensuring sustainable waste biomass briquetting industry in South Africa.

CHARCOAL PRODUCTION AND CONSUMPTION IN AFRICA

Charcoal is produced in Africa throughout the year, although there are seasonal variations (Zulu and Richardson, 2013). It is cleaner and easier to use than firewood, cheaper and more readily available than gas or electricity, and has become one of the biggest engines of Africa's informal economy (Onishi, 2016). Firewood and charcoal alone provide more than 40 percent of energy used in Africa and due to its desirable qualities, Africans use more than 23 million tonnes of charcoal every year, making it a multi-billion dollar industry (Iwuoha, 2017). The growing demand for charcoal in Africa is driven by high population and urbanization growth rates, which would make charcoal the major primary source of energy for most urban dwellers for at least another generation (Zulu and Richardson, 2013). In most countries in eastern and southern Africa, over 90% of urban households use charcoal to some extent (IEA, 2002; Zulu and Richardson, 2013). Between 1990-2000, charcoal consumption grew by about 80% in Lusaka and Dar es Salaam (SEI, 2002; Zulu and Richardson, 2013) and it was roughly double that of firewood consumption (Arnold et al., 2006; Zulu and Richardson, 2013). Interestingly, charcoal prices have been surprisingly stable at around 10 US cents ($0.10) per kilogram for the past couple of decades (Ellegàrd and Nordström, 2003), and the demand is assumed to be price inelastic (Chomitz and Griffiths, 2001; Zein-Elabdin, 1997; Zulu and Richardson, 2013).

Charcoal consumption in Africa is expected to increase considerably and faster than other regions of the world, doubling by 2030 versus a 24% increase for firewood (Arnold et al., 2006; Zulu and Richardson, 2013). Wood fuels contributed 3.5% of Malawi's GDP (Zulu, 2010) and 120,000–140,000 in direct employment in 2008 (MARGE, 2009). Notably, charcoal alone was estimated to contribute $650 million to Tanzania's economy, 5.8 times the combined value of coffee and tea production (World Bank, 2009; Zulu and Richardson, 2013). Charcoal also supports employment for charcoal stove producers, traders, and scrap metal collectors and traders in urban areas (World Bank, 2009; Zulu and Richardson, 2013).

Despite the fact that charcoal production contributes to poverty reduction through alternative income-generation opportunities, some researchers thought it can undermine ecosystem services, agricultural production and human health (Zulu and Richardson, 2013). Furthermore, it has also become one of the greatest environmental threats (Onishi, 2016), which included localized deforestation around cities such as Addis Ababa, Dar es Salaam, Lusaka, Maputo, Lilongwe, and Dakar, and soil erosion resulting in lower agricultural productivity (Alem et al., 2010; Arnold et al., 2006; Kambewa et al., 2007; Luoga et al., 2000; Mwampamba, 2007; Ribot, 1999; SEI, 2002; Zulu and Richardson, 2013). Additionally, overexploitation of wood fuel also added to the negative environmental threats due to weak, misguided, neglected, underdeveloped, disjointed, overly prohibitive, contradictory or non-existent wood fuel policies and laws, combined with poor enforcement and regulatory capacity (Zulu and Richardson, 2013). Lack of regulatory systems has led to Tanzania and Malawi to lose at least $100 million and $17.3 million in uncollected charcoal-based revenues, respectively (World Bank, 2009; Zulu, 2010; Zulu and Richardson, 2013). The inference that can be drawn from these situations is that charcoal (and firewood) policies in some African countries are relatively neglected, too disjointed or inadequate to address the triple challenge of reliable charcoal (and firewood) supply, environmental sustainability and poverty reduction (Zulu and Richardson, 2013). In order to counter these situations, there is a need for efficient development and coordinated implementation of relevant policies in order to provide affordable alternative energy sources for urban households, and also applying more efficient and sustainable approaches for the production and usage of charcoal (Zulu and Richardson, 2013). In this regard, governments have a large role to play in ensuring that this development occurs; government policies will need to prepare the market for private investors and promote regional integration to enhance savings on capital spending (Nganga, 2016).

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ENERGY NEXUS IN SOUTH AFRICA

The total energy consumption in rural areas consists of biofuels, most of which are fuelwood, charcoal and agricultural waste, while in the urban areas paraffin, electricity and LPG are the major energy carriers (Uhunamure et al., 2017). Roughly 20 per cent of urban households and half of rural households are still unconnected to grid or off-grid electrification programmes. Moreover, in 2010 solid biomass and waste contributed (10%) of the primary energy supply, which is critical to over 80 per cent of rural households who use fuelwood and charcoal as their primary source of energy, at an estimated value of just over US$200 per household per year (Petrie and Macqueen, 2013). The 2014 General Household Survey show that the main sources of energy used by households for cooking during the period 2002 to 2014 had a mixed trend. For instance, the percentage of households that used electricity for cooking increased from 58% in 2002 to 79,8% in 2014. Concurrently, the use of paraffin declined from 16,2% in 2002 to 5,1% in 2014, while that of firewood decreased from 19,3% to 9,8%. The percentage of households that used gas declined slightly from 3,3% in 2013 to 2,7% (Statistics South Africa, 2015). These data paint an interesting picture, that though electricity usage increased by a staggering 21,8%, the usage of other sources declined by 11,1% for paraffin; 9,5% for firewood and a mere 0,6% for gas. However, in terms of preference or choice of energy source, these data reveal that electricity is the most preferred, which is obviously in urban and affluent parts of the country, followed by firewood, which is used predominantly by the poor and rural communities. Paraffin and gas are the least preferred energy sources, respectively, which could be linked to the issue of unaffordability mainly by the poor sector of the population. There are areas in South Africa where the consumption of fuelwood for cooking are high, this was experienced in the provinces of Limpopo (39,4%), Mpumalanga (14,8%), KwaZulu-Natal (14,4%) and Eastern Cape (13,3%), as revealed in the 2014 General Household Survey (Statistics South Africa, 2015).

ECONOMIC OPPORTUNITIES OF WASTE BIOMASS BRIQUETTES IN SOUTH AFRICA

There appears to be a high domestic market potential for more structured and sustainable production of biomass energy, linked to a clean and efficient stove distribution programme in South Africa (Petrie and Macqueen, 2013). Additionally, with the focus nowadays being on environmental protection and sustainability, business opportunities exist in South Africa for using waste biomass to produce briquettes. This statement is supported by the following information:

South Africa has substantial biomass energy potential, even in remote areas. There are 42 million ha of natural woodland, 1.35 million ha of plantation and 1.2 million tons of wood fuel from tree resources outside forest. In addition there are untapped links to currently unused agricultural waste and garden waste, forestry (plantation off-take and woodlots) (Petrie and Macqueen, 2013), and invasive species (Hugo, 2014).

South Africa does have established experience in more commercial options, primarily using bagasse (waste fibre from sugar cane processing) for electricity generation in the sugar industry, and using waste wood and sawdust in the plantation based pulp industry (Petrie and Macqueen, 2013). Two large-scale biomass plants have already tried to make a profit out of biomass energy. The Howick wood pellet plant in KwaZulu-Natal produced 60 000 tonnes of fuel a year, which it exported to Europe because there was no local market at the time. A by-product of this was also a five megawatt biomass energy plant, but Eskom (the public energy provider) would not sign a power purchase agreement to take its power onto the grid. The plant closed in 2013. A similar plant in Tsitsikamma added a six megawatt power plant to a sawmill, which supplied local communities with electricity. Again, Eskom did not connect the power to their grid and the project collapsed (Kings, 2013). It is noteworthy that those plants were successfully established and operated even though it was for a short time and that their failure was mostly due to local market conditions and stand-offs in agreeing on purchase agreements with Eskom and not technological difficulties (Petrie and Macqueen, 2013). The conditions are now favourable due to the latest (2018) signing of the power purchase agreement between ESKOM and the Independent Power Producers from renewables. Despite this, there is a need for government to encourage the development of the local market for the waste biomass briquette industry through coherent, reliable policy incentives (Petrie and Macqueen, 2013), which would predominantly target households in urban and rural areas who are energy constraint rather than supplying ESKOM.

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Briquetting is labour intensive (Iwuoha (2017), which would help absorb many unemployed youth in different stages of the value chain, thus helping to reduce high unemployment in the country, which is what the government has committed to addressing in the short to long term. Household energy consumption is expected to increase in the future, along with growth in the economy and a rise in per capita income. An increase in income could even lead to growth in the traditional fuel demand (Kebede et al., 2002; Uhunamure et al., 2017). Households tend to move up the energy ladder (in terms of quality, convenience to use and cost), from biomass to paraffin and then to LPG or electricity with increasing disposable income and changes in lifestyles (Uhunamure et al., 2017). However, decisions related to energy consumption and fuel type are strongly influenced by accessibility, affordability and the convenience of the fuel. Moreover, with the triple challenges of unemployment, inequality and poverty facing South Africa, the likelihood of these challenges to persist are high, leaving many citizens trapped in the energy poverty conundrum.

African countries have a huge opportunity to use the newest technologies and ideas to achieve universal access to clean, reliable, affordable energy (Kende-Robb, 2016). In the case of South Africa, there are government funded institutions with state-of-the art technologies to help produce efficient briquettes and stoves. For instance, the National Tooling Initiative of South Africa; Council for Scientific & Industrial Research (CSIR), even the Institutions of Higher learning (e.g., Traditional Universities, Technical Vocational Education & Training Colleges and Universities of Technology) and Energy Research Centers, most of which are hosted by universities (e.g., Centre for Energy and Electric Power, Tshwane University of Technology; Sustainable Energy Technology and Research (SeTAR) Centre, University of Johannesburg; Sustainable Energy Centre, University of the Western Cape; Energy Solutions, Technology Innovation, Stellenbosch University and the Energy Research Centre at the University of Cape Town, etc.) can be brought on board. Additionally, these institutions have the capacity to conduct research that would help improve the quality and efficiency of both the briquettes and stoves. Since some of them are directly involved in fuel technologies, they can render services to young entrepreneurs and train them on how to produce and sell those briquettes and stoves. A certain small company in Ghana, Toyola Energy, managed to make an impressive turnover of $550,000 in just five years of its operation from 150,000 charcoal stoves it produced, using simple and readily available materials like scrap metal and clay. Moreover, Toyola Energy trains local craftsmen to produce these energy-efficient stoves and then sell them off to the market in Ghana and other West African countries such as Benin, Togo and Sierra Leone. In 2011, the company won the Ashden Awards for Sustainable Energy (Iwuoha, 2017). Certainly, this case should serve as an inspiration to South Africa, given its strong institutional arrangement, legislative and policy support, to pursue the transitional path to green and low-carbon economy, of which the use of waste biomass in addressing energy poverty is very central.

Demand for affordable biomass energy source exists in South Africa and this is likely to continue for many decades to come or until the triple challenges of persistent inequality, unemployment and poverty in the country have been resolved. Furthermore, South Africa has well established institutional arrangement and environmental legislation, norms and standards to regulate the biomass briquetting industry.

The continued trend of migration from rural areas to urban areas and from other countries (National Planning Commission, 2011), mostly neighbouring African countries to South African cities, is putting pressure on affordable energy demand and services (Brand South Africa, 2015), which could be addressed to a certain extent by production of briquettes from waste biomass, especially in metropolitan municipalities and bigger towns. According to the National Planning Commission, South Africa was 60% urbanized in 2011, it is projected to about 70% in 2030. Additionally, the figure for international migrants in South Africa was 2,7 whereas in Gauteng province it was about 13% (National Planning Commission, 2011).

Gauteng province is host to both commercial and administrative capital cities, respectively and is also host to three metropolitan municipalities (e.g. City of Joburg, City of Tshwane and City of Ekurhuleni) (Gauteng Investment Centre, 2017). These cities can easily consolidate their efforts and used their waste biomass quantity to build a bankable business proposal and lure investors to establish briquettes producing companies. Their close proximity to each other and geographic spatial orientation provides a potential competitiveness whereby briquettes from waste biomass can be produced closer to urban demand centers, thus lowering transportation costs associated thereto (BTG, 2013). Moreover, Gauteng government, through its various departments (e.g. Economic Development; Agriculture & Rural Development; Public Works), could secure Public Private Partnership (PPP) agreement with local

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business consortium and produce briquettes from waste biomass. Municipalities can also become part of this joint business venture. In this way, more sustainable jobs could be created along the value chain.

On another perspective, most of the institutions of higher learning in South Africa have business development units, which operate as their revenue generation vehicles. These could also become involved in the business of producing briquettes from waste biomass, either on their own or through partnerships. Furthermore, some of these institutions own farms and that is where the operations could take place, thus reducing the operational costs and the unit cost of the briquettes to affordable levels. A notable example is that of Tshwane University of Technology (TUT), the largest University of Technology in South Africa which offers services to 60000 students annually (www.tut.ac.za). In 2017, it partnered with Haaga-Helia University of Applied Sciences in Finland, the largest business educator in Northern Europe with a strong focus on entrepreneurship and co-operation with local industries (https://www.tut.ac.za/news-and-press/article?NID=102). The collaboration will include, among other things, the development of education, lean start up know-how, coaching skills training as well as Research and Development projects. This will culminate in the creation of a Center for Entrepreneurial Development in the Faculty of Management Sciences at TUT (https://www.tut.ac.za/news-and-press/article?Year=2017&NID=79). However, the Centre will be operated through the Department of Management and Entrepreneurship and will utilize best practices from Haaga-Helia UAS and its StartUp School incubator to pursue entrepreneurial endeavors, particularly among its students, most of whom are youth. Moreover, Tshwane University of Technology's Faculty of Science and the Office of the Deputy Vice-Chancellor: Teaching, Learning & Technology have jointly started with the laboratory-scale production of briquettes from waste biomass and will use this collaboration to scale it up in the near future, probably at the university's ± 6 hectare farm. This is proof that South Africa is capable of realizing the aspiration of SDG 7 and briquetting of energy source from waste biomass could ensure the realization of such inspiration.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This paper presented the challenges of energy poverty in Africa and South Africa in particular, as well as the magnitude of dependency on fuelwood to satisfy energy needs and associated environmental impacts. In view of advocacy for environmental protection and sustainability, the paper provided the business opportunities and job creation potential in the use of waste biomass for the production of briquette in South Africa, which could help address the triple challenges of unemployment, inequality and poverty, particularly among young people. Well established institutional arrangements between public and private entities, as well as strong legislative framework can ensure that this business venture is operated in an environmentally sustainable manner. In light of the evidence of unsustainable consumption of fuelwood and also successful business ventures in other parts of the African continent, South Africa can draw some lessons from those and chart a path for a sustainable business endeavor, which would not only address government agenda but also the aspirations of South Africans in general and young people in particular. It is therefore recommended that Government should start focusing more on advocating for the use of waste biomass as a significant source of alternative energy in South Africa, particularly for the poor and marginalized segment of the South African population. Moreover, government should create and enabling environment to ensure that this business is sustainable. It can do this by being proactive in fostering energy innovation and supporting research and skills development (Kende-Robb, 2016). Government should also consider introducing free basic renewable energy sources for the indigents, such as waste biomass briquettes as a top up or complementary energy source, considering the fact that some researchers found that the Free Basic Electricity of 50 kWh per month that is given to indigent households is hardly enough for certain basic household energy needs (e.g. lighting and electronics) (MacDonald, 2009) and thus prompted many people with access to grid-electricity to still continue using firewood, coal or paraffin for cooking (Kimemia and Annegarn, 2011).

Lastly, public–private partnership programmes are the most successful scenario, but require coordination at the highest level. This would link the market and policy context in South Africa and improve political will in the transition to a low-carbon economy (ILO, 2011). As a result, South African businesses should collaborate or partner with government or with each other in the country or abroad, particularly on the African continent and share experiences and grow the waste biomass briquetting business, while at the same time promoting sustainable development agenda. Furthermore, government agencies and institutions of higher learning should provide the much needed human capital and infrastructure support to ensure development, acceptance and growth of the waste biomass briquette business. The National Low Carbon Economy Skills Forum, located in the State President's Office for

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Economic Planning, would be useful to monitor and direct the National Qualifications Framework to ensure that essential skills are considered (ILO (International Labour Organization), 2011), whereby waste-resource management is promoted, supported and sustained. This body would also be included in consultations with Sector Education and Training Authorities, Standards Generating Bodies, industry and academic institutions (ILO, 2011) to ensure development of necessary skills and advocacy for creation of green jobs and continued growth of the economy through production of sustainable renewable energy sources, such as waste biomass briquettes.

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EXPLORING THE PERCEPTION OF STAKEHOLDERS ON THE IMPLEMENTATION OF ACCOUNTABILITY SESSIONS AS A MANAGEMENT TOOL FOR ORGANIZATIONAL SUCCESS

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ABSTRACT

In this study we explore the views of stakeholders on the implementation of accountability sessions as a management tool that can bring about improvement in organisations. Participants were 24 in all comprising 6 manager and 18 workers, who are considered to be stakeholders in this study. There were 8 women and 16 men whose ages ranged between 25 and 55. Participants indicated their views about accountability sessions on a questionnaire and interviews. The result shows that the implementation of accountability sessions has a good output and if well planned and implemented a lot of organizations can be successful. Stakeholders` responses indicated that organisations need to implement accountability sessions for the improvement of their organisations. It also became clear that accountability sessions could be implemented in a variety of organisations.

Keywords: Accountability sessions, organisations, stakeholders, managers, workers.

INTRODUCTION

Accountability is a means of interaction in hierarchical, often bureaucratic systems, between those who have power and those who do not. Accountability can be seen as a state of being in which a person is obligated to answer to others. It means answering or accounting for your actions and results. It is something every leader wants more of from his or her team. Specifically, accountability is an economic means of interaction (Tymms, 2001). Accountability works as a management tool if the employee knows in advance that she will have to answer for her actions (Bolon, 2001).

Literature

Accountability has been defined as a "perceived expectation that one's decisions or actions will be evaluated by a salient audience and that rewards or sanctions are believed to be contingent on this expected evaluation" (Hall & Ferris, 2011, p. 134). Accountability means having the responsibility and authority to act and fully accept the natural and logical consequences for the results of those actions. Accountability is a fundamental element of all societies and the organizations that operate within them. A moral being is an accountable being (Hall, Frink and Buckle. 2015). "When people are held accountable to themselves and their stakeholders' things get done. Good things" (Tobak, 2012). Fear of a damaged relationship, sensitivity to the vulnerability of another to withstand the pressure of failure, and intimidation can prevent healthy accountability from taking place (Molepo, Khumalo and Mji. 2017). The ability to manage conflict is an essential skillset that makes handling these various circumstances easier thus limiting the negative impact and increasing the necessary trust in the social relationships. (Hairston-Green, 2015) Many workers do their best to avoid accounting because it has often been used as ammunition for blame or punishment (Tobak, 2012).

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In the workplace everyone is accountable to someone. In a traditional organization workers are individually accountable to their respective bosses. Personal accountability at work can encompass everything from employees being accountable for their actions, making themselves vital, to managers and people in leadership roles showing personal accountability in order to foster an environment of accountability in the office with their employees (Al-Busaidi, 2005). Taking ownership for the outcome of an initiative means sharing culpability, progressing the outcome, managing expectations and when accountability goes well it means celebrating the successes. Being accountable also means being dependable-arriving to work and appointments on time, meeting deadlines, being in the right place at the right time, doing the right thing at the right time. However, merely following the minimum requirements of formal programs is not enough to create the positive environment necessary for constructive accountability (Olson, & Viadero, 2002).

Work ethics

Individuals with solid work ethic and character take responsibility for the work they do. Generally, employees respond to favourable work conditions and environments with favourable attitudes and behaviours (e.g., high levels of performance) and respond to unfavourable treatment with unfavourable adjustments in attitudes and behaviours (e.g., aggression; Robinson 2008).

Investigators have used social exchange theory in prior abusive supervision research (e.g., Avey, Wu, & Holley. (2015). argue that a state of perceived imbalance is created when employees perceive adverse social exchange processes with their supervisors. Empowerment in the work place is by three very important pieces as if supported by a tripod. The three legs of empowerment are responsibility, authority, and accountability (Berkowitz, 2002). They demonstrate a willingness to not only ensure the job is done, but also accept responsibility for the results good or bad. Creating a culture of accountability means developing a climate in which people can speak openly, admit to mistakes without fear, and worry more about serving the customer than looking better than a co-worker. One of the primary concerns for organizational leaders is to provide workers with a productive and ethical work environment. Accountability at work is important to a business's success as a whole. Every employee, no matter what level of seniority is equally responsible for aiding in the success of the company. In order to achieve the goals of the company, long and short term, it is important that all people within the company work together and share accountability. Employees, who work together towards the same overall goal help their workplace to become more accountable, in turn make the business more productive and efficient. When one has character and is accountable, one recognizes that the quality of your work is also a representation of oneself. In the work place, accountability is even more critical. Economic loss, poor safety measures, security and decline in health (even death) could be the end result of the lack of accountability. It is maintained that once one own it, one can begin fixing it. This eliminates a lot of wasted effort in playing the victim and blaming others. Often times, accountability measures are not articulated between the leader and groups of individuals to manage the expectations of progress. It is assumed that each person understands what is expected of them, how to identify the red flags that may need to be addressed before they escalate out of control and the specific steps to take that will redirect a project or plan back into focus. Managers can practice accountability for positive results by following good performance management principles.

Statement of the problem

If an employee knows that he/she will have to explain his/her actions to another person and that his/her actions will be rewarded or punished accordingly, typically that person will make an effort to act well.In most organizations rewards are tied to performance assessment, which is one part of a formal accountability system. Counter automatically, employees with similar demands and expectations often report different levels of accountability (Hochwarter et al., 2007). It is therefore important that those organisations should look into ways and means of making their working force to be accountable. This study therefore seeks to look into how best can employees be utilised to their fullest. Accountability sessions are seen to be a way for encouraging a full utilisation of employees where everyone will be held accountable for the work she/he does this being done with the aim of improving organisational success. It is therefore important that employers should give their employees job descriptions so that the employees will be held accountable.

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Research question

The main research question of this study therefore is: *Can the implementation of accountability sessions in organisations bring about organisation success?* To answer this question, two sub-questions were used in one-on-one interviews with the participants. The sub-questions were: *(i) Which factors should be associated with good work ethics? (ii) What are the perceptions of managers and workers on accountability sessions?*
In this regard the objectives of the study were therefore to:

(a) Explore challenges associated with accountability at work
(b) Find out the perceptions of managers and workers alike on accountability sessions

Study site

This study was conducted in Bojanala municipality where the first author works. This in a sense means that he has first-hand knowledge of what goes on in this district. This district has schools, mines and factories. Participants were from all these three organisations. This study is conducted believing that management is done across all levels of organisations. So, organisations mentioned here were seen to be of importance in this study since the main aim is to see as to whether accountability sessions can lead to the success in these organisations

METHOD

Participants

Targeted population comprised of managers and workers in Bojanala municipality of the North West province. The regions have approximately 10 organisations including mines, factories together with primary and secondary schools. There are also factories and mines around Bojanala. This study is aimed at getting views from a variety of managers and workers. The focus is not only on educators or mine workers but almost all organisations that are in this district. Researchers agreed to focus only on two mines, two factories and two primaries and two secondary schools. To select participants' letters of consent were sent to the above-mentioned organisations. The result was that some managers were not willing to take part in this study. Due to this only six managers were prepared to take part. The good thing about this managers was that they represented mines, factories and both primary and secondary schools. Workers were also not eager to participate in this study; as a result the researchers were able to find eighteen workers. This means that the sample was made up of 24 participants, comprising 6 managers as well as 18 workers. Participation by all individuals was voluntary because the purpose of the study was clearly explained to all possible participants. All questions and queries were addressed to their satisfaction. Examples of questions asked included by participants were: (a) "... will you put my name in your report?" (b) "... Will you report what I say to the head of my department?" and so on. Following this process, it was indicated to the participants that if they so wished they could decline to participate.

Instrument and procedure

Questionnaire comprising two sections was used to collect data. The first section requested the participants to provide biographical data in terms of age, gender, highest academic qualification and work experience. The second section determined the views of respondents on accountability sessions. Interviews were also used. The aim was for respondents to corroborate the information they gave on questionnaire. In this study both qualitative and quantitative methods of collecting data were utilized. In essence this was a mixed methods study. It is affirmed that the goal "…of mixed methods research is not to replace either of these approaches but rather to draw from the strengths and minimize the weaknesses of both in single research studies ... " (Johnson, & Onwuegbuzie, 2004, pp. 14 - 15. The aim of utilising both qualitative and quantitative methods here was to use these as some form of triangulating findings. This means that one method was used in some aspects of the study to verify and corroborate participants' assertions and views in the other method. A questionnaire comprising two sections was used to collect data.

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Validity

Validity refers to the capacity of research techniques to express the essential features of concepts being studied, and to measure what the methods were intended to measure (Leedy & Ormrod, 2005). To ensure the validity of this, study researchers ensured that all processes were consistent. For instance, they asked the same questions consistently to participants. They ensured that our views were not expressed whatsoever even when participants asked for these. They simply indicated to the participants that it was their views researchers wanted.

Reliability

Reliability refers to the degree to which a measure yields consistent results (Leedy & Ormrod, 2005). To ensure reliability in this qualitative study, a number of activities were followed. For instance, organisations that were prepared to utilise accountability sessions formed part of the sample. Also, to ensure that whatever the participants said were correct, researchers took the transcripts to them for their verification.

RESULTS

Here, an analysis of the data, its interpretation as well as the findings from the participants' perspective is provided. In particular, participants' perceptions towards the implementation of accountability sessions as a management tool for organisational success. Importantly, actual words used by the participants are quoted in this paper.

Participants' Biographical Information

Table 1: Principal characteristics of the sample (N = 24)

Category	N	%
Gender		
Women	8	33
Men	16	67
Age		
25 – 39	13	54
40 - 49	8	33
50+	3	13
Highest qualification		
Diploma (e.g. Diploma in Education)	19	79
Degree or higher (e.g. B.A. or B.A. Honours)	5	21
Working experience		
0 – 9	18	75
10 or more	6	25

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Participants' views

Participants were requested to indicate their views on how accountability sessions are conducted. Most of the participants were of the opinion that they were not very sure of what accountability sessions entailed. Majority of the managers were of the opinion that there should be accountability sessions. From the questionnaires it was clear that workers were opposed to accountability sessions and they indicated that they did not trust managers. Managers were seen to be happy with accountability; they indicated that organisations will be able to work to the best of their abilities if everyone knew what was expected of them and if they knew that failure to deliver will mean that the said worker does not need to be in the team. Asked why they saw accountability sessions as a good thing. One manager indicated that "*workers should know what the organisation expects of them…if they can't deliver to the expected standards they should account and be dismissed*". This was supported by a mine manager who indicated that "*mines spent a lot of money skilling their workers….so if they can't deliver then they should go"*. Workers on the other hand had fears of dismissal from their work. One indicated that it was true that they were taken for training but was quick to spell out that "…*they give us only theory and when we have to implement there are challenges"*. This was supported by another one who indicated that managers in the working environment did not feel for them, she indicated that they expected one to do an excellent work without considering her background, she said "…*Mavis was discharged from her work….they indicated that her work was not up to standard ignoring the fact that she was pregnant*" ..

Discussion

A lot of organizations` rewards are tied to performance appraisal, which is one part of a formal accountability system. Accountability has become the means of enforcement and control used by states and businesses. What prevents leaders from holding others accountable can be the result of a variety of things. The results have shown that the participants were relatively mature individuals most of whom 54% of them are 25 years and above. One should also remember that specifically, accountability is an economic means of interaction. That is, organisations expect a better output from managers and workers alike. Within systems of accountability delegates of power must answer to some higher authority, in this case the workers worker report to managers who also report to boards of directors (Molepo, *et al*. 2017).

CONCLUSION AND RECOMMENDATIONS

Accountability in organizations is important to their success. Every employee, no matter what level of seniority is equally responsible for aiding in the success of the organization. This study has made it clear that workers are skeptical of accountability sessions and that if given chance, managers were going to use accountability sessions as a way of punishing workers who were seen to be failing to reach the standards put forward by managers. As a recommendation, one may state that it will be acceptable if workers are told of the organizations expectations of them. Workers maybe through unions should be engaged in accountability sessions. Unions should inform their members of the organizations' expectations so that workers will be prepared to attend accountability sessions.

Limitations

While the sample of this study was randomly selected the results presented here are in no way meant to be generalised to all organisations in the Bojanala district of the North West province for instance. It is worth pointing out that introducing accountability sessions will have a lot of challenges on its own hence this paper may not be seen as comprehensive in any way. It has to be stated that South African situation is not exactly like other countries. Issues of work ethics are different as such this study may not actually address issues in other countries. Another limitation of this study relates to the fact that there was a relatively small number of respondents since people were not willing to take part in this research fearing that they would be victimised.

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EXPERIENTIAL TOURISM IN THE COUNTRYSIDE, A CASE STUDY OF THE TOURIST PROFILE

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ABSTRACT

Nobol is a destination located in Ecuador, whose main activity is focused on religious tourism. This study began when it was detected the constant income of tourists in Nobol whose main reason of visit was that sort of activity, despite having other potential resources. The main objective of this research was to determine the profile of the tourist that visits Nobol, to propose a product of experiential tourism that in some way contributes to the diversification of the activities and tourist offers in Nobol. A mixed approach was used where different techniques and tools were used, such as observation sheets, surveys, and interviews. As a population universe were considered tourists, so the finite formula was used to determine the sample of visitors, which resulted in a population of 381 tourists to survey, indicating that tourists are mostly from the coastal region interested in carrying out tourism activities and boost tourism through new tourist activities that motivate to visit the canton. Practical implication provides significant ideas for innovation in tourism from regular activities of the countryside, in the meaning of experiential tourism.

Keywords: Profile of tourist, experiential tourism, tourism, new tourist product.

INTRODUCTION

Nobol in the Guayas Province of Ecuador is a destination where religious tourism has been meaningfully developed. There are hundreds of tourists arriving by faith and religion to Nobol but there is no other significant tourist activity there. Up to the collecting data, Nobol government had any record of visitants and their profile to identify their sociodemographic features and motivations or preferences; the sanctuary is the only organization who has book number of visitants in that place. The ignorance of recreational preferences of that specific group of visitants has stopped the diversification of activities in Nobol. In consequence, the introduction of new ways of tourism could support the socioeconomic conditions of inhabitants in Nobol

Natural spaces and primary activities are substantial resources of this town. Nobol's territory contains widespread rice fields and crops of a variety of fruits such as mangoes, watermelons, oranges, plums and other tropical fruits. Inhabitants execute as main labor the agriculture and livestock work. However, those means and activities have not been taken in tourism, more than provide some kind of typical food on the road.

The time considered for the investigation runs from the months of May to August 2016, where the need to know the profile of the visitor was detected to offer them new alternatives that could strengthen tourism in the Nobol canton.

Some key research questions arose to support this study: What aspects are necessary to know about the tourist of Nobol that allows creating new products? How will the study of the profile of the visitor contribute to the diversification of tourism in the Nobol canton? How does the real demand for tourists help to encourage new tourist activities in Nobol? How can experiential tourism become a new tourism product of the Nobol canton? How to reach the interest of the tourist for activities of existential tourism in the canton Nobol?

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THEORETICAL FRAMEWORK

Tourist

Every human being once in a time will be out of his comfort space and habitual environment. According to Alvear (2008) "tourist is the person who occasionally moves to a different region from his or her habitual residence, with the fundamental spirit of knowing it or performing abstract activities, provided for the purpose of economic resources to be invested in such purpose". Cabarcos (2006) also define to tourists as "those who travel outside their usual environment for a period of time exceeding twenty-four hours." Likewise for Boullón (2006) "The tourist is part of the tourist demand because it is the total of tourists that come to a region, country, zone or any attraction and the income that they generate" (pp.32). So, as Gibson (2016) mentions there is a general consensus on the definition of tourist as a person who travels outside their home but sometimes there are confrontation of delimitate distance and time. As a result, tourist refers to that person who for a period of more than twenty-four hours visit a different place to his residence with the intention of knowing and performing a variety of tourist activities.

Tourist Profile

Many characteristics are displayed around the world by the tourists found in different attractions. According to Covarrubias (2010), the profile of the tourist refers to the preferences that they show, either because of their way of being, because of the current trends determined or because of the activities they perform in their daily life and they are complemented with the pleasure of traveling. Determined mainly by the personality of each person, social level, age, sex.

Besides, it has to be taken into consideration that travelers plan their trip according to the information they could acquire. For Cabrera (2010) tourists are increasingly demanding, because they have more information at the time of making their trip, so it is important to know their profile since you get information about their tastes and needs based on the characteristics sociodemographic, social and personal. These attributes are age, sex, employment situation that is used to deduct the spending capacity in the tourist destination. That means that travelers depend on the amount of information existing on the web and the facility of technology worldwide.

Other situations that make the diversity of profiles more understandable are social aspects. According to Matos (2010), quoted by Escalona & Batista (2011), the profile of tourists has a series of characteristics that identify a group of people, based on the geographic, demographic, psychographic and behavioral variables that differentiate them from the rest. For instance, characteristics such as age, place of origin, socio-economic level and motivational aspects allow obtaining information on their behavior and needs.

Alén, Losada & Domínguez (2016) connect the previous mention aspects as consumer's behaviour description and resume them in the following interdependent characteristics: "the sources of information used, type of accommodation, number of people travelling, time taken to prepare for the trip, duration of trip, type of transport used, type of trip, motivation for the trip and the socio-demographic characteristics of the population" (p. 304)

As can be seen the profile of the tourist is based on characteristics such as gender, age, schooling, occupation, size of the travel group, type of lodging he uses, his average stay, reason for the trip, means by which he learned about the destination and their income to be able to develop the trip among others.

Tourist Product

As tourism is considered a smokeless industry, it creates products to potential tourists, which focuses on meeting the needs of the travelers instead of developing a tangible item. Wang, Li, Guo & Xu (2016) cite to Xu (2010) mentioning that a "tourism product is a complete experience that fulfils multiple tourism needs, and provides corresponding benefits" (p. 685). According to Cardenas (2001) "the tourism product is made up of a set of goods

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and services that are offered to the market, individually with various combinations resulting according to the needs or requirements or desires that we call tourists".

It can be established then that the tourism product has three important components. The first one refers to attractions, the natural comprise: rivers, lagoons, waterfalls, and others; within the artificial attractions are historical places, music, dance and handicrafts, among others; and human attractions make reference to the hospitality of the local population facing the tourists, whether for the good treatment or their own cultural pride.

Other components of the product are the facilities which include: accommodation, food and beverages, entertainment and fun, among others. That set prompts tourists to meet their needs, and it is complemented by another important component such as accessibility, such as land transportation: rail or bus, and air or maritime transport. All those aspects are the indispensable unit for the development of the tourist product.

Experiential Tourism

Nowadays, traveling has become a dynamic activity focusing on experimenting everything a country has to offer. This type of tourism has developed in recent years, with more tourists than ever looking for authentic experiences. According to Mincetur (2008), experiential tourism is generated by the interest towards one or several communities whether they are peasant or native, the important purposes for the development of this type of tourism can be cultural, educational and experiential. By which the community is benefited through the provision of services.

These sum of activities allow the visitors to be part of a normal daily life, having the feeling of traveling with the purpose of knowledge rather being on vacations. For Ugarte & Portocarrero, (2013) experiential tourism consists of a modality of tourism that has as particularity that families dedicated mainly to agricultural, sport and artisanal fishing activities, open their houses to accommodate the visitor, showing a way of life only.

Additionally, Su, Lebrun, Bouchet et al. (2016) resume the theories of various studies as follow: “experience theory suggested that the production–consumption process of tourism experience pertains to dynamics of both tourist participation and choice, which determine the level of value created by staged experiences” (p. 823)

Correspondingly, travel destinations are increasingly trying to offer the immersion of tourist in local culture than just a tour of a place. In the same way for Bonilla (2006) the experiential tourism is a practice that is understood as an experience since the tourist seeks to live a process of cultural encounter and the daily habit through the contact between him and the local person, evokes activities of nature, culture, religion, festivals, sports among others.
Jayabharathi P. & Vedamuthu R. (2017) define experiential tourism as a global movement toward experiential learning, opposite of mass tourism, a group of activities that show by encouraging visitors to participate in the experience, and draw people outdoors and into cultures and communities (p. 149).

As shown above, experiential tourism is a practice where the tourist lives with the local community and is part of it in an active and participatory way. In addition, the tourist creates a sense of experience as it performs different activities whether cultural, sports, agricultural.

METHODOLOGY

The main aim of the study was to determine the profile of the tourist that visits Nobol, to propose a product of experiential tourism that contributes to the diversification of the activities and tourist offers in Nobol. Hypotheses referred the relationship of specific aspects of the profile and the idea of the new tourist product. H1: The age, the instruction of the tourists and the acceptance of a new tourist product are related to each later. H2: The means they use, the number of visits and the length of stay, are related to the acceptance of a new tourist product by tourists.

Three ways of collecting data were used for this study. A descriptive scope of this research used the mixed approach, where different techniques such as surveys, observations, and interviews intervened. Questionnaire for surveys included closed-ended questions, multiple options and using Likert-scale, topics were about socioeconomic

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aspects, educational background, motivations for traveling, preferences about trips and acceptance of primary activities of the countryside. The Cronbach's alpha for the scale was 0,905 in 27 items, which refers to the reliability of the survey and factor analysis by KMO and Bartlett's test was used, obtaining 0,937 with a significance of 0,000. The collected data were analyzed using the Statistical Package SPSS – Version 24.

Observation sheets allow to determinate basic features of the road infrastructure, the behavior of the demand, real service offer, visit the Saint Narcisa de Jesús Sanctuary and surroundings space for proposal activities.

As a population universe were considered tourists of the Narcisa de Jesus sanctuary. The monthly average of visitors was of 43,049 in 2016, so taking into account the sample of a percentage of reliability of 95% and a margin of error of 5% and applying a finite formula to determine the sample of visitors, resulted in a population of 381 tourists to survey. Therefore, 381 visitors who visited the Narcisa de Jesus Shrine were interviewed during 4 weekends of a month.

RESULTS

As written before, Covarrubias mentions that in order to obtain good results for the study of the tourist profile is important to understand their personality, to obtain their age, marital status, gender as well as behavioral variables which can lead the results to the data needed in this article.

The age range of tourists who visit Nobol canton states relevant equal proportions. The most of the tourists (25%) are between 31 and 43 years old. A 23% of the surveyed are part of the following range (44- 56 years old), and 21% of tourists are 18 and 30 years old. Gender referred more than a half females (56%) and less than fifty percentage males (46%). Marital status points out as main results: 32% married, 25% free union and 23% single. As a result, Nobol is more visited by adults of middle-aged adults and less visited by older adults over 69 years of age, besides females and married are the main population of visitors.

Occupation and education level were also aspects of the survey. Most of the tourists were private workers (29%) followed by 23% of public workers, the less percentage (8%) were people who dedicate themselves to another activity. Almost the half of the respondents (49%) had a secondary education level, 25% only a primary education degree, and 22% have higher education.

Tourism as social activity includes the interaction of human beings. More than half of the travelers (59%) travel with family, and a third part (25%) do it with friends, while 11% travel with their partner and only 5% travel alone. Besides 30% of the visitants use public transport, only 1% rent a vehicle to transport themselves and no person uses a travel agency to reach Nobol as a means of mobility.

The places where the tourists come from are relevant and the results obtained in the surveys indicate that the largest number of people surveyed (78%) come from the coastal region followed by visitors from the mountain region with 21% and only a percentage of 1% from the eastern region. It was not registered foreign visitors. This means that Nobol could focus on strategies to reach more local visitors from different parts of the country. The highest percentage (47%) have visited Canton Nobol for three times or more and 39% do so for the second time, while 14% visited it for the first time. Leaving an important number of tourists who return to Nobol, which indicates the good experience obtained visiting every time.

The way people receive information of certain places has changed in the last years because of the social media. However, according to the obtained results, the most common means by which they find out about the destination are friends with 43% and television with 32%, using little internet (15%) and magazines (9%) without using a travel agency and only 1% use other means. In terms of principal purpose of visiting Nobol, the Sanctuary is the main attraction being the majority 75% travel motivated by religion, while in almost equal percentages they do so because they know the place (11%) and rest (10%) while visiting a friend is the lowest percentage (4%) and nobody does it for health.

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Most of the respondents do not use the accommodation service in the city. Almost 90% of the tourists go to Nobol for a couple of hours and return to their place of origin. However, when it was asked about the food service, most of the respondents answered that they go to Nobol and experience local food so that a higher percentage of people (42%) qualified the food service as regular while 32% rate it as good.

Another significant aspects are the way in that people arrived in a destination and the available information. As many people from the neighbouring cities visit Nobol, many of the respondents do not use the local transportation (30%), while the people who use it in a greater percentage (27%) rate it as good. In addition, the use of a tourist information service is not needed due to the results obtained in the surveys indicate that half of the people surveyed (50%) do not use this office.

The time that a visitor invests in a city is related to the attractions of the place. In reference to the amount of time spent in Nobol, the results obtained in the surveys indicate more than a half (67%) remain for less than a day, 23% do so for a day, while in a lower percentage 6% remain for two days, 3% remain for three days and only 1% remains for more than three days. In accordance to that data, 90% of the respondents do not spend on the lodging service, while the remaining amount 9% spends from 21 to 30 dollars and the lowest percentage (1%) spends 10 to 20 dollars.

Expenses of tourists comprise transportation and food values. The transportation service shows that the highest percentage (42%) of respondents spend between 10 to 20 dollars on the transport service, while 30% do not use this service, the other 21% spend 21 to 30 dollars and only 5% spend more than 30 dollars. About food, more than a half (53%) of the respondents spend between 10 to 20 dollars on food and non-alcoholic beverages, while 34% of 21 to 30 dollars and a smaller percentage (13%) spend more than 30 dollars. More than half of the surveyed people (52%) spend between 10 to 20 dollars in what they have fun and leisure, while 39% spend between 21 to 30 dollars and a lower percentage (9%) spend more than 30 dollars.

Taking into consideration the objective of this article, it was important to know if the public feels related to experiential tourism. It was found that the majority of respondents are not familiar with the name of the product (63%). It should be noted, however, that 37% know the term experiential tourism. After, the poor knowledge of the meaning, it was convenient to ask if the respondents would be interested in developing experiential tourism and the vast majority (78%) would visit Nobol again and stated that they would practice the activity. In addition, when it was demanded the number of days needed to coexist with the residents, more than half (52%) preferred to spend two days with the locals, while in a lower percentage (25%) believe that only one day is enough.

Many writers hold the theories that the tourists must participate in a normal daily life of the locals, in order to have an authentic experience or practice in tasks that the tourists are not used to do in their everyday responsibilities. The activities taken into account for presenting this study were harvesting mango, preparation of cheese, artisanal fishing sowing and harvesting rice. The most popular amongst the respondents was preparing cheese (65%) followed by harvesting mango (50%). Artisanal fishing appears here with a significant percentage of responses (37%). On the other hand, less amount of people felt interested in the rest of activities. Sowing rice (25%) and harvesting rice (20%) are seen as of little relevance.

As people pursuing the experiment of the process by their own hands and focusing on the activity to educational, cultural and experiential with the objective of an authentic experience. There is a significant correlation between the choice of activities and the modalities that the tourists prefer to have a living offer, this being a conditioning factor to the activities chosen by the visitor. The obtained results indicated that the most preferred mode of applying to when planning experiential tourism was the implementation of didactic games (34%), closely followed by the people who are quite interested in presenting videos related to the activities (33%). Cultural integration dynamics and dramatizations are very frequently mentioned (30%). Finally, the lowest percentage (28%) were interested in having talks about the activities. It should be noted, however, that (52%) agreed that it was necessary to have informative signs, confirming the level of overall acceptance with the implementation of the product.

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Inferential statistics

ANOVA tests were conducted to assess the relationship between some variables. It was found a statistically significant association of the age, the instruction of the tourists and the acceptance of a new tourist product ($p<0.05$), therefore there were enough evidence to reject Ho. Applying linear regression to the collected data, age and instruction of tourists are significantly correlated. The adjusted R square is 50,6% meaning the goodness of fit for this model. Table 1 corroborate the mentioned information:

Table 1: Model 1 based in the variable to do or not the experiential tourism

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1,910	,041		46,323	,000
	Age	-,132	,026	-,416	-4,999	,000
	Instruction	-,160	,043	-,313	-3,765	,000

a. Dependent Variable: To do or not

ANOVA tests were conducted to assess the relationship between some variables. It was found a statistically significant association of the age, the instruction of the tourists and the acceptance of a new tourist product ($p < 0.05$), therefore there were enough evidence to reject Ho. Applying linear regression to the collected data, age and instruction of tourists are significantly correlated. The adjusted R square is 50,6% meaning the goodness of fit for this model. Table 1 corroborate the mentioned information:

Moreover, the media, the number of visits and time to stay in Nobol are statistically significantly correlated for choosing this kind of experiential activity ($p < 0.05$), consequently, there were enough evidence to reject Ho. The adjusted R square is 84,3% meaning the goodness of fit for this model. Table 2 graphics the second model.

Table 2: Model 2 based on variable to do or not experiential tourism

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2,608	,034		77,382	,000
	Media	-,062	,014	-,161	-4,459	,000
	visits	-,244	,021	-,423	-11,558	,000
	Time to stay	-,344	,013	-,576	-26,999	,000

a. Dependent Variable: To do or not

In contrast, there was not a correlation between gender, marital status, company of tourists, expenses and knowledge of the term. Limitation of this research refers that the collected data was done around the sanctuary and not in other attractions of the canton. Additionally, another limitation was that the research was not done in the high tourist season.

PRACTICAL IMPLICATION

The implementation of an experiential tourism product in the canton Nobol requires determining the elements with which this product is going to be created. First the resources are fixed, in this case, the cultural manifestations that correspond to the collection of mangoes and the elaboration of cheese, which will be complemented in addition with didactic games and informative signs of the activities to develop could be implemented in the environment where

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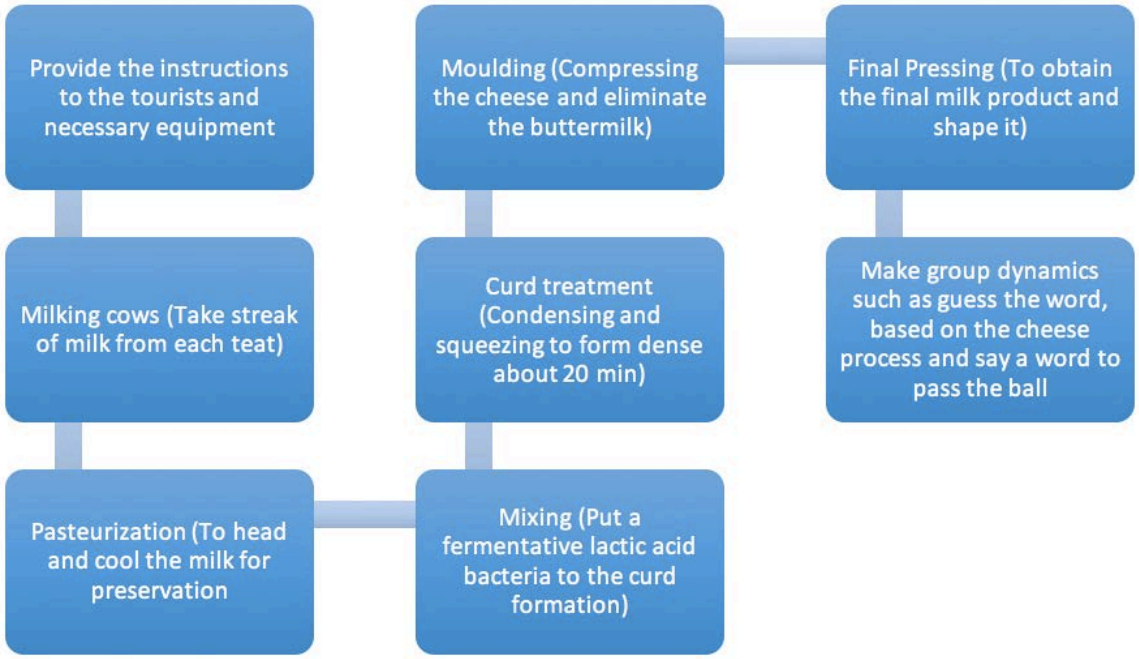
phrases, process, and images will be included. As an illustration will display the cheese procedure, as an activity linked to milking the cow, supported in Graceyimcliveglover (2003):

Figure 1: Procedure for experiential tourism based in cheese production



Source: Caicedo & Proaño (2017) based in Graceyimcliveglover

Another key point is the method of selling this product is chosen, which is done with packages aimed at tourists visiting this Canton and potential demand. A full day trip could be offered to for those tourists who like to take advantage of their free time including activities such as horseback riding, visit rice plantations and cheese making. There is also the option of two days one-night package, for those who prefer to be disconnected from the city and to enjoy a natural environment, including feeding and lodging.

Finally establish the promotion strategies are relevant for the position of a destination, they include: Choosing a logo and slogan related to the activity and communication channel according to the aimed public.

CONCLUSION

Nobol is a potential tourist destination in the religious aspect, however, there are other tourist activities which have not been developed. The creation of a tourist product of new character and interesting for the visitors would help to take advantage of their habitual resources, contribute to complement needs and varies of the tourists in Nobol, as well as to improve the economy that has this Canton since tourism is the business name of the trip.

Consideration should be given to carrying out pure qualitative studies after the implementation of this kind of activities to identify the response of the community and generate spaces where tourism of an experiential nature can be developed with attractive activities for tourists that can be worked out in a natural environment, involving the inhabitants of the sector.

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SUSTAINING COMPETITIVE ADVANTAGE THROUGH THE RESOURCE BASED VIEW IN A COMMERCIAL REAL ESTATE BROKING COMPANY

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ABSTRACT

The commercial real estate broking industry is considered one of the most competitive industries globally, with research showing that entry is rather easy. The research examined the extent of competition in the South African commercial real estate broking industry to establish how one of the leading companies in this industry sustains competitive advantage. Qualitative data was collected from top management of the company. The study revealed that gaining and sustaining competitive advantage is based on building the resources that are valuable, rare and not easily imitable as reflected in the model by Knott (2009:166). The main recommendations of this study is that the company adopts the same model and in addition adopt a culture driven by customer centrism.

Keywords: Competitive advantage, resource based view, resources, real estate broking industry.

INTRODUCTION

The commercial real estate sector consists of a number of segments such as property developers, property management, construction companies, investors, brokerage firms and occupiers with some companies choosing to vertically integrate all these segments (Porter, 1985). Different companies focus in either residential real estate broking or the commercial real estate, and others focus on both. The US Department of Justice and Federal Trade Commission (2007) describe the role of broking agents as that of soliciting listings, selling or renting their properties, and showing buyers or occupiers properties that are likely to match their preferences. They provide branding, advertising and services that assist in completing the transactions. In South Africa, the broking company is required by law to be registered with the Estate Agency Affairs Board of South Africa which issues broking licences and regulates, maintains and promotes the standard of conduct of estate agents having due regard for public interest (EAAB of South Africa, 2012). Registration with similar boards should be a basic requirement in other countries (in-order to protect clients).

PURPOSE OF STUDY

The primary aim of this study was to explore how a South African company in the competitive commercial real estate broking environment managed to obtain and sustain competitive advantage through the Resource Based View. The company under study remains anonymous and will be referred to as “the company”. The major challenge with the company studied is that it does not have a specific strategy document that addresses competitiveness. Decisions taken to respond to competition seem to be without a clear strategic position. It is also untested if the company’s competitive advantage is sustainable as advocated by Meso and Smith (2000). Barney (2000) and various other strategy scholars argue that competitive advantage is sustainable when organisations have resources that are valuable, rare, imperfectly imitable and non-substitutable, (the Resource Based View). Research in the South African broking industry is particularly limited and these researchers were not successful in finding literature that adequately describes the South African broking industry. This study contributes to the literature on the subject, especially in its focus on South Africa.

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RESEARCH METHODOLOGY

The Company, a commercial broking company is a wholly owned international brand with a large staff compliment across the globe. The selected organisation's South African operations has a staff compliment of about 40 people. A small sample of 9 respondents were interviewed to gather data. The selected respondents were brokers, analysts and senior management. The purposively selected respondents have adequate years of commercial broking business experience and were selected based on their industry and organisation knowledge. Two respondents had 2 years of experience, four had between 10 and 20years and the remaining three had over 20 years' experience.

The researchers followed steps suggested by O'Leary (2017) on how to conduct a good interview. These include, planning for all contingencies, having an interview schedule and a data recording system, running a trial or pilot, modifying the process as appropriate before conducting the interviews, and finally analysing the data. E-mails were send prior to the interview requesting permission to undertake the interview. The email detailed the purpose of the interview and assured respondents that the information was to be kept confidential and that the results would be used solely for the purpose of this research. All the respondents were willing to participate in the research and shared their thoughts on all the questions posed to them.

A semi structured in-depth interview was conducted to gather information for analysis. The interviews were audio recorded. A set of predetermined questions was used as a guide for the interviews.

The respondents were asked three main questions as outlined below:

- The research question 1: Would you say the Company is the market leader in the commercial real estate; if so, what makes it a leader?
- The research question 2: Can you mention the company's tangible resources which are rare, difficult to imitate, and difficult to substitute?
- Research question 3: Do you believe that the company has strategies that are unique from competitors?

Detailed notes made by hand, tape recordings and observations were compiled during qualitative interviewing.

Theme identification, data coding and analysis was done before compiling the reports as suggested by Kawulich (2004) and Welman, et al., (2005).

LITERATURE REVIEW AND ANALYSIS OF RESULTS

This section analyses the literature related to the three areas covered by the research questions; competitive position, competitive advantage strategies and sustaining competitiveness. The findings from the interviews are presented and discussed under each area. Thereafter the results are summarised in relationship to Knott's (2009) model and recommendations are suggested in conclusion.

Competitive position

Halawi, McCarthy and Aronson (2006), argue that firms that use their internal strength in exploiting environmental opportunities and neutralising environmental threats are more likely to gain competitive advantage than those, which do not. This internal premise is different from Porter's five-forces model, which focuses on the external side of strategy helping firms analyse opportunities and threats in an industry. Hoskissons, Hitt, Ireland and Harrison (2008) also point out that although the five-forces analysis examines factors that influence the strength of rivalry among competitors, it does not address their intention. The more intense the rivalry in an industry, the greater the need to understand competitors. Though Porters' approach is considered externally focused he (Porter 1995:2) argues that both industry attractiveness and competitive position can be shaped by the organisation, making the choice of competitive strategy both challenging and exciting. This holds true, especially if one is a market leader or is a significant market player in the industry. Gilligan and Wilson (2009) note that in the majority of industries, there is one firm that is generally recognised as the market leader. They define a

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company with market leadership as typically having the largest market share and by virtue of pricing, advertising intensity, distribution coverage, technological advance and a higher rate of new product introductions.

Heywood and Kenley (2008) make two distinctions of organisational competitiveness; first as a market-based position (its ability to generate performance superior to other organisations with similar value offerings in the market) and secondly, as an organisation's sustainable growth rate relative to its competitors. They argue that when an organisation outperforms its competitors it can be said to enjoy a competitive advantage over them, and it will therefore be superior in dealing with competitive forces. According to Bjornsen (2004), a company choosing a market position will attract imitators, and therefore choosing a unique position is not enough to guarantee a sustainable advantage. Gilligan and Wilson (2009) also agree that leaders have all too often been vulnerable in the face of an attack from a challenger who brings a major technological change.

It was the study's research aim (Question 1) to establish the competitive position of the company in the industry. In addition, the sub aim was to find out what makes them market leaders and how they assess this position. The results are shown in Table 1.

Table 1: Responses to Question 1; is the company, a market leader?

Themes	**Responses to the question: Is the company a market leader?**
The Company believes it has market leadership	"..We are one of the leaders…" (R3) "Yes" (R5) "We are a market leader" (R7) Yes, we are" (R8) "In south Africa, definitely, we see ourselves as leaders in the industry." (R9)
Areas that define market leadership for the Company are in intangible resources	"What differentiates the Company is that the history and integrity, professionalism has never been compromised."" (R1) "In certain instances, yes. We have a good reputation in the market. In certain instance we probably are, for instance, the advisory team is good in the industrial side; the valuation is regarded as key, and commercial broking on the northern side is strong. People have said that our research is valuable. Our knowledge is better than some of the competitors." (R2) "…Because of our objectivity and track record, we are regarded as leaders… On the agency, the quality we deliver is superior and we are pioneers in that business. Valuations – not leaders in terms of volumes but in terms of quality and corporate governance." (R3) "…depending on total square meter leased, total fees and total clients dealt with, we see ourselves as leaders in some of those elements." "It's a good global brand name, it really does bring respect and the people employed are first class." (R5) "…we have very experienced people. A lot of intellectual property exists in this business based on the number of years, we are able to leverage on the global network of colleagues and the fact that we are 100% owned by a New York listed company compared to our competitors who have associations." (R7) "Yes, International brand, expertise, ability to win business through great credentials; those things make us leaders." (R8) "Based on the turnover, yes.. and I believe we earn the highest fees."
Theme	**Responses to the question: How would you assess market leadership in the commercial real estate broking industry?**

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Deals done with high profiled clients	"…market share can be assessed through analysing large deals such as blue chip corporates…" (R1). "Quality of clients and repeat business. One of the biggest vehicle brand would not come back to us if they weren't happy with our quality service." (R5). "Comes from the clients you represent, if you represent only landlords then you can't have market leadership. But if you only represent tenants on the agency and consulting side, especially global tenants in the local market, then you can be seen as a leader." (R8) "The ability to acquire international and bigger corporate clients. I guess also the quality of deals and sizeable deals you are doing, it's a good indicator." (R9).

R1 refers to respondent 1, R2, respondent 2, R3, etc.

What emerged from the interviews was that The Company was a market leader in the industry. One of the respondents even stated, "In South Africa, definitely, we see ourselves as leaders in the industry". All the people interviewed in the company believed they were market leaders. This conveys a common strategic position and strategic mental state, which helps in driving an organisation's strategic intent. This is a key strategic requirement in strategy implementation. The Company believes market leadership is measured by a good reputation, represented by a good brand name and international networks. Secondly, volumes (large deals) generated, in sales turn over or square meters leased represent market leadership. Thirdly, quality matters, i.e., quality in terms of the nature of clients or deals struck.

However, there are areas where the Company lacks leadership. These were identified as, "in the industrial section" of the business where a Company B (competitor) was considered a market leader. The Company, executives conceded that their industrial team was weak because it "comprised largely of youngsters", and had "not delivered volumes". The consulting side of the industry is growing, and market leadership is determined by the profile of clients the broking company has secured. This (client profile) came out strongly from the respondents; all indicating that deals concluded with high profiled clients is a sign of market leadership.

Competitive advantage strategies

Ritala and Ellonen (2010) define competitive advantage as the ability of a firm to outperform its industry players and earn a higher rate of profit than the industry norm. This is achieved when a business model is something more than just a logical way of doing business (Teece 2009). According to Grant (2008), a company can achieve a higher rate of profit over a rival by either supplying an identical product or service at a lower cost or by supplying a differentiated product or service in such a way that the customer is willing to pay a premium price that exceeds the additional cost of the differentiation. Besides the classical Porter' (1985) strategies of low cost, differentiation and focus, the later strategies include the Resource Based View (O'Regan and Ghobadian 2004). This strategy is briefly discussed next.

The RBV suggest that competitive advantage and performance results are a consequence of firm specific resources and capabilities. The core of Resource Based View is that firms differ in fundamental ways as each has its own bundle of resources. Oregon and Ghobadian (2004) define organisational capabilities as a firm's capacity to deploy its assets, tangible or intangible, to perform a task or activity to improve performance. This includes the capability to offer excellent customer services or to develop new products and innovate. Nasution and Mavondo (2008) who claim that organisational capabilities enable organisations to deliver superior value consistently back this definition.

Witcher, Sum Chau and Harding (2008) define dynamic capabilities more simply as the organisational and strategic routines that firms use to achieve new resource configurations as markets change, with Galbreath and Galvin (2006), Marr et al. (2004) agree that capabilities represent the intangible resource that constitutes what the organisation "does" as opposed to "what is has". They argue that dynamic capabilities are tools in the form of

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specific and identifiable processes, which include cross-functional processes for internal collaborations, knowledge creation, alliance and acquisition processes and market exit routines. It was the aim of this study to find out if the company in question possessed dynamic resources.

The second research question was to establish the strategies the company uses to gain and sustain competitive advantage. The question was to find out if the company has a unique strategy based on the RBV. According to Barney (2000), firm's resources include all assets, capabilities and organisational processes, attributes information and knowledge that is controlled by a firm and that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness. The purpose of the question was to establish if the company can identify resources, it deploys to gain and sustain competitive advantage.

The question asked was (Question 2): Can you mention the company's tangible resources, which are rare, difficult to imitate, and difficult to substitute? Responses to this question are outline in Table 2.

Table 1: Company's tangible resources which are rare, difficult to imitate and difficult to substitute?

Theme	Tangible resources which are rare, difficult to imitate and difficult to substitute?
Our people / workforce	"Our people. It is difficult to replicate our people outside of the company's culture" (R1) "People but they can change companies and can be poached by competitors" "…workforce…" (R3) "The name of the company cannot be the only selling point, but it has to be underpinned by the best people." (R4) "Our employees are good if not better. Our senior people are well established in their right." (R5) "Our people" (R6) "The people that run various business lines." (R7)
Experience	Local and global experience. Our track record goes back a decade. Our competitors have only realised the services long after we have implemented. (R4) (R5) (R6) "Yes, there's a lots of experience with most of our employees. I like the fact that they kept most of the experienced staff. The top fee earners are stable and have been retained." (R8) "We have diverse staff with diverse skills and everyone has something to offer." (R9)
Technology	"The patented technology platforms" (R1) "Our property website." (R3) "Our online marketing technology" (R9)
Brand	"…Brand …"(R3, R4, R6 & R8)
Intellectual property/ network	"Our products …" and " … the flat structure; we have an accessible management team" (R1) "We do have the Company's intellectual property and network." (R3)

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Know-how and implementation	"…Our implementation" (R1) "…it is our know-how that differentiates us from any competitor." (R2) (R8) "We have good team dynamics and the market may know what we do; it is our know-how that differentiates us from any competitor. " (R3), "our intellectual capital , that is our know how" (R6) "Intellectual property and the approach to consulting. Every company has a way of presenting and we are of the view that we are the best in the market and we deliver on a strategic perspective." (R7) "The quality of our reports backed by research as well as our knowhow. I guess our reputation is also an intangible which cannot be copied." (R9)

The emerging theme from this question is that tangible resource such as; people, technology, brand and intellectual property/networks are valuable and rare to the Company. Though these are common elements, the majority of respondents agreed that competitors could not imitate people, technology, brand and intellectual property. Respondent 3 noted that it is difficult to imitate what has been built over time. The response from R1 was interesting because it highlighted that whilst people can join competition anytime, they cannot be replicated outside of a culture (an intangible resource). This entails that, whilst people can be approached by competition, the competitors may not be able to imitate a particular culture. Most respondents also referred to the knowledge of its senior managers and experienced workers as a source of competitive advantage. Therefore, whilst there are a number of tangibles that can be copied by the competitors, the intangibles such as culture underpin or protect those tangible resources that can be imitated. This is confirmed by Barney (2000) who alluded to the insight of individual managers and workers in an organisation as the intangible resource that the firm can use to create a sustainable competitive advantage. This is because people can leave the company to competitors and/or start their own competing companies, but they cannot copy "a culture" the intangibles that underpin those tangible resources.

The majority of respondents agree that there are intangible assets that the Company has, such as: expertise and implementation, experience as well as trust and reputation. These are to the company valuable, rare, difficult to imitate, and difficult to substitute and are key resources the company uses to compete. This is consistent with the argument provided by Halawi, et al (2006) who state that intangible resources are more likely than tangible resources to generate competitive advantage. Halawi et al (2006), Haldin-Herrgard (2000) also recognised that knowledge management is the formulation of and access to experience, knowledge, and expertise that create new capabilities, enable superior performance, encourage innovation and enhance customer value.
On experience in particular, Groot, et al (2011) argue that older brokerage firms have a more extensive network and might lead to overconfidence because brokerages believe customers will be attracted based on the reputation. However, the authors also caution that such overconfidence of older firms could cause problems in adjusting to changing environments. All respondents agree that the company does compete on the competences of its staff and affirmed that the staff has vast experience, particularly the senior employees that have years of experience in the company. However, two respondents indicated that there were challenges. Respondent 2 stated that "…and there are many who represent the brand and are not necessarily competent which can be damaging. There is many inexperienced staff here and staff playing in the space they have no expertise in…… Shadowing and training of people does not happen enough to protect the brand". This is consistent with the notion by Dobre (2013) who states that a company gains competitive advantage with its human capital, when it creates economic value by exploiting the employee knowledge and skills. Serra and Ferreira, (2010) also cautions that in some instances resources may be replicated or substituted by competitors, however; they found that in some instances the quality of leadership was a component of success, for example, a leader like Jack Welch, is not easily replaced because he is rare.

It can therefore be concluded that the company uses the RBV strategy to compete. One can also safely deduct that the RBV may be the basis the company is a market leader. The company executives do elude to this association between market leadership and the RBV strategy.

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Therefore, knowledge can be a source of sustainable competitive advantage. This finding is consistent with the notion by **Beckett, Wainwright** and **Bance**, (2000) who suggest that for knowledge to furnish a sustainable competitive advantage, an organisation must have some form of exclusive or near exclusive ability to exploit it.

Question 3 was: do you believe that the company has strategies that are unique from competitors and whether the company has competitive sustainable advantage.

Table 3: Do you believe that the company has strategies that are unique from those of competitors?

Themes	**Responses to the question: Do you agree that the Company has strategies that are unique from competitors?**
The company strategies are not unique	"No, it would be arrogant to say that." (R1), "The range of services is the same across and can be copied." (R4), "In some cases, like in broking there is little to be innovative about." (R8), "I'd like to think that we are unique but I don't think we are. We do the same business with our competitors. General broking is just that and we can only do so little to be different from competitors." (R9)**.**
But, it is difficult to implement imitated strategies	"How we do it and implementation is unique." (R4) "Anyone can set up a broking business and put people in place but if they have the wrong message and incorrect people it won't be the same as the Company. To imitate successfully it is difficult." (R5)
Theme	**Responses to the question: Do you believe that the Company has a sustainable competitive advantage in the commercial real estate broking industry?**
The brand, its people and knowledge underpin the company's sustainable competitive advantage.	"Absolutely, we are ahead of the curve. We always want to be a step ahead. (R3) (R5) "Yes, we have such strong brands recognition and we leverage on the international leading brand, I believe it will sustain us better in the future. The people that we have will sustain us into even a better position. The knowledge we have is rich and it will sustain us." R6 "We have a large and very skilled team; yes I believe that we have a sustainable competitive advantage". (R9)
Theme	**Responses to the question: What happens when the Company realises that competitors are imitating its strategies?**
Imitation means that the Company has to keep innovating to stay ahead	"We have to get better at what they are trying to imitate. Imitation is the highest form of compliment. We need to keep competitors guessing. They always imitate, but the key is that we are already ahead of them. We need to keep improving." (R1) "It's a good thing that competitors are following us." (R2) "We anticipate that we will be copied; we must always make sure we are better than the follower". (R3) "We have to be innovating; we must never allow ourselves to stagnate... We need to continually improve on what we have. …and we need to try to stay ahead of those who are trying to imitate us". (R7)

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Of the responses, only one respondent believed that the company's strategies are unique with the majority stating that the industry copied each other's strategies. Interestingly, the implementation of those strategies, which is identified by various authors as organisational capabilities, is what most respondents thought cannot be imitated by competitors. Organisational capability was identified as an extension of the Resource Based View. Marr et al., (2004) in particular suggested that organisational capabilities are underpinned by knowledge, thus knowledge is a resource that forms the foundation of the company's capabilities, which combine to become competencies and represent a domain in which the organisation excels. This is in line with the response from Respondent 3 who stressed that "anything can be imitated, but the advantage we have is probably the knowledge and awareness of global trends we possess and we have the opportunity to decide whether that is relevant for South Africa or not."

The emerging theme on this question was that the company has a sustainable competitive advantage, underpinned by its brand, people and knowledge. The majority of the respondents believe that the company has a sustainable competitive advantage, however a few commented that competitors are on their trail imitating some of their tangible strategies, more on branding and starting up similar business lines. Respondent 4 particularly mentioned that "one of our ex-employee, a few years ago said he initiated the tenant representation in South Africa and it was a relatively unknown service and now all the smaller companies have tenant representation business line, whether they know what it means is another story or whether they are doing it right is another question."

It also emerged that the company innovates to stay ahead. All respondents agree that imitation is good which should be taken as a compliment. It should force the company to think ahead and be innovative. As pointed out by R6 "You can imitate but not replicate the service delivery." As pointed out by Johannessen and Olsen (2009), the issue of imitability is central to the analysis of competitive advantage and its sustainability. Serra and Ferreira, (2010) conclude that inimitability is sustained as the decision-making is behaviour dependant on organisational implementation. This is in agreement with the sentiments expressed by the majority of the respondents. Ackerman and Eden (2011) argue that gaining and sustaining a competitive advantage is a natural way for organisations aiming at profitability. They describe this as a potential to do better than most competitors in any particular endeavour through focus on customer value, expressed through organisational purpose. Barney (2000), O'Shannassy (2008) also add that a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy.

It is difficult to sustain a strategy if it is not based on the internal intangible resources of the firm (Narasimba, 2000). Thus, Grant (2008) argues that the speed at which competitive advantage is undermined depends on the ability of competitors to challenge either by imitation or innovation with the former being the most direct form of competition. Whilst tangibles are visible resources that can be imitated, according to literature, the implementation and knowhow of the organisation have been found by the proponents of Resource Based View as valuable, rare and inimitable.

Marr et al., (2004) argues that knowledge is today's driver of company's life and the wealth creating capacity of the company is based on knowledge and capabilities of its people. Haldin-Herrgard (2000), Andersen (2011) notes tacit internal individual processes like experience, reflection, internalisation or even individual talents obtain knowledge; therefore, it cannot be managed or taught in the same manner as explicit knowledge. Narisimba (2007) maintains that "tidiness" makes organisational knowledge a strategic asset because rivals are unable to understand, absorb and use it. Therefore, knowledge can be a source of sustainable competitive advantage. Johannessen and Olsen (2009) conclude that the emphasis on tacit knowledge is critical because of growing globalisation and hyper-competition where the concept of success is resting on the ability of firms to limit imitation and enhance innovation. In order to succeed within such a business environment, firms need to capture both the explicit and tacit dimension of knowledge.

The major finding in addressing this research question was that the Company has no unique and documented strategies, which can be used, as a source of gaining and sustaining competitive advantage, although there are various views from respondents that the organisation may have market leadership based on intangible

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resources. In addition, the respondents were asked which competitive advantage strategies the company adopted to gain and sustain competitiveness. In summary, the study found out that:

- Tangible resources such as people, technology, brand and intellectual property/network are valuable and rare to the company and cannot easily be imitated and substituted.
- It also found out that in situations where these can be copied or replicated, the implementation, experience as well as trust and reputation, will make these unique to the company, thereby making them valuable, rare, and difficult to imitate, or substitute.

Therefore, the following recommendations are made to the Company, to addresses the objective: how to sustain a competitive advantage.

RECOMMENDATIONS

Groot, Risseeuw and Wierrsma (2011) agree that the brokerage industry is a competitive sector dominated by many small firms and relatively few medium sized companies. They further add that each firm faces a similar production function, where employees and their client base and local knowledge about the market are the dominant resources in the brokerage industry. According to Beck, Scott and Yelowitz (2010) the geographic scope for the real estate market is local; this means that competition among brokers is primarily local because real estate is fixed in a geographic location, and buyers and sellers want some in-person interaction with a broker who has experience and expertise relevant to that particular location. Tuzovic (2008) observes that the real estate business environment is constantly changing due to increased competition and technological advancements such as online brokerage services, which in the pre-purchase stage involves intangible high contact services in which customers have to rely primarily on experience and credence quality.

The company's brand and staff is a valuable resource for gaining competitive advantage. However though staff can move to other companies and new staff is recruited the internal structure and systems can always be unique and not be imitated. The conclusion is that the company culture which encapsulates what the company is should be the core resource that the company successfully compete on and sustain its competitive advantage. This is because a culture can be unique and not be easily imitated.

There is need for an entrepreneurial culture that is underpinned by an entrepreneurial mind-set. This mind-set enable, risk taking, proactiveness and innovativeness. In this study, this culture was emphasised as the basis of the studied company's basis for market leadership and method of sustaining competitive advantage. This was referred to in different terms, because respondents were responding to different questions. For example, results show that the company does not use any unique strategies. What the company points out as a differentiating factor is the "how" of utilising the available technologies, and the competencies and qualities of their employees. They emphasize that it is not the qualification and experiences, but the "qualities' of these "competent" and "knowledge" employees. They also maintain, that it is the flat structure of the organisation, which enable implementation, and what is critical is not only the flat structure but also the culture that implements it. Culture refers to the people, belief system, management style, organisational system, and strategies formulated. However, all may know the key successful factors in the industry, making these factors generic and imitable, but it is the culture of implementing that can make the adopted strategies sustainable. However, there are questions of whether strategies should be sustainable or not, this is left for another debate.

This study was conducted at a single company and the results are perceptions of the people interviewed and therefore not representative of other companies in the industry. However, the interviewees are experts with years of experience in the industry. They are also from a firm from a firm, which is a market leader in the industry, therefore landing credence to their observations. A qualitative, semi structured interviewing process was applied in obtaining data in addressing the research objectives. There is an opportunity to conduct a quantitative study on the same objective to ascertain whether such study will arrive at similar findings. More research on the industry in South Africa is recommended in-order to build knowledge on the industry.

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A REVIEW ON THE IMPACT OF LEADERSHIP IN HEALTHCARE: SOUTH AFRICAN CONTEXT

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ABSTRACT

This paper reports the status quo and impact of leadership in the healthcare sector in South Africa. A gap analysis was conducted in reviewing relevant literature of articles published between 2013-2018 related to the impact of leadership in the country's healthcare. This was to provide an understanding and clear awareness of the influence leadership has. It was established that leadership in healthcare falls short in addressing critical challenges in the sector. Considering the importance of leadership in healthcare, it is recommended that government should prioritize investing in leadership programs from undergraduate health programs to shelter the future of healthcare in South Africa.

Keywords: Leadership, Health Care Practitioners, Health Care System, Health care, public sector.

INTRODUCTION

According to Mayosi, et al. (2009), 14 years since the inception of democracy, South Africa still faces short comings when it comes to leadership in the health care sector. As stated by Chatterjee et al. (2017), this is mostly as a result of customary set of the health care organizations that are impervious to change. However, competent leadership in the health care has never been in demand in the past like it has been in the present days due to changes in government regulations, unexpected outbreaks, or technological advances (Saha, 2016). Furthermore, Pihlainen et al. (2015) indicate that the health care workforce of today are different from the one in the past (Chatterjee, Suy, Yen and Chhay, 2017) this might be the fact that health care sector have become demanding in our day's changing environment therefore it requires good leadership to motivate health care workers to deliver excellent services to patients Chatterjee et al. (2017) further state that the leadership in the health care is a specialized skill. Chatterjee et al. (2017) study supports Zulueta's (2015) who writes about the concept of compassion leadership in health care and defines it as the ability to be moved by others well-being (vulnerable state) and desire to change their situation for the better. Furthermore, compassion leaders enable patients to feel that they can, and they will receive the help they need.

On the other hand, Hanse et al. (2015) inscribe that individuals exhibiting servant leadership skills, which focuses on the development of followers and getting them to be take full responsibility of their own work, provide a satisfying climate for both health care workers and patients. In an environment as difficult as in the healthcare sector, it is no doubt that heartfelt leadership is needed to provide not only direction in the organization but also warmth in the hearts of patients as well as the care givers, as stated by Whaley and Gillis (2018). Schneider and Nxumalo (2017) outline four key leadership roles in health care:

(1) To ensure that community health care services are aligned with the provincial and national policies,
(2) Fostering accountability and organizational relations amongst health care institutions, communities and NPO's,
(3) Performing the four management functions, and ensuring that the relevant structure are in line with health care organizational needs and,
(4) Providing direction, developing and implementing strategies.

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Aim, Objectives and Value of the Study

The aim of this study is to report on an overview of the literature on leadership in the health care sector in South Africa and how its impact on the industry. The study presents in its findings the various leadership styles in the healthcare sector in terms of their characteristics as covered in the literature. This exercise if conducted in order to provide a reference material for management within the healthcare sector. This reference will work as guideline for junior as well as aspiring managers in the healthcare sector who intend to improve the sector's performance.

The study has not yet been conducted within a South African context. Therefore, it is contributing to the body of knowledge related to the review of leadership from a South African perspective.

LITERATURE REVIEW

Leadership Theories

Although well-defined and extensively discussed about in the literature with authors such as Rost (1993) who through his study presented a discovery of 221 specific definitions and conceptions of the word leadership, it is important to indicate that as mentioned by Sfantou et al. (2017), leadership has been characterized as a connection between the individual(s) leading and the individuals who take the decision to take after, while it alludes to the conduct of coordinating and organizing the exercises of a group or gathering of individuals for a shared objective (Kouzes and Posner, 2007; Northouse, 2010; Al-Sawaui, 2013). The literature shows that most studies related the topic imply that healthcare employees' work satisfaction is highly linked to effective leadership in the industry (Negussie, 2016).

In this section, the various leadership theories are briefly discussed. Meuser et al. (2016) conducted an extensive study of leadership theory. The authors focused on six leadership theories out of 49 different leadership theories referred to in the articles that were studied. Chatterjee et al. (2017) provide additional types of leadership theories that are applicable in any industry:

(1) Great Man theory and trait theory, which suggests similar things that leaders are not made, and leadership cannot be learnt but individuals are born with certain leadership attributes and traits. The formulator of this theory, as emphasized by Hirsch et al. (2002) and cited by Straub (2017), Carlyle wrote "The history of the world is but the biography of great men", and further explained that through the assessment of the lives of the heroes of the past, one had the capacity to unearth greatness in themselves (Carlyle, 1888). Therefore, the inability to unearth this greatness is just an indication that one is not a natural born leader, according to this theory (Cherry, 2018). However, this theory is regarded as sexist, exhibiting gender bias characteristics as it points to the idea that leadership as irredeemably masculine (Spector, 2016).

(2) Behavioral theory proposes that the success of a leader is proportional to his/her behavior. This type of leadership is a sort of leadership based on the leader's trait. Due to the fact that this leadership theory exhibit what the leader has actually done, as opposed to what the leader can do (potential ability as in the Great Man Theory), successful leadership styles set themselves apart from those that are ineffective.

(3) Contingency theory suggests that leaders distinguishable in relation to the circumstances that requires leadership and how followers react at that given time. Contingency theories by and large express that the adequacy of leadership relies on the circumstance, and there are various variables, for example, the nature of the work, the personality as well as identity of the leader, and make-up of the group being driven (Leadership-Central.com, 2016). Gill (2011) asserts that contingency theories propose that there is no one particular approach of leadership, whereby leaders who are enduring as well as successful will utilize a variety of styles depending on the type of situation as well as those following him or her (Cherry, 2017)

(4) Transactional leadership which suggest that mobilize followers to high performance in meeting the identified needs. In other words, just to use those of McCleskey (2014) who stated that transactional leadership is based on the exchanges (or simply put – trades) that take place between leaders and followers (Bass 1985; 1990; 2000; Bass & Bass, 2009; Burns, 1978). The trades enable individuals leading to achieve their performance aims, complete required activities, keep updated with the current organizational happenings, propel supporters through legitimately binding understandings, coordinate behaviors of enthusiasts toward accomplishment of set up objectives, accentuate

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noticeable rewards, stay away from unnecessary dangers, and spotlight on improve hierarchical productivity. Thus, transactional leadership enables devotees to fulfill their own self-intrigue, reduce working environment nervousness, and focus on organizational goals, for example, expanded quality, client benefit, lessened expenses, and expanded establishment (Sadeghi and Pihie, 2012).

(5) Transformational leadership proposes that leaders stimulate followers' desires to achieve the vision of the organization. This type of leadership theory instills commitment for the organization's mission, objectives, and strategies into the leader's followers (Yuki, 1989). It is important to indicate that Podsakoff et al. (1996), Schriesheim et al. (2006) have identified the six fundamental dimensions of transformational leadership: • Articulating a vision; • Providing an appropriate model; • Fostering the acceptance of group goals; • High performance expectations; • Providing individualized support; and • Intellectual stimulation. Considering that team meetings are held in order to generate innovative solutions and solve problems, transformational leadership is appropriate, as indicated in the findings from the study by Lehmann-Willenbrock et al., (2015). The findings by Lehmann-Willenbrock (2015) show that transformational leaders hinder counterproductive behaviors, especially during meetings, by triggering the team interaction to focus on problem solving debates.

However, Hanse, Harlin, Jarebrant, Ulin and Winkel, (2015) put forward that a leadership theory that is strongly associated to 'community' engagement is leader–member exchange, which concentrate on the quality of relationship between a leader and his/her followers.

Leadership in Healthcare

Leadership in healthcare are often reflected as a highly focused, detachment of the wider management area (Pihlainen et al. 2015). Although having a lack of training, doctors are often called to take on leadership as well as management positions in healthcare. Endeavors to cultivate leaders and managers in the health care sector have fallen far from satisfactory. According to Whaley and Gillis (2018), this is mostly due to the programs in place to develop leaders in the sector not being adequate to meet the needs and challenges that are faced in the healthcare sector. English et al. (2011) further indicate that there is poor orientation in measuring health system inputs and processes, including significant gauges and health sector objectives in the information system area. As stated by Zingg et al. (2014) despite strategies to improve the situation in the health care physicians show little to no interest in abiding to the recommendations. Therefore, as Sfantou et al. (2017) noted management and leadership practiced by healthcare professionals is of utmost importance in strengthening quality and integration of care.

In 2010 the South African Department of Health launched a re-engineering health care strategy in the Eastern Cape province, in an effort to remedy the issues faced in by the healthcare sector. These issues, not limited to the following, do apply countrywide, include difficulty in executing official strategies that govern the public health care sector (Pillay, 2009), nonexistence of and inadequate resource distribution (Christian & Crisp, 2012), a nationwide sickness weight that is anticipated to be four times more poorer than in industrialized countries (Department of Health, 2011) and a labour force that is endlessly moving to the non- public health care sector where apparent resources and working situation are deemed more favourable than in the public sector (Ashmore, 2013). According to Stander et al. (2015), the South African Department of Health devised a crucial mission statement that provided the basis for the renewal of the emphasis on effective leadership as being the pivotal point of the nation's government duties that realizes a key role in the nation's development and ability to compete globally. It is important to indicate that in South Africa, access to primary health care is identified as a fundamental human right. Gilson and Daire (2011) outline three key leadership abilities that can transform for health care: (1) the ability to use the extensive variety of information and data in decision making, that goes beyond statistics produced in the health care system to enable to identify constraints in operations. (2) Evolve people in decision making rather than impose, however apply transparent procedures. (3) Develop strong with higher level of political support and other resourceful parties outside the system

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METHODOLOGY

The methodology for this article followed a systematic review of the literature of the recent articles, (2013 – 2018) based on leadership in health care. The systematic review was developed and conducted in line with published guidelines for reporting systematic reviews based on a GAP analysis. This particular methodology is chosen in order to make accessible the important data of leadership in health care South Africa. The articles were selected based on the relevance to the topic and its impact. The main research questions related to this study was "*what the impact of leadership in the service delivery in the health care system is?*"

Research articles were evaluated and summarized to have a clear framework and further understanding of the overview of leadership in health care from a South African perspective. A gap analysis was conducted that consisted of problem investigated, variable examined, methodology followed, findings, and context of study as well as area of future study of recent articles published between 2013 – 2018. A primary search was conducted in EBSCO's Medical Database, PubMed, EMBASE, followed by a secondary search in Google Scholar. The terms used in the search were "Leadership in Health Care from a South African Perspective", "Leadership Theories in South Africa's Health Care Sector", "Management Style in the South African Health Care Sector", with "Leadership" being the most important keyword.

In order to conduct the GAP analysis, the following inclusion criteria, which were based on the study by Sfantou et al. (2017), were considered:

1. The papers are published in journal that are peer-reviewed
2. The papers are only written in English
3. The papers are published from 2013 to 2018, with a focus on more recent knowledge
4. The papers are based on a South African perspective
5. The papers are related to the medical or health care field.

Any research that did not satisfy the above listed selection criteria was excluded, while the ones that met the criteria considered for further review and analysis.

It is important to indicate that the research group followed a three-stage process regarding the literature screening involving the analysis of the articles' titles (to match them with the keywords), followed the reading of the abstract, and the full paper. The members of the research group used a predesigned template to extract data. A total of 30 papers were identified from the initial search as potentially meeting the criteria listed above. However, after thorough scrutiny of those papers, the research group narrowed down the papers to nine. The information listed below was extracted from all nine papers:

- Problem investigated: the problem that the researcher(s) were investigating in relation to leadership in the health care industry.
- Variables examined: what factors were considered when conducting the research?
- Methodology followed: what methods did the researcher(s) used to conduct the research
- Findings: the key findings from the research.

RESULTS AND DISCUSSION

Gilson, et al. (2018) indicate that post the first democratic elections in South Africa, provincial administration has been responsible for developing of health policies and health legislations to support local primary health care sectors. Pihlainen et al. (2015) state that leadership in health care constitute of four classifications: (1) the social, which includes the understanding of the political, laws and legislations, (2) organizational, which involve the management of the sector, (3) business, which involve understanding the clinical and cultural practices, and lastly (4) financial, which involves the management of budget. (Mercer, Haddon and Loughlin, 2018) There are times where leaders in the health care don't show competency in most or all the classifications. (Doherty, 2014) the root cause is because health care practitioners have no basic leadership training in their undergraduate studies, and they find themselves focusing only on caring for patients.

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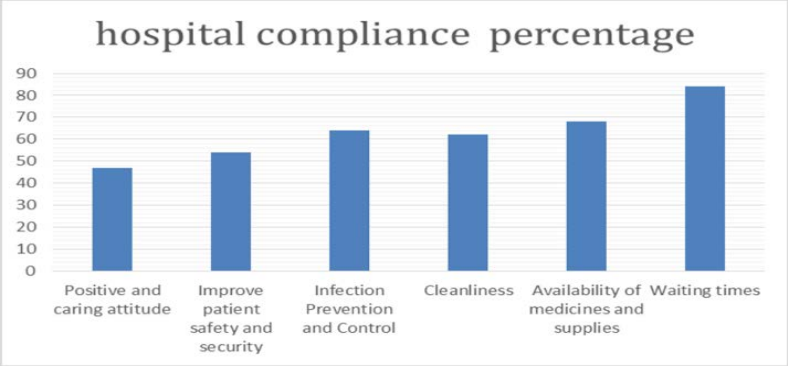
However, Whaley and Gillis (2018) argue that many health practitioners recognized only management to undergo leadership development programs. From the study by Gilson et al. (2014), it is understood that the biggest challenge however comes when professional health practitioners have to undertake managerial responsibility that they have no prior training. Gilson, Elloker, Olckers and Lehmann (2014) reports that many health practitioners lack not the leadership skills but also the confidence to carry leadership roles which compromise the administrative performance of the health care. In some instances some hospitals encourage hospitals to attend leadership programs, however the programs fail to address local needs (Whaley and Gillis, 2018). This affirms what Gilson et al. (2018) , that challenges in the health care system have been and might continue to be a 'thorn' in developing countries including South Africa (Gilson, et al.2018).

The GAP analysis conducted for the purpose of this paper shows that the South African health care system are not far from disappointing when it comes to compliance of vital services (Fryatti and Hunter, 2015). Erasmus et al. (2017) note that the South African National Health Insurance (NHI) improvements seek to develop and accomplish universal health coverage (UHC), the Uniform Patient Fee Schedule (UPFS) and Patients' Rights Charter (PRC) for vital changes in how hospitals and clinics operate in order to encourage equity. However, as pointed by Jonas et al. (2017), negative behaviors and attitudes of healthcare workers have a negative bearing on accessing and utilizing health care facilities such as sexual and reproductive healthcare (SRH) for women. English et al. (2011) note that all management in the health care system and health services can be drastically improved by the use of Health Information System (HIS) which provides good quality data, and a vital building block of the health system. Nevertheless, in previous years South African has experience that implementing equity policies usually yield unwanted results instead of motivating health care practitioners (Erasmus et al., 2017). Figure 1 which is compiled from data extracted from the South African Health Review 2014/2015 (2015) shows how hospitals comply with vital services in South Africa. Positive and caring attitude of health practitioners scored below 50% at 47%, Improve patient safety and security 54%, Infection Prevention and Control 64%, Cleanliness 62%, Availability of medicines and supplies 68% and Waiting times 84%. Even though as nurses are not happy with the staffing patterns and staff shortages and encounter to the sustainability of high quality care provided (Malatji, et al. 2017).

Figure 1: Hospital compliance



Source: South African Health Review (2015)

Erasmus et al. (2017) note that the South African National Health Insurance (NHI) improvements seek to develop and accomplish universal health coverage (UHC), the Uniform Patient Fee Schedule (UPFS) and Patients' Rights Charter (PRC) for vital changes in how hospitals and clinics operate in order to encourage equity. However, as pointed by Jonas et al. (2017), negative behaviors and attitudes of healthcare workers have a negative bearing on accessing and utilizing health care facilities such as sexual and reproductive healthcare (SRH) for women. English et al. (2011) note that all management in the health care system and health services can be drastically improved by the use of Health Information System (HIS) which provides good quality data, and a vital building block of the health system. Nevertheless, in previous years South African has experience that implementing equity policies usually yield unwanted results instead of motivating health care practitioners (Erasmus et al., 2017). Figure one which is compiled from data extracted from the South African Health Review 2014/2015 (2015) shows how hospitals comply with vital services in South Africa. Positive and caring attitude of health practitioners scored below 50% at 47%,

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Improve patient safety and security 54%, Infection Prevention and Control 64%, Cleanliness 62%, Availability of medicines and supplies 68% and Waiting times 84%. Even though as nurses are not happy with the staffing patterns and staff shortages and encounter to the sustainability of high quality care provided (Malatji, Ally and Makhene, 2017)

Semrau et al. (2017) elucidate that training in the health care is increasing recognized as one of the key elements to improving the health care system. Worldwide is acknowledged as one of the critical tools to transform health systems in today's demanding environment. However, Fryatt and Hunteri (2015) state that over 50% of managers in the health care in South Africa have not went through any training programs in the recent years. As noted by Whaley and Gillis (2018), even though we see an increased number of leadership training programs in hospital (See Figure 2), there is little indication that shows that these programs are effective. Cox et al. (2017) attest that even though accessibility of treatment still remains a big challenge in the health care. A full-bodied, integrated information system is the basis for constructing a successful national healthcare delivery system, according to English et al. (2011).

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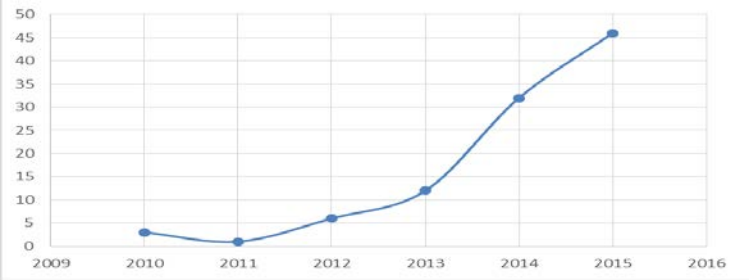
Figure 2: training sessions conducted between years 2010 – 2015



Source: South African Health Review 2014/15

CONCLUSION, RECOMMENDATIONS AND THE WAY FORWARD

Pihlainen et al. (2016) state that leadership roles in health care are different from physicians and nurses and acquire different education. Gilson, et al. (2014) further indicate that a well-trained and strong leadership is required to facilitate the complexity of the health care systems and support the primary health care in developing countries such as South Africa. (Doherty, 2014) Considering the vital role that leadership can play in health care especially in South Africa the government should embraced and prioritize training health care practitioners in leadership that is world class to remedy the health care crisis in South Africa. This leadership should include leadership theories such as (1) Great Man theory and trait theory, (2) Behavioral theory, (3) Contingency theory, (4) Transactional leadership, and (5) Transformational leadership as suggested by Chatterjee, et al. (2017). Chatterjee, et al. (2017) further affirm that these leadership theories shape actions of individuals and different types of organizations including health care organizations. It is recommended that the future research should be on the implementing leadership theories to improve the health care system in developing countries. Finally, (Doherty, 2014) key drivers in health care performance should be identified and necessary strategies should be formulated to improve them.

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THE IMPACT OF EMPLOYEE EMPOWERMENT ON ORGANIZATIONAL PERFORMANCE IN A FLAVORS AND FRAGRANCE MANUFACTURING COMPANY IN SOUTH AFRICA

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ABSTRACT

The research aims to determine the level of employee empowerment and the impact it has on employee satisfaction in a manufacturing setup. A mixed methods research design was followed. Quantitative data was collected through structured questionnaires and then qualitative data through semi-structured interviews with 11 managers at the flavors division. The study results show a significant level of employee empowerment. However, the results are also indicating that management still needs to address factors that are affecting productivity and quality levels. Management must adopt new philosophies of driving the empowerment and take lead to achieve organizational goals and remain competitive.

Keywords: employee empowerment, organizational effectiveness, quality improvement, customer satisfaction, quality cost.

INTRODUCTION

Company X Background and Challenges

Company X is a leading international company in flavors and fragrances industry. The flavor division which is in the North of Gauteng, will be the focus of the study, as both divisions operate in a separate plant. Company X offers their products to local, regional and global beverage, consumer goods, foods and fragrances companies. The objective of the company is to continue building on innovation, and to stay in business and satisfy their customers. The company is currently facing problems of poor quality cost, as a result of high volume of defects, which leads to poor organizational performance.

As the competition increases within the industry, Company X needs to be continuously innovative and deliver products of high quality, to increase customer satisfaction. As per Barsky and Dittmann (1990), representatives who see their association as one that offers help, empowerment and openings, they will dedicate their energies to serving clients. Employee empowerment can enhance the relationship between employees and management, increase employee's confidence and make them feel more recognized. Hence, this will encourage employees to use their expertise and knowledge to suggest more quality improvement methods in their workstations and achieve the organization's objectives. Therefore, there is a need to study the impact of employee empowerment on quality improvement, customer satisfaction and organizational effectiveness.

Purpose and Value of the Study

The aim of this research is to identify the level of employee empowerment at Company X and the impact it has on quality improvement, customer satisfaction and organizational effectiveness. The research is conducted due to high poor-quality cost which leads to poor organizational performance. The objectives of this study is to conduct a

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literature review study to have a good understanding of employee empowerment; to identify the level of employee empowerment on quality related issues in the organization; to identify the improvement tools and strategies to improve employee involvement on decision making on the quality issues; to investigate if there is a direct relationship between employee empowerment, customer satisfaction and the impact it has on quality improvement to achieve organizational effectiveness.

Scope, Limitations, Assumptions and Significance of the Study

The study was conducted at the flavor division of Company X, located at North of Gauteng. The assumptions made on this study are that, employee empowerment has a positive impact on quality improvement, customer satisfaction and organizational effectiveness. It is also assumed that poor quality cost due to high defects leads to poor organizational performance. The outcomes of this examination will give management information that can be utilized to recognize change openings, streamline the viability of change endeavors and measure the advance that is being made by the change procedure

LITERATURE REVIEW

Employee Empowerment

Anthony et *al.* (1996) characterized empowerment as basically picking up energy to make your voice heard, to add to plans and choices that influence organization's goals. Empowerment also allows all employees to use their creative abilities to improve the organizational performance and quality of their own work life. By empowering employees, major opportunities for costs reduction and customer dissatisfaction can be identified (Gryna, 2001).

Employee empowerment fosters a spirit of team work within the organization and uplifts the image of the organization. According to Hill (1991), team work offers an opportunity of building a relationship between management and employees, a decline in resistance to change due to sectional interest and less organizational rigidity. Employees who realizes the support, empowerment, opportunities and recognition provided by the organization will dedicate their effort, time and energy to service customers and to achieve the objectives of the organization. Therefore, employee performance depends on the organizational support and developmental activities such as training and involvement, as it empowers them to convey top notch administration to clients.

Benefits of Employee Empowerment

Employee empowerment plays a significant role in the success and survival abilities of the organization in this era of globalization. Empowerment gives critical advantages as said underneath

- *Improve morale*: When employees are empowered, their morale also, certainty enhances, and the association sees a noteworthy pick up in the distinctive features, for example, profitability and dedication.
- *Expanded profitability*: Representatives with an interest to the best advantage of the organization increases their role and become more efficient and develop a good working relationship with their managers.
- *Team Unity:* Empowerment encourages better connection amongst workers and their administrators. As every observe alternate as commonly profiting by their working relationships.
- *Innovation:* Empowerment cultivates innovation, workers will offer more thoughts and critical thinking arrangements when conceivable.

Empowerment Process Strategies

This section will focus mainly on empowerment process strategies and their contribution to achieve organizational objectives. There is a vast literature on this topic, however, the process noted below comes from relevant literature related to the study at hand:

- **Management leadership and commitment**

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According to Evans (2005), authorities at all levels of the association is basic to maintain worker empowerment and understand the numerous advantages of a long-haul responsibility regarding making a quality culture. It is the social impact process in which the pioneer tries to distinguish the deliberate interest of colleagues in a push to achieve the objectives and targets of the organization. Real commitment by employees can only be achieved if top management give high priority to quality by demonstrating its quality commitment by providing adequate resources, establishing, aligning and deploying quality goals to the practice of quality management (Chou, 2007).

- **Communication**

The process of communication involves the need for top management to communicate mission and objectives to all members of the organization so that all everyone will know how to contribute to success of the organization. Communication is very important to establish the culture and co-ordinate employees with the necessary information for them to be able to make decisions which are consistent with the overall goals of the organization. The system of communication must allow all employees to be able to give feedback and provide possible solutions to issues experienced within the organization that might affect customers.

- **Employee Inclusion**

Representative inclusion is firmly and widely referred to with regards to add up to quality administration framework. According to Kathuria and Davis (2001), it is a system that organizations require to improve performances by including representatives in critical thinking, basic leadership and methodology details. Through that employees will secure new information and comprehend the advantage of value teach and have a feeling of direness on explaining quality related issues (Kathuria and Davis, 2001). Employees association impacts numerous critical work results, for example, non-attendance, turnover, execution and occupation fulfilment (Brown 1996).

- **Employee Training**

Training of employees will encourage them to participate more actively by helping raise their confidence level. Training should include total quality, decision making, customer care relations models and employee relations. Employee training has been associated with a couple of benefits such as lower costs, reduced turnover and absenteeism, increased revenues, employee satisfaction and flexibility.

- **Employee empowerment on teamwork for quality improvement**

Employee empowerment is a tool to enhance teamwork in organizations (Parker, Mullarkey and Jackson, 1994). Truly empowered employees can enable the organization to enhance consumer loyalty, to build profitability, increment quality and lower costs (Parker et al, 1994). Making empowered groups with all the immediate data, control, acknowledgment, reward and training, is most likely to produce responsible teams that will effectively implement strategies to achieve goals of the company. Teamwork has gotten extensive consideration from social and hierarchical clinicians in the course of the most recent decade (Guzzo and Shea, 1992).

- **Employee Satisfaction**

Employee retention is important for any organization and shows the ability of the company to keep the most important people and avoid turnover (Dale, 2017). A satisfied employee works hard for the organization and plans to stay in the company, which automatically will reduce organizational labor costs. Workers with large amounts of employment fulfillment will appear to the client more adjusted and satisfied with their condition, prompting positive effect on the level of consumer loyalty (Homburg and Stock, 2004).

- **Empowerment on improving employee retention and productivity**

According to Wagner & Hater (2006), an implementation of employee empowerment is an effective way to increasing employee satisfaction, that leads to an increase in loyalty and resulting with an increase in employee

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retentions ratios. Quality of work produced by happy empowered employees is high and the number of defects and poor services issues is reduced. It is vital for organizations to perceive that, skillful representatives are one of their most noteworthy resources and they will require them to confront test of holding them (Zemke & Schaff, 1990). Worker inclusion and empowerment approaches go for upgrading obligation, expanding expert, and making occupations testing and intriguing to representatives, in view of their capacities and the necessities of the association.

RESEARCH METHODOLOGY

Research Design, Population and Sampling

A mixed methods approach was used to conduct this research, this method encompasses both the qualitative and quantitative techniques. As Yin (2017) explained that this approach provides the researcher with the opportunity to look in all areas of the subject to achieve thorough results and to make a good analysis and conclusion of the study. Descriptive statistics will be used to summarize the data collected.

A survey method was used as a tool to collect data to support the research. This data will then be used to measure if the is an impact of employee empowerment on quality improvement, customer satisfaction and organizational effectiveness. Primary data will be gathered from a questionnaire which will be distributed to Company X manufacturing division. The overview will be founded on the Quality Likert Scale. Population consists of 30 participants.

A random sampling was used, as it represents the whole population. Total of 30 questionnaire was sent out and the response rate was 100%.

Data Collection Procedures, Data Analysis and Interpretation

Table 1: Employee Satisfactory Survey

Q.#	Questions	Scale				
	Section 1. Purpose & Direction of the Organization	1	2	3	4	5
Q.1	I understand this year's plan and priorities of our organization					
Q.2	I understand the purpose and objectives of our organization					
Q.3	I understand how our working environment has an impact on our company's goals					
Q.4	I understand our company's vision and mission, and my contribution on them					
	Section 2. Management Commitment and Leadership					
Q.5	Top management always communicate values and vision of our organization to us					
Q.6	I am happy with the way my leader assigns role and responsibility and show me the priorities and help me to develop strategies and understand how to achieve them					
Q.7	I am satisfied with the way my manager leads and the work environment he/she create in the process					
Q.8	I am happy with the way my manager motivates me to share my ideas on improvement ideas					
Q.9	I am happy with the way management involve us in their meetings					
Q.10	Top management involve people regularly in meetings to discuss common issues					
Q.11	Management facilitate meetings in a participative style					
Q.12	I have received an appropriate training to do my job efficiently and effectively					
Q.13	Leadership development is effectively managed within the business					
Q.14	I am treated with respect by management					

The survey was based on Likert Scale, where respondents are to respond to questions (Botha & Rensburg, 2011). The Likert Scale is five (or seven) point scale which is utilized to enable the person to express the amount they rate the level of strengthening from poor to brilliance on an announcement (McLeod, 2008). The table below is an extract from the questionnaire used in this study. The questionnaire had two distinct sections. The first section related to the employees' understanding of the organization's purpose as well as the direction the company was taking. The second section covered the extent to which employees viewed management's commitment and leadership. Please note the following regarding Table 1: 1 = Poor, 2 = Below Average, 3 = Average, 4 = Good and 5 = Excellent

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Data analysis will be done based from the completed questionnaires, collected using descriptive statistical analysis. The statistical package of social scientist (SPSS) and excel spread sheet will be used to process the data collected. The results will then be compared to the framework of employee empowerment which will then measure the extent of employee empowerment at Company X and the impact it has on Quality, customer satisfaction and organizational effectiveness. Quality and dependability of the data collected for this research will be established by considering the validity and reliability tests. Inferential insights performed on the information are; Cronbach Alpha test and ANOVA with Turkey's test for non-additivity.

Reliability, Validity, Demarcation of the Study and its Unit of Analysis

Quality and dependability of the data collected for research will be established by taking into account the validity and reliability tests. According to Yin (2017:71), the test is performed to determine the relationship between conditions in the research that lead from one to the other example being relationship between empowerment and quality. Therefore, data will be collected practically to support our literature framework to confirm the validity of the research. The outcomes got from the exploration can't be generalized (Botha & Rensburg, 2011). As indicated by Babbie (2012:285), review inquire about is for the most part frail on legitimacy and solid on dependability. Moodley (2007), states that Likert scales have been evaluated in terms of reliability, and validity and the method seem to be both reliable and valid. The most prevalent unwavering quality measurable device being used is the Cronbach's Alpha. Cronbach's Alpha decides the inside consistency or normal relationship of things in an overview instrument to test its unwavering quality (Santos, 1999). Cronbach's alpha unwavering quality coefficient is normally likened with interior consistency.

This research is only delimited to one manufacturing company as mentioned above in introduction and even though the research is delimited to one company, the nature of the research can also be applicable to other manufacturing organizations in general.

RESULTS AND DISCUSSION

This chapter outlines and interprets the results on the data that was collected in the research. Descriptive statistics will be performed on all factors; showing implies, standard deviations, frequencies and rates (Botha & Rensburg, 2011). Collis & Hussey (2009) specify that recurrence tests are done to speak to the quantity of perceptions for factors under scrutiny. Leedy and Ormrod (2013) characterize inferential information investigation as a measurable strategy to make determinations about a populace by utilizing the quantitative information gathered from a sample. The results will then be discussed in accordance to the objectives mentioned in chapter one.

Table 2.a: Cronbach's Alpha Coefficients & Reliability Testing

Questions	Scale Mean if Item Deleted	Scale if Variance Deleted	Total Correlation	Cronbach's Alpha if Item Deleted	Questions	Scale Mean if Item Deleted	Scale if Variance Deleted	Total Correlation	Cronbach's Alpha if Item Deleted
Q.1	77.267	626.616	0.638	0.989	Q.6	76.367	628.861	0.651	0.989
Q.2	76.733	624.064	0.856	0.988	Q.7	77.567	610.047	0.922	0.988
Q.3	76.633	638.240	0.673	0.989	Q.8	77.333	613.333	0.673	0.989
Q.4	76.033	623.344	0.928	0.988	Q.9	76.033	602.447	0.953	0.988
Q.5	77.333	615.540	0.949	0.988	Q.10	76.467	617.706	0.938	0.988

Reliability test was executed on every one of the things which speak to the estimating instrument of the study, as for the reactions rendered on poll (Botha & Rensburg, 2011).

The outcomes are spoken to in Table 2.a and 2.b above. As indicated by the Cronbach's Alpha Coefficients (Table 2.a and 2.b) for every one of the items in the poll, 0.989 was gotten as expressed in Table 2.c which were more than the worthy level of 0.70. Subsequently, the poll turned out to be solid and steady.

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Table 2.b: Cronbach's Alpha Coefficients & Reliability Testing (Continued)

Questions	Scale Mean if Item Deleted	Scale if Variance Deleted	Total Correlation	Cronbach's Alpha if Item Deleted
Q.11	76.667	620.644	0.911	0.988
Q.12	77.200	616.097	0.923	0.988
Q.13	76.933	597.651	0.976	0.988
Q.14	76.500	608.397	0.945	0.988

Table 2.c: Reliability Statistics

Cronbach's Alpha	No of Items
0.988	14

Descriptive Statistics

The descriptive statistics for every one of the factors in the poll estimating the level of representative strengthening at Company X are delineated in Figures 1, 2 and 3.

Figure 1: Purpose and Direction of the Organisation (Question 1 – 4)

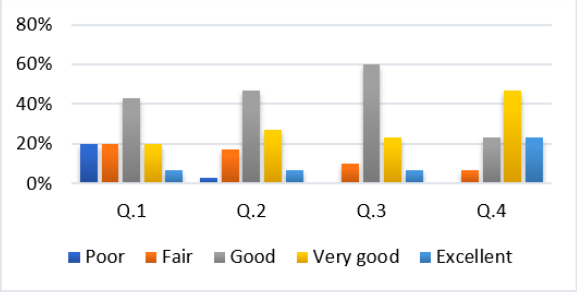
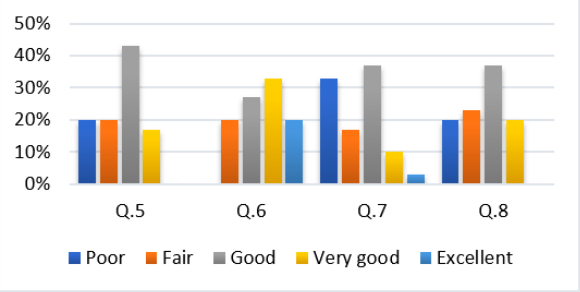


Figure 2: Management Commitment and Leadership (Question 5 – 8)



The figures above indicate that top management communicates the purpose and direction of the organization to all employees.

Based on Figure 1, 43% of respondents indicated that their understanding of their organization's year's plan and priorities was Good (Q.1), while 47% indicated that their understanding of their organization's purpose and objectives is Good (Q.2), 60% of respondents indicated that their understanding of how their working environment impacted on the organization's goals was good with regard to Q.3, while 47% of respondent indicated that their understanding of their company's was very good with regard to Q.4.

Looking at Figure 2, it is evident that most of the respondents believe that management commitment and leadership issues are met with regards to Q.5, Q.6 and Q.8. However, statement from Q.7 is showing a high level of poor management commitment on creating a good work environment to assemble products of good quality. As much as 33% of respondent indicated that they are poorly satisfied with the way their managers lead and the work environment he/she create in the process. It is very important in every organization that all employees understand their roles and responsibilities and are provided with proper resources and a good working environment. This can be achieved through management commitment by ensuring that all employees understand how their activities impact on business performance.

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Figure 3 depicts respondents replies with regards to Q.9 to Q.14 in relation to management commitment and leadership. The above graph shows that 33% of respondents indicated that they are fairly happy with the way management involve them in their meetings (Q.9), while 40% of respondents showed that how management regularly involved people in meetings to discuss common issues was Good (Q.10).

Figure 3: Management Commitment and Leadership (Question 9 – 14)

Figure 3 shows that 50% of respondents indicated that management facilitate meetings in a Good participative style (Q.11), 40% noted that they received Good training to perform their jobs efficiently and effectively (Q.12), 33% of respondents indicated that leadership development is effectively managed within the business in a good way (Q.13). However, 33% of respondents indicated that management treated them both fairly and also in a very good way.

The Table 2 below provides descriptive statistics for the statements in each question from the survey. The table below include Mean, Median, Mode, Range, Standard deviation, Standard error, and Count are shown in table 3 below.

Table 3: Summary of Descriptive Statistics

Variable	**Q#1**	**Q#2**	**Q#3**	**Q#4**	**Q#5**	**Q#6**	**Q#7**
Mean	2.6333	3.1667	3.2667	3.8667	2.5667	3.5333	2.3333
Standard Error	0.2061	0.1667	0.135	0.1571	0.1837	0.1902	0.2108
Median	3	3	3	4	3	4	2.5
Mode	3	3	3	4	3	4	3
Standard Deviation	1.129	0.9129	0.7397	0.8604	1.0063	1.0417	1.1547
Range	4	4	3	3	3	3	4
Count	30	30	30	30	30	30	30
Variable	**Q#8**	**Q#9**	**Q#10**	**Q#11**	**Q#12**	**Q#13**	**Q#14**
Mean	2.5667	2.8667	3.4333	3.2333	2.7	2.9667	3.4
Standard Error	0.1899	0.2336	0.1774	0.1708	0.1866	0.2467	0.2123
Median	3	3	3	3	3	3	4
Mode	3	2	3	3	3	3	2
Standard Deviation	1.04	1.2794	0.9714	0.9353	1.0222	1.3515	1.1626
Range	3	4	3	3	3	4	3
Count	30	30	30	30	30	30	30

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CONCLUSION AND RECOMMENDATIONS

Based on the conducted literature and the survey results, it has been proven that employee empowerment has a positive impact on quality improvement, customer satisfaction and organizational effectiveness. Although the results are showing a good response on employee empowerment level, it is very advisable for management to conduct organizational survey to collect data to be used to assess the level of employee empowerment. Due to the global competition, organizations use these surveys to enable them to discover approaches to spur their workers to satisfy their maximum capacity. This gives better outcomes as every employee's explanation behind working condition. Tending to every individual's needs in the association will make a profoundly energetic workforce the results of the research can also be used by management to come up with a strategy to improve organizational performance and productivity. Organizations depend on their customers, so employees need to understand current and future needs of the customer. The obvious analogy that can be drawn from the statements from the above is that, although average of improvement is good, management need to revisit the processes periodically to remain competitive in the market.

It is recommended that management pays attention to the work environment, as employees respond to their working conditions to be productive. It is highly advised that management reviews its process of performance evaluations and rewards. Conducting regular employee evaluations, support employees emotionally and cultivate an environment where staff can approach management with their needs. Employee advancement will help managers viably oversee, rouse and engage workers bringing about higher rates of worker maintenance. Top management should continue to communicate the purpose and direction of the organization to all employees, as it contributes to the monitoring of business performance. It is very important in every organization that all employees understand their roles and responsibilities and are provided with proper resources and a good working environment. This can be achieved through management commitment by ensuring that all employees understand how their activities impact on business performance.

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THE IMPACT OF QUALITY MANAGEMENT SYSTEM OF CONTACTOR QUALITY PERFORMANCE AT A LOCAL POWER STATION IN SOUTH AFRICA

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ABSTRACT

The purpose of this study is to evaluate the impact of Company X QMS on the contractors' quality performance. The study will also determine how Company X's QMS can be utilized to improve the quality performance of its contractors. The survey conducted evidently shows that one element was utilized to enforce contractors to comply with the quality requirements, and that is the implementation of Quality Control Plan (QCP) that is approved by Company X's Quality Department before execution of any project. Findings indicate that Company X needs to integrate quality requirements in the procurement process to ensure that contractors understand the quality expectations and requirements in its contractor management process.

Keywords: Quality Management System, Contractors performance, Quality Performance, ISO 9001.

INTRODUCTION

Company X – MPS Background and Challenges

X-MPS is a coal-fired power station based in Mpumalanga, South Africa, with approximately 718 employees (excluding students and contractors). The power plant is base-land, it works constantly, aside from amid consistent booked stoppages for reviews and upkeep on singular units. X-MPS comprises of six 600 MV units at an introduced limit of 3600 MV, the first of the monster 3600 MV coal-let go control station to be appointed in the1980's. Its normal accessibility during the most recent 3 years has been at 93,84%. MPS was at first intended for a working life expectancy of 30 years, be that as it may, it has been reached out to 60 years (Eskom, 2017).

MPS has contracted various companies to execute and render complex services including amongst other maintenance and refurbishment of boilers, turbine, precipitators, ash and dust plant and generators. The services rendered by contractors to MPS are crucial to an extent that the power station experiences several challenges shouldn't those services be effectively conducted. These challenges would include late completion of work, poor quality of the services, re-work, plants trips and contactors charging for work not executed. It is important to note that contactors fail to acknowledge the significance of quality management process; hence they experience inadequate work practices, schedule delays, budget over-runs and not adhering to scope requirements.

MPS is recognized as being ISO 9001 (Quality Management System) certified. However, only few contactors are also ISO 9001 certified. ISO 9001 ensured organizations should have a compelling quality framework and accomplish greatest consumer loyalty, benefit, worker inspiration, enhancements and least improves, protests and issues (Kumar and Balakrishnan, 2011). The reception of ISO 9001 was a key choice for Company X to enhance general execution and give a sound premise to maintainable advancement activities.

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Purpose and Values of the Study

The aim of this study is to improve the quality performance of X-MPS by providing guidance regarding effective management of contractor's quality performance. Factors implicating poor quality performance of contractors will be analyzed to ensure they are effectively corrected. The study provides an insight on how the already implemented QMS by Company X can be enforced to the contractors to ensure quality services is rendered.

This paper intends to bring forth the benefits of QMS by determining the effect of QMS implementation on contractors' quality performance, examining the challenges of QMS implementation during the execution of the projects. The study will further present QMS benefits at MPS by determining the impact of X-MPS' QMS on quality performance of the contractors, and whether the implementation will improve the quality of the Contractors.

Scope, Limitations, Assumptions and Significance of the Study

The study was conducted at X-MPS and the population of the study comprised of contractors executing projects at MPS. There are several factors that influenced the challenges faced by the station. However, the study only focused on the quality factors resulting in poor performance of contactors.

The assumptions of the study are (1) Company X contractors are rendering poor-quality service, (2) Company X's QMS has no impact on contractors and (3) Contractors do not comply with Company X's QMS.
X-MPS utilizes the services of various companies to execute various projects on a contractual basis. These companies execute critical activities related to electricity generation of which if they fail to perform, Company X production will be affected, together with the country's ability to compete globally. Company X has appointed Contract Managers to manage the contractors to ensure that they perform as per their contractual obligations. However, Company X still faces a challenge of contactors not performing as per requirements or render poor quality services.

LITERATURE REVIEW

Quality Management System (QMS)

Viable QMS are dynamic and ready to adjust and change to address the issues, prerequisites, and desires of an organization's clients (Jones, 2014). A definition of QMS by Salimova and Makolov (2016) states that it is a model of the hierarchical conduct aimed at enhancing the quality keeping in mind the end goal of meeting the requests of concerned parties (stakeholders). Clause 8.4 of ISO 9001 standard (ISO, 2015) requires the organization to ensure that externally provided processes, products, and services are controlled and influenced by the organization. X-MPS has implemented the ISO 9001 certified system, and as such the company is required to ensure that its contractors adhere to the requirements of the standards. Before the enforcement of the QMS, Company X needs to conduct awareness training with all the contractors to ensure that they understand the requirements of the standard and expectations to implement the QMS.

The utilization of a QMS in dealing with a procedure to accomplish most extreme consumer loyalty at the least general cost to the association while proceeding to enhance the procedure (Hellman & Liu, 2013); customer satisfaction is at the heart of QMS hence it is important for companies to implement effective QMS. The contractors need to ensure that QMS is incorporated to their processes to ensure that they understand what their tasks are and who their customers are, be aware of the inputs into their processes in order to satisfy customers' requirements, analyse how they presently do their work and propose improvement opportunities because no one knows his/her work better than himself/herself do. Quality has been integrated to every function of the company and there are no reasons to keep the quality in separate department (Hellman & Liu, 2013).

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Implementation of Quality Management System

The overall performance of the organization will be considerably improved through the implementation of QMS (Jaafreh and Al-abedallat, 2012). It is apparent that associations that have received a quality management system to center around accomplishing and maintaining a predominant level of value yields using administrative practices as sources of info and quality execution as yields (Jaafreh and Al-abedallat, 2012). QMS need to be applied as a tool to improve quality performance of organizations as well as their contractors. However, it does not necessarily mean that all contractors will be required to implement a certified QMS as they just need to have a complaint system which will be monitored by the client. Implementing QMS is proposed to assist with making the capacity to deliver items and administrations that meet as well as surpass consumer loyalty and material statutory/administrative prerequisites. QMS also assist with identifying and addressing risks associated with your business. QMS further assist with formulating the capacity to exhibit adjustment to determined necessities. QMS also assist with working with aligned process that are understood by everyone, therefore improving productivity and efficiency, bringing internal costs down. Lastly, QMS also assist with characterizing who is influenced by your work and their desires, as it will empower you to unmistakably express your targets and recognize new business openings.

According to Al-Ettayyem and Al-Zu'bi (2015), it is imperative to note that in order to have an effective QMS, the following eight dimensions of Total Quality Management (TQM) should be in place Leadership Employee administration, Customer center, Factual way to deal with basic leadership, Supplier administration, Continual change, System way to deal with administration and Process Management. A couple of studies have investigated the impact of applying quality organization measures on general definitive feasibility and execution; a significant number of these examinations have demonstrated strong and positive relations with quality execution (El-Tohamy & Al Raoush, 2015). The enforcement of quality management system will also address production performance issues in terms of projects execution and completion.

Supply Chain and Supplier Quality Management

Supply chain deals with suppliers who are suppling spares and consumables to Company X and they need to ensure that they supply the correct spares or consumables. It is critical to add that an alternative approach to quality enhancement within the supply chain, is partner's participation. As explored and noted by Zhu et al. (2007), the different roles that various parties play in a supply chain's quality improvement is clearly denoted with purchaser's participation which has a significant impact on profits for both supplier and purchaser. Therefore, the buyer benefits greatly by involving all the members within its supply chain in QMS. Kashmanian (2017) indicates that being aware of which providers are in a company's supply chain can guarantee product and service quality, as well as integrity, improve the company's bottom line, assist in substantiating claims, and eventually protect the company's marque stature.

Company X needs to link the quality principles with Contractors safety management as one of the strategic elements. Improved contactor management, safety excellence and care for employees incorporated in the five-step process value chain for suppliers can be achieved by adopting the following Quality principles as Evans (2011) discussed in his book;

- *Leadership:* monitoring and continually reviewing the OHS management and performance.
- *Stakeholder Engagement:* maintain high level of communication between Company X and contractor leadership, employees, government departments and other external stakeholders.
- *System Approach to Management:* effective management of interrelated processes of the five phases of the contractor's management value chain.

Role of Leadership

Leadership has remained a major area of interest in the implementation of QMS (Hussain & Younis, 2015); the effective implementation of the system lies with management. Quality management has been appraised as a basic element of the general authoritative execution from the time following the large-scale manufacturing (Hussain & Younis 2015). The management of the contractors needs to commit to the implantation of the QMS and understand the principles of meeting and exceeding customers' needs. Leadership is critical in the implementation of QMS.

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Management of Company X need to consider conducting supplier audit to evaluate compliance. As indicated by Kitheka et al. (2013), the audits should be aimed at improving the relationship between the supplier and the client. To adequately execute the quality execution of the contractors Company X needs to actualize execution estimation, provider reviews, provider improvement and supplier integration as they are the most utilized provider quality administration rehearses (Kitheka et al, 2013).

Sharma et al. (2012) indicate that QMS need to be integrated from the procurements stage of the project to ensure that the contractor complies with quality requirements before the tender is awarded. The supply chain management is key for initiating quality management system to the contractors by integrating quality requirements in procurement processes.

An ineffectual Quality Management System may; bring about the cost of examining nonconforming goods and services to decide the underlying drivers, improving and additionally rejecting faulty items, acquire extra creation expenses to supplant them and quality impacts our organization's notoriety. A solid notoriety for quality can be a critical differentiator between a fruitful business and one that is definitely not (Piskar, 2007).

Continuous Quality Improvement

Entrenching a culture of Continuous Quality improvement by taking responsibility and leadership to create the required culture. As employees, regardless of our status or rank, each one of us has the moral responsibility to fulfil the handling of our assigned tasks, duties, and responsibilities with Quality in mind. It is always cheaper to do the job right the first time rather than correct problems later. By ensuring quality standards we strive to reduce defects to a minimum; zero defects (Fernandes et al., 2014).

Quality management value chain is a sequence of interrelated quality management capabilities and associated activates that support the enablement of product/services and the business system integrity. It provides the means through which quality management architecture and business context are seamlessly integrated. Quality planning is a proactive control process that involves the development, organization and management of quality management activities required to enable conformance to requirements.

Customer Satisfaction

QMS forces the organization to establish and enforce quality principles. It sets out the framework and standards that you are working to, and how you are going to meet them (Zhang et al, 2014), the system provides a clear road map for customer satisfaction. As per (Zhang et al 2014) QMS gives consistency and satisfaction to the extent procedures, materials equipment, and participations with all activities of the affiliation, beginning with the recognizing confirmation of customer necessities and culmination with satisfaction. The most important requirement for achieving customer satisfaction is to first understand the needs of the customers.

Organizational Culture

Quality culture is one of the most important aspects of an effective QMS within the organization, if a positive quality culture has been established and maintained within the organization the suppliers will easily adopt that culture embrace it. Durana et al. (2014) states that various tools such as quality control, project programs and QCP can be used to maintain positive quality culture.

RESEARCH METHODOLOGY

This section sets out the methodology for the data collection and the analyses of the collected data to assist in addressing the main research objective. The basis of methodology and data collection strategies is the information obtained from the literature reviewed in the previous section. It is important to state that the study was conducted at MPS, as indicated earlier. The study involved the contractors executing outage projects for Company X. Data

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collected was not manipulated or altered in anyway. Full written consent was obtained from MPS' Risk and Assurance Manager to conduct the study.

Research Design, Population and Sampling

A mixed methods approach has been utilized as a part of this investigation. Mixed Method Research is an approach for analyzing information that incorporates assembling, dismembering, and fusing (or mixing) quantitative and subjective research (and data) in a singular report or a longitudinal program of demand (Johnson et al., 2018).

The combination of both qualitative and quantitative research methodology has been applied to further explore the findings from the literature review and the extent of application in practice. The quantitative research methodology will inquire about if and how the participants knows the project environment they are working on, and how that knowledge can be translated into numeric value. This will require the use of structured questionnaires. Qualitative research methodology will provide a depth of understanding on issues that are not possible using quantitative research, by using case studies.

The population of the study consists of the Project Managers, Quality Officers, Quality Controllers, Quality Inspectors, Site Managers, Quality Managers and Supervisors of Contractors as well as Company X's employees. The total population consist of 60 personnel and sample of 40 will be taken. A non-probability sampling of purposive is applied to select the sample of personnel.

Data Collection Procedures, Data Analysis and Interpretation

Structured questionnaires were used covering the following aspects – Quality of service, contractors, quality performance and Quality management system. The self-tailored questionnaire was based on information derived from the literature study and research questions. Questionnaires were sent to all personnel by email to be completed. A closed-end questionnaire consisting of five-point Linkert scale was adopted. The questionnaire consisted of four sections covering quality of service rendered, the impact of Company X's QMS on its contractors, compliance to Company X's QMS and improving quality performance of contractors. Descriptive statistics will be used to summarize the data collected, Samuels, which is a method for summarising data in the form of average, percentage and graph (Witmer and Schaffner, 2015)

Data collected from the interview is captured into QuestionPro system for analysis and the graphs are used to interpret the results from the system. The results are published using graphs and the interpretation of the results will be based on QuestionPro report. Field notes will be used to provide information about the implementation of QMS and the effectiveness of the system.

RESULTS AND DISCUSSIONS

All sections of the questionnaire, as depicted below in Table 1, were answered by all the participants, in other words, site managers, quality officers, supervisors, project managers and quality inspectors. The research findings were used to address the research questions. The table below indicated the number of respondents participated.

Table 1: Research Sample of respondents

Sample Frame	Number	Percentage
Site Managers	11	27,5%
Quality Officers	12	30%
Supervisors	6	15%
Project Managers	7	17,5%
Quality Inspectors	4	10%
TOTAL	40	100%

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As depicted in Table 2, the first section of questionnaires which is related to quality of service rendered by contractors, and the second section which is related to the compliance to Company X's QMS by contractors, have their data evaluated based on a Likert type three-point scale with Yes, No or Maybe as available options to answer the questions. The third and fourth sections of the questionnaire, however, were evaluated using a different Likert scale type. The third section which relates to improving the performance of contractors and the fourth section of the questionnaire which relates to the impact of Company X's QMS on quality performance of its contractors were evaluated based on Likert type five-point scale in the following manner 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree.

Table 2: Overall Matrix scorecard

Section 1 - Quality service rendered	**Count**	**Score**
1. Have your company experienced any re-works during outage?	40	1.175
2. Have your company been issued with Non-conformance report by Company X?	39	1.333
3. Is your company always adhering to the program schedule	39	1.538
4. Have your company implemented a quality management system	40	1.400
	Average	***1.362***
Section 2 - Compliance to Company X's QMS (Quality management system)	**Count**	**Score**
1. Have your company implemented a complaint QMS?	38	3.395
2. The internal audit findings are addressed and closed out?	39	1.564
3. Have your company appointed quality management representative?	40	1.550
4. Has your company developed work instructions and quality process?	40	1.575
	Average	***1.521***
Section 3 - Improving quality performance of contractors	**Count**	**Score**
1. My company implemented QMS	40	2.925
2. We understand the requirements of Company X's QMS	40	2.975
3. My company has established quality objectives and targets	37	2.757
4. We have entrenched quality management in all our activities	40	2.875
	Average	***2.883***
Section 4 - The Impact of Company X's QMS on contractors	**Count**	**Score**
1. Company X conducts audits regularly at my company	39	2.846
2. My company has always approved QCP before executing the project	40	2.550
3. My company has appointed Quality Control Officer	40	2.675
4. My company is aware that Company X has implemented QMS	40	2.175
	Average	*2.562*

DISCUSSION

The purpose of this study is to assess the impact of X-MPS' QMS on the quality performance of contractors. This section resolves the four research questions namely: (1) How to improve quality of service rendered by contractors, (2) What is the impact of Company X quality management system on contractor's quality performance, (3) Do the contractors comply with the requirements of Company X's QMS and lastly, (4) How to improve the quality performance of the contractors. This is achieved by presenting, analyzing and interpreting the results of the survey. In total 60 questionnaires were distributed and 40 responses received, this presents a response rate of 66 per cent.

The first section was regarding the quality of services rendered by the contactors. The responded indicated that their companies always experience re-works during the execution of the project and most of their companies were issued with Non-Conformance Report (NCR). This is a clear indication that the quality services rendered by contactors is poor and needs to be improved. Most companies do not adhere to the program schedule, which leads to

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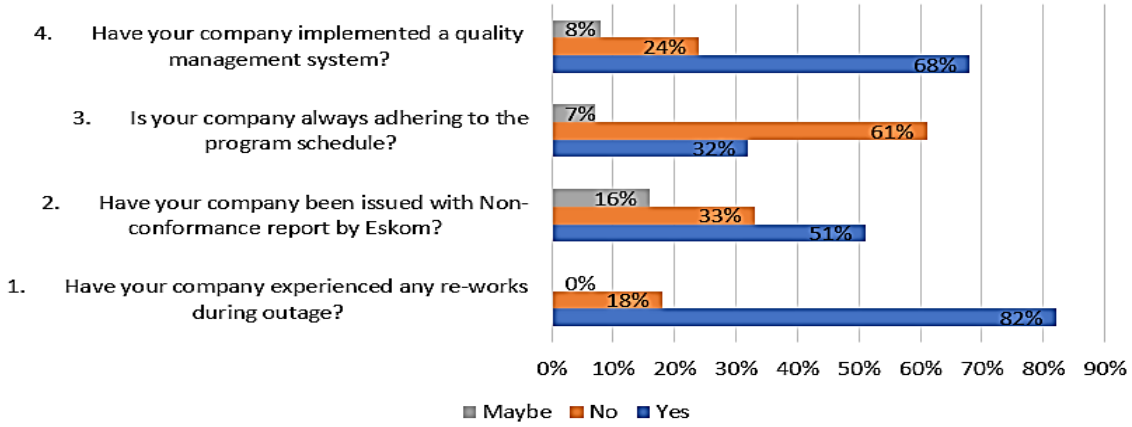
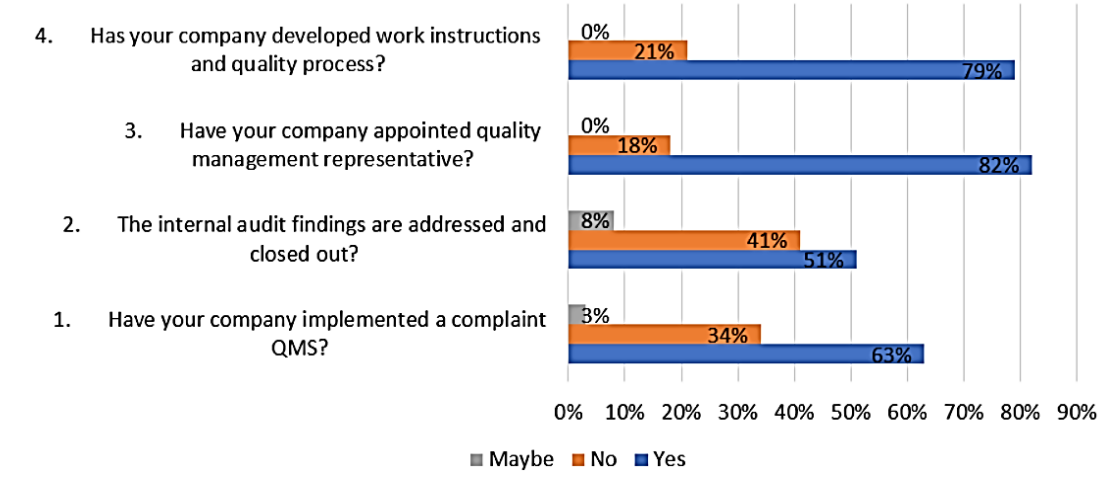
work not being completed on time. However, regarding the implementation of QMS 68% indicated that their companies have implemented the system.

Figure 1: Survey Results in Terms of Percentage Response, Section 1



The second section is related to compliance with Company X's QMS requirements, and 63% of the contractors have implemented the QMS, while 51% of them address the internal audits findings. As per the respondents to the survey, 82% have appointed a quality management representative, and 79% of respondents have indicated that their companies have developed work instructions and quality process.

Figure 2: Survey Results in Terms of Percentage Response, Section 2



In the third section of the survey which is related to the improvement of quality performance of the contactors, 64% of respondents indicated that their companies implemented QMS, while 73% of respondents do not understand Company X's QMS. They are also not aware of Company X's QMS and are not comfortable with the level of integrating quality into the company process.

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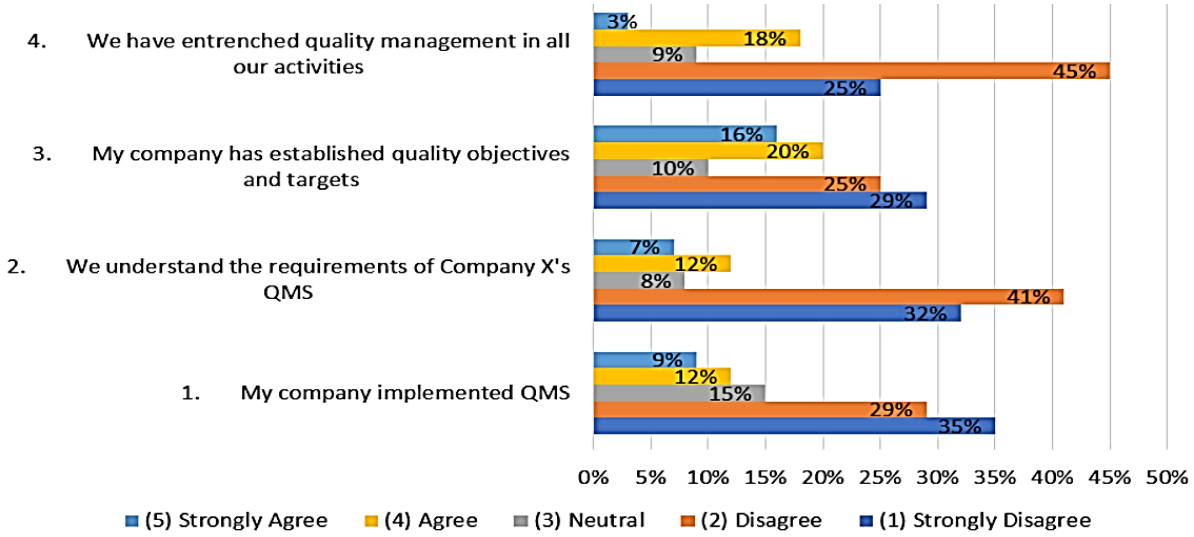
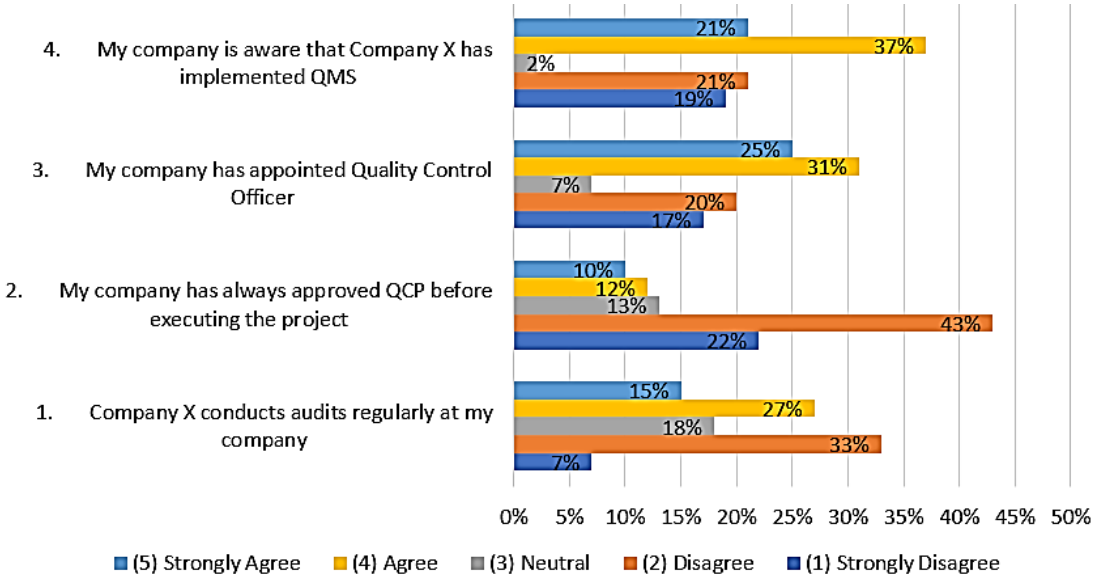
Figure 3: Survey Results in Terms of Percentage Response, Section 3



The fourth section of the survey is regarding the impact of Company X's QMS on the contractor's quality performance. It is evident that Company X does not conduct audits of its contractors regularly, however the implementation of QCP was effective. Most contractors have appointed Quality Officer to assist with the implementation of QMS requirements. Most companies were also aware that Company X has implemented a QMS.

Figure 4: Survey Results in Terms of Percentage Response, Section 4



CONCLUSION AND RECOMMENDATIONS

From the study it may be concluded that Company X's QMS is not used effectively to improve the quality performance of contactors executing outage projects. Majority of contactors are aware of the quality management system; however, compliance to QMS is not properly enforced by Company X to ensure that all contractors adhere

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to the requirements. It was also noted that most contactors have implemented a QMS although the system is not certified; Quality resources were also employed by contractors to assist with quality issues during the project.

It is recommended that QMS requirements be incorporated within the tendering phase to ensure that contractors are aware of quality expectations and that the contactors appointed for the projects meet those requirements. Company X needs to conduct regular audit on its contractors' QMS to enforce compliance to the system; all contractors should be inducted on Company X's Quality requirements. An effective QMS for management of contractors should be established.

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A STUDY ON DIGITAL MEDIA MARKETING AND CONSUMERS IN HEALTHCARE INDUSTRY

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ABSTRACT

Through this article the researcher is trying to bring out whether the customers/consumers who are using internet and social media do they also purchase medicine from internet. The article has also brought out the issues related to risk related to online purchases of medicine. The articles have analyzed the UK data which was obtained from Office of National Statistic based on internet users, online pharmacies and number of people buying medicines online. As per the analysis it was revealed that there is a linear relationship between online shoppers and consumers who purchase medicine online. The researcher has used SPSS Pearson Correlation to analyses the data.

Keywords: online marketing, digital media marketing, social media marketing, consumer, pharmaceutical marketing, health care marketing.

INTRODUCTION

It has been observed that the way marketing was done, is tremendously changing from traditional marketing to digital marketing using social media, website etc. As the digital marketing in form of internet marketing is gaining momentum, it has become a hot topic, therefore it has become one of the immerging type of marketing in almost all industry. Research has shown that social media marketing is entering in every prospective field and results are beyond imagination, and is currently being used by 2.31 billion people worldwide. Digital media or Internet has transformed the concepts of communication. (Keller, 2001).

Besides this, it has been also noted that internet, social media, mobile apps, and other digital communication technologies has become part of billions of people's daily lives. It has also been noted that people spend lot of time online. For example, in the UK, over the last decade the number of hours spent online by adults has more than doubled, and now averages 20.5 hours per week (Ofcom, 2015). Social media has fueled part of this growth: worldwide approximately more than 2 billion people use social media, and Facebook alone has approximately 1 billion active users per day (Facebook, 2015). Thus, people are getting addicted to online media and social media. Moreover, the Internet has revolutionized the world and is growing rapidly, the same as possibilities of using it in the functioning of society and business. The traditional media of marketing are being replaced by the Internet to some extent, because of its accessibility, interactivity and two-way flow of information (Syrkiewicz, 2012).

The next section will be literature review and here the researcher will discuss social media marketing, digital marketing and pharmaceutical companies. The sections after this will cover methodology, framework, results and discussion, and conclusion.

LITERATURE REVIEW

In present scenario digital marketing /online marketing is playing a very important role, people are exposing themselves to more and more digital and social media as they search information about products and services. Marketers have responded this fundamental shift by increasing their use of digital marketing channels. In fact, it is being reported by 2017 one-third of global advertising spending is on digital channels (eMarketer, 2015). Thus,

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future consumer marketing will largely be carried out in digital settings, particularly social media and mobile. It is therefore necessary for consumer researcher to examine and understand consumer behavior in digital environments.

Besides this, as per Syrkiewicz-Świtała, et al (2016) digital media is not just confined to people but even the industry and companies are using digital media to sell and market their goods and services and information on online The Internet has become a common and global medium and a channel of communication. One of the communication channels are social media, which increasingly are also used in the business field. Social media combined with mobile technology introduced new challenges to marketing activity. This trend is also observed on specific and highly regulated drug market. Even the drug companies and pharmaceutical companies now have started selling and promoting their products and services on digital platform. (Syrkiewicz-et al, 2016).

Moreover, Bellostas, et.al. (2015) believes pharmaceutical industry which had not yet been affected much by digital marketing much, is getting into digital marketing in form of social media. Pharmaceutical industry being an information-intensive industry, healthcare's business model has remained strangely unaffected by the digital revolution until recently. Furthermore, the old model where patients blithely accepted their doctors' judgment is quickly changing, it has been noted that each month approximately 19 million people search the health information website WebMD, and one-quarter of patients with chronic disease visit peer sites to "meet" fellow sufferers and discuss their health. Patients are increasingly showing up in the examination room with piles of information about their ailments.

In fact, Wikipedia is now the world's most popular website for healthcare professionals and is often the first point of reference before they turn to more specialized databases such as UpToDate.com. Peer-to-peer platforms such as Sermo are becoming increasingly popular, and Twitter is emerging as a favored medium for specialists to swap news of latest developments. (Bellostas, et.al. 2015). According to a recent study conducted by Pew Internet survey, it was found out that 72% of USA adult online users search for health and medical information online and approximately 1/3rd engage in self-diagnosing of their health problems. This trend is not solely limited to the USA, with recent surveys indicating one in two Internet users, in a diverse collection of 12 different countries, also engage in self-diagnosing (Pew Internet Survey).

Moreover in 2013 alone, digital health funding globally rose 39 percent, to about $2 billion. In the United Kingdom, the National Health Service published a list of recommended health apps. (Aitken, Clancy and Nass, 2017). Furthermore, Bellostas (2015) observed that patients are increasingly showing up in the examination room with piles of information about their ailments, both real and imagined. The medical community is digitalizing too. Healthcare systems and payers are starting to recognize these trends. Besides this, digital marketing in form of Facebook and other digital platform has also become a place to promote and strengthen the image of companies and products (Alhabash and Ma, 2017).

Besides this, social media has become finally a source of health information. The dynamic development of interactive digital media of a social network gives also a huge field of possibilities for the use of innovative methods of selling and building market position of companies operating in the pharmaceutical industry. It has also been noted that social media is used by the pharmaceutical companies to promote and sell its products and build a relationship with the customer or selected groups of recipients. Since health care is such an intimidating service, it is more important for marketers to establish relationships with their customers, not just marketing services to individuals (Mackey, 2013). Armstrong and Kotler, (2012) also comments that pharmaceutical company are aiming to promote and sell its products and build a relationship with the customer or selected groups of recipients, conducted via the Internet (Armstrong and Kotler, 2012).

Every pharma company is experimenting with digital channels, and some are achieving scale. Merck's Univadis medical information platform is an invaluable asset for many clinicians, and Merck Engage is a great platform for digital communication. (Bellostas, P., 2015). Moreover, according to Hackworth, and Kunz, (2010) healthcare / pharmaceutical companies should choose their marketing channels wisely to reach consumers effectively. Health care marketers promote a service that is complicated, expensive, and even frightening (Shaw, 2008). Besides just selling pharmaceutical products online and through social media, Mackey, and Liang, (2013) has noted that pharmaceutical industry has started digital forms of direct-to-consumer pharmaceutical marketing

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(eDTCA) which has globalized an era of free and open information exchange (Mackey,2013). Thus, health-related technologies are undergoing an evolution driven by the rapid emergence and dominance of the Internet in everyday life. The online users are increasingly becoming health information seekers and consumers.

Furthermore, health care providers stated using Social media networks to develop personal, yet professional relationships with the customers, using Web 2.0 technologies, which allow to offer video and photo sharing, as well as podcasts also allow health care service providers to distribute health-related information and instruction. These Web 2.0 technologies provide the means for health care providers and marketers to provide actual content not just marketing to the consumer, but providing the consumer with valuable information about health care topics, concerns, issues and controversies. Currently, Twitter, YouTube and Facebook are the most popular social media for hospitals and pharmaceutical industry, also the most effective in driving traffic to a web site (Cummins, 2010).

Benefits for Health Care Providers and Social Network Consumers

Presence of any healthcare provider in any social media helps to contact the clients and then establish relationship with them. It has been seen that by Facebook these companies get in touch with the consumers by having their pages on the Facebook. They not only answer all the questions of the consumers, but can also write a private message to the companies and healthcare providers. Similarly twitter and YouTube are also being used by these companies. Thus, these companies maintain relationship with the consumers and provide them with needed information's and sell them the healthcare / pharmaceutical products.

Drawback of Social Media Networks in Health Care Marketing

Although social media has a lot of advantage but there are many drawbacks also of social media marketing in pharmaceutical / healthcare industry as it has been observed that the patents data collected can be used in an unappropriated manner by these companies and this may not be safe for the patients / consumers. (Hackworth, et al 2010). However, there are set of consumer protection standards implemented in response to the unethical or discriminatory use of patient information and abuse of information (Rooney, 2009), but as there are no filter to check whether these rules are being adhered to. The credentials of users that claim to be medical professionals should also be verified. By taking these precautions, social networks can become much more reliable and trusted in healthcare and pharmaceutical industry.

Conceptual background and context

The conceptual framework in Figure 1 illustrates that the people who use internet can also be using the social media, besides this people who use internet and social media may also be buying products and services online. Besides this these people who buy products and services online also buy medicine online or on social media.

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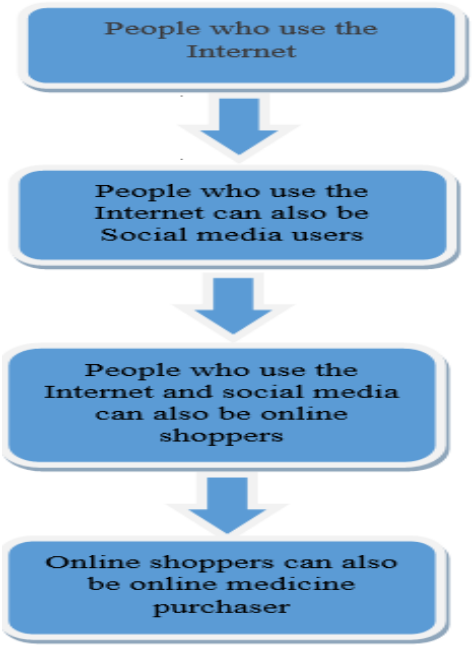
Figure 1: Conceptual Framework explaining the Internet user can be online medicine purchaser



METHODOLOGY

Literature was reviewed. Content analysis was adopted as it helps to analyse the data. It is a technique to compress many words into fewer content categories (Mok et al., 2015). The search engines used were EBSCO host, Web of Science and Science Direct, ProQuest. The academic articles search was based on consumer marketing, pharmaceutical marketing digital media marketing, social media marketing etc. it is an attempt to find out the whether all the consumer who are a user social media account and do online marketing for pharmaceutical product, does all the internet user also use social media. Demographic data of UK from the year 2008 to 2016 was obtained from office of national statistics. Hypothesis was developed and using SPSS the data was analysed. The statistic used was Pearson correlation and scatter chart. The data used to do the analyse was, do all the internet user use social media, and also do all the internet user buy online, and also all online buyer purchase medicine online or through social media marketing.

RESULTS AND DISCUSSION

The researcher developed hypothesis based on the data available and below are the findings.

Hypothesis-1 Impact of income on internet user

If income has significant impact on internet user, then it can be said that income, is responsible for the internet user. To find out the impact of income on internet user. The hypothesis will be:

H0- income has no impact on internet user

H1- income has impact on internet user

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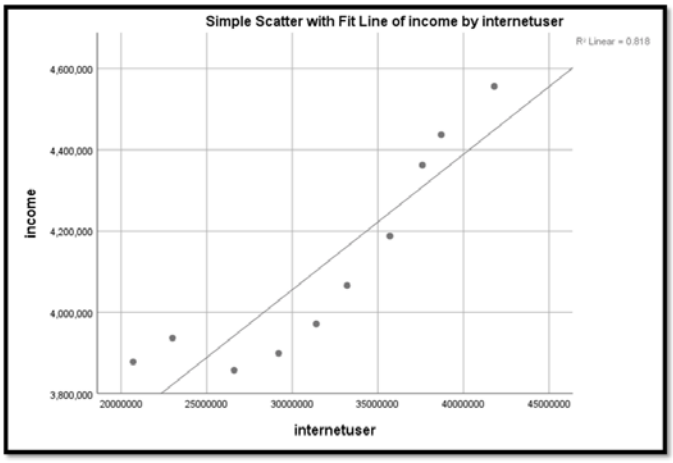
Table 1: Pearson correlation between income and internet user

Correlations			
		income	Internet user
income	Pearson Correlation	1	.904**
	Sig. (2-tailed)		.000
	N	10	10
Internet user	Pearson Correlation	.904**	1
	Sig. (2-tailed)	.000	
	N	10	10
**. Correlation is significant at the 0.01 level (2-tailed).			

As per Table 1 value of the Pearson is .904 which is less than 1 which indicates that the in this case we can reject he null hypothesis which says income as no relation on the internet user, this result shows that income has impact on internet users. Besides this the scatter chart (Figure 2) also shows that there is positive linear relationship between the income and internet user.

Figure 2: simple scatter fit of Income and internet user



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Hypothesis-2 Impact of income on internet shopping

If income has significant impact on internet shopping, then it can be said that income, Is responsible for the internet shopping To find out the impact of income on internet user. The hypothesis will be:

H0- income has no impact on internet shopping

H1- income has impact on internet shopping

Table 2: Pearson correlation of income and internet shopping

Correlations			
		income	Internet shopping
income	Pearson Correlation	1	.880**
	Sig. (2-tailed)		.001
	N	10	10
Internet shopping	Pearson Correlation	.880**	1
	Sig. (2-tailed)	.001	
	N	10	10
**. Correlation is significant at the 0.01 level (2-tailed).			

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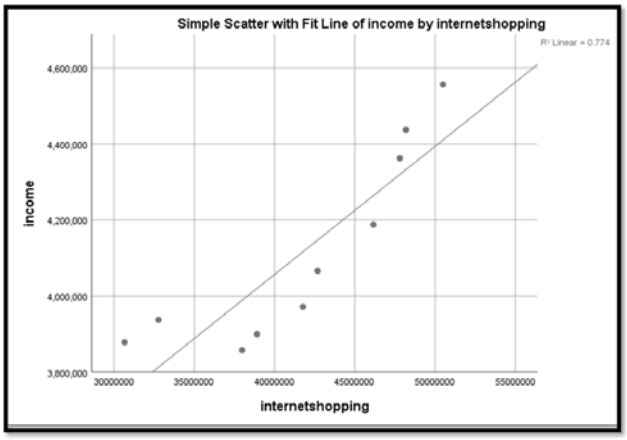
Figure 3: simple scatter with fit line of income and internet shopping



As value of the Pearson correlation is .880 in Table 2 which indicates that the in this case we can reject he null hypothesis which says income as no relation on the internet shopping, this result shows that income has impact on internet shopping. Besides this the scatter chart also shows that there is positive linear relationship between the income and internet shopping (Figre 3)

Hypothesis-3: Impact of internet user on internet shopping

If internet user has significant impact on internet user, then it can be said that internet users responsible for the internet shopping. To find out the impact of internet user on internet user the hypothesis will be:

H0- internet user has no impact on internet shopping

H1- internet user has impact on internet shopping

Table 3: Pearson correlation internet shopping and internet user

Correlations			
		internet shopping	internet user
internet shopping	Pearson Correlation	1	.995**
	Sig. (2-tailed)		.000
	N	10	10
internet user	Pearson Correlation	.995**	1
	Sig. (2-tailed)	.000	
	N	10	10
**. Correlation is significant at the 0.01 level (2-tailed).			

As the value of the Pearson correlation is .995 in Table 3, which is less than 1 which indicates that the in this case we can reject he null hypothesis which says internet user has no relation on the internet shopping, this result shows that internet users have impact on internet shopping. Besides this the scatter chart (Figure 4) also shows that there is positive linear relationship between the internet user and internet shopping.

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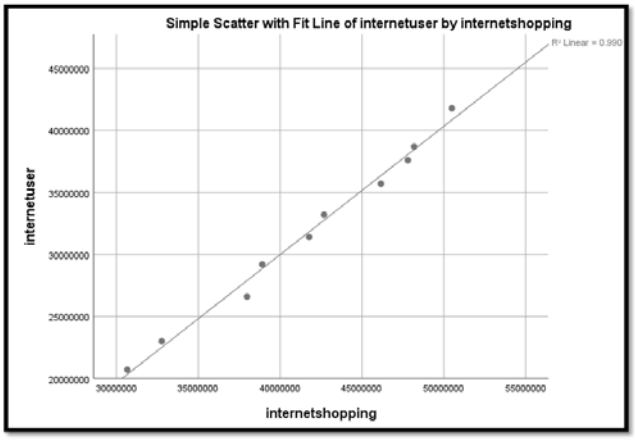
Figure 4: simple scatter with fit line of internet user and internet shopping



Hypothesis-4: Impact of social media users on internet shopping

If social media user has significant impact on internet shopping, then it can be said that most internet user are responsible for the internet shopping To find out the impact of social media user on internet shopping. The hypothesis will be:

H0- social media user has no impact on internet shopping

H1- social media user has impact on internet shopping

Table 4: Pearson Correlations between internet shopping and social media user

Pearson Correlations

		internet shopping	Social media user
internet shopping	Pearson Correlation	1	.969**
	Sig. (2-tailed)		.000
	N	10	10
Social media user	Pearson Correlation	.969**	1
	Sig. (2-tailed)	.000	
	N	10	10

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

As value of the Pearson correlation in table 4 is .969 which Is less than 1 which indicates that the in this case we can reject he null hypothesis which says social media user has no relation on the internet shopping, this result shows that social media users have impact on internet shopping. Besides this the scatter chart (fig 5) also shows that there is positive linear relationship between the social media user and internet shopping.

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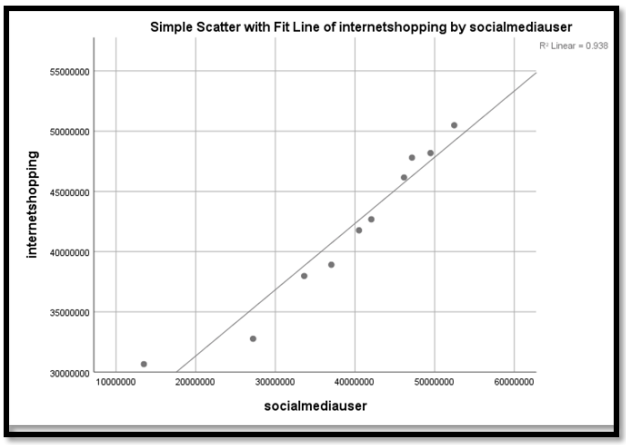
Figure 1: Simple scatter with fit line of internet shopping and social media user

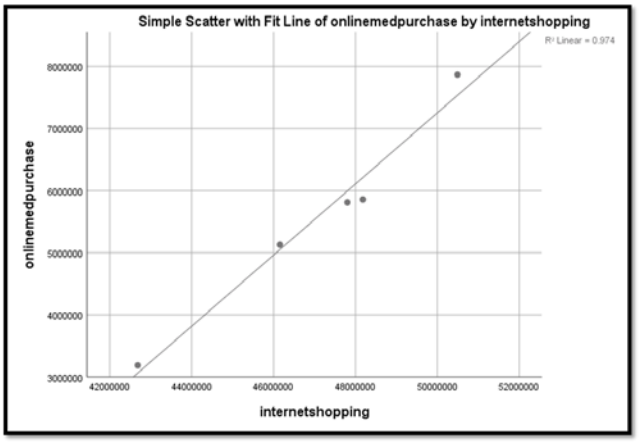


Hypothesis-5: Impact of internet shopping and online medicine purchaser.
If inter shoppers has significant impact on online medicine purchaser, then it can be said that internet shoppers also purchase medicine only. To find out the impact of internet shopping and online medicine purchaser
The hypothesis will be:
H0- internet shopper has no impact on online medicine purchaser.
H1- internet shopper has impact on online medicine purchaser

Table 5: Pearson correlation internet shopping and online medicine purchaser

Correlations			
		Internet shopping	Online med purchase
Internet shopping	Pearson Correlation	1	.987**
	Sig. (2-tailed)		.002
	N	5	5
Online med purchase	Pearson Correlation	.987**	1
	Sig. (2-tailed)	.002	
	N	5	5
**. Correlation is significant at the 0.01 level (2-tailed).			

Figure 6: Simple scatter fit of online medicine purchase by internet shopping



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As the value of the Pearson correlation in table 5 is .987 which is less than 1 which indicates that in this case we can reject he null hypothesis which says internet shopper has no relation on the online medicine purchasers, this result shows that internet shopper has relation on the online medicine purchasers. Besides this the scatter chart (fig 6) also shows that there is positive linear relationship between the internet shopper and online medicine purchasers

Thus, on analysing the secondary data of UK it was found that people with high income tend to use internet, also most of internet users are social media users, besides this social media user also do online shopping and furthermore it has also brought into notice that most of the online shoppers also purchase medicine online.

CONCLUSION

Thus, through this article it can be said that although internet and social media is the call of the era, as it has made shopping easy, access to information has become easy, besides this communication has become easy, but in the sector of healthcare and pharmaceutical internet and social media should be used with precaution as its not risk free. Furthermore, based on the data obtained from UK statistics and on the analysing this data using SPSS Pearson correlation, it was concluded that internet shoppers also buy medicines using internet, which can be very risky.

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EXPERIENCES OF WALTER SISULU HOSPITALITY STUDENTS IN RELATION TO WORK INTEGRATED LEARNING

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ABSTRACT

Work integrated learning (WIL) involves a co-operative education learning model that consists of academic and experiential learning components. The concept of WIL is based on applying in the work environment the theory and knowledge obtained in the classroom. WIL is formally recognized as an education strategy and academic program that is part of the integrated curriculum in hospitality at Walter Sisulu University (WSU). The primary aim of WIL is to prepare a student for a particular vocation or profession and is based on a positive relationship between a learning institution, an employer or industry and a student. Experiential learning is a component of WIL or co-operative education and consists of interactions such as formal training modules, vocational learning and development of attitudes such as responsible citizenship and professional ethics. The background of the academic curriculum provides a learning experience adequate to meet the demands specified in learning outcomes of teaching programmes and qualifications. The purpose of this paper is to assess the effectiveness of WIL to enhance academic performance and practical work experience amongst hospitality management students in WSU.

Keywords: Work integrated learning, Hospitality, Institution, Employer, Curriculum teaching and programmes.

INTRODUCTION

The inclusion of (WIL) in Hospitality Management curricula provides the opportunity for South African hotel schools which offer national diplomas in Hospitality Management and Food and Beverage Management to prepare their students for the workplace once their training is complete. Research was undertaken to determine whether the preparation in the classroom for this experience was the best possible exercise. Semi-structured interviews were conducted with students who had completed their final WIL semester. This paper discusses how effective WIL is from the students' point of view, and what should be changed or improved by academic advisors and industry mentors (Abeysekera, 2006). Work integrated learning is seen as a component of the curriculum that allows students to connect theory with practice and, therefore, gain practical skills to gain entry into the workplace.

Zopiatis (2007:65) observes that WIL was designed as a response to the challenger facing students in vocational and tertiary education systems. It was mainly established to improve the learning experience of learners to venture and expand the Hospitality and Tourism Industry. WIL as Mc-Glthlin (2003:14) holds serves as part of the curriculum in fields which include inter-arlia hospitality management which should be taken into consideration. The significant aspect of WIL is that students can acquire practical and relevant expertise which enable them to be relevant and valuable in the employment sector. In South African context, the South African Qualifications Authority (SAQA) (2004) has the mandate to confirm that the National Diploma in Hospitality Management is compiled in accordance with the core learning areas so as to assist in the development of potential managers with a sound operational background. To this end, operational electives should be offered in the second and the third year of study to provide for specialized areas within the field of hospitality.

Scholars (Aggett and Busby 2011, Walmsley, Thomas & Jameson, 2006; Zopiatis 2007) have indicated in their studies that WIL can be successful in event organisations offer internships or short term practical work to students. Meanwhile, in tertiary institutions including WSU, the chances of WIL being crippled by various challenges such as

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lack of skilled expertise, mostly department are understaffed. The WIL does not clearly specify what students are expected to do to achieve their goals. Patrick et al. (2008:10) observes the ambiguity within the tourism industry whether students holding this qualification will get employment which negatively impacts on the effectiveness of WIL. Commitment among stakeholders (students, educators, training institutions, employers) is another stumbling block which this papers seeks to address (Martin, Fleming, Ferkins, Wierma 2008 & Coll, et al., 2009; Shirley et al., 2006). Against this background therefore, this paper seeks to assess the viability of WIL towards improving learning performance of students at WSU and determine the strategies educators can undertake to adequately prepare students going into WIL. The paper seeks to propose alternative suggestions on how WIL can be used as an innovative mechanism to theoretical and skills development of learners. The paper bridges the gap in literature and provides an empirical research on the effectiveness of WIL integrated into South African hospitality and tourism education and other WIL related training programs to improve students employability skills as practitioners in the industry.

LITERATURE REVIEW

Literature often describes WIL using two different terms: work-based learning and experience-based learning (Houlbrook, Wagner & Childs, 2001). Reeders (2000:205) states that the term 'work integrated learning' was coined to encompass the increasing diversity in the modes of vocational learning. Spowart (2009) suggests that the vocational nature of hospitality management is ideal to utilize WIL as a method of transferring classroom activities to the workplace. In some cases, the technical expertise acquired in classrooms can be applied by student in the real work environment through a compulsory semester of WIL.

Walter Sisulu University is under increasing pressure to prepare hospitality management graduates for the world of work by including a component of WIL so that the students are ready by the time they graduate (Davis & Chisholm, 2003). Higher education learning, including that offered by WSU, has to prepare students for a work environment (Council for Higher Education (CHE), 2001). The CHE's Good Practise Guide for WIL (2011:14) opines that an aligned curriculum should be focused at aligning the outcomes, the teaching and learning activities as well as the assessment criteria with one another. The WSU curriculum places high value in competencies such as problem-solving, self-regulation, reflection, emotional awareness and stress resistance in people in order to cope with the rapidly changing demands of the labor market (Tillema, Kessels & Meijers, 2000).

WIL as Smigiel and Harris (2007:6) denote, involves educational activities that integrate theoretical learning with its application in the workplace. Programmes such as internship, cooperative education, practicum, fieldwork and clinical placement attest to WIL programmes. Trigwell and Reid (1998:144) affirm that WIL is a universal mechanism employed globally to integrate work experience in profession based academic programmes that include medicine, nursing and law. These programmes can be practiced prior to graduation. The rationale behind implementing WIL is that students should be equipped with real-world experiences which enable them to become successful in their careers (Fox, 2002:26).

Confusion often arise as to what students are expected to do using the WIL programme. Orell (2011:10) quickly addresses the contradictions when he mentions that WIL experiences provides knowledge, understanding to students so that, they master skills which improves their competence in workplace settings. This is probably why Carpenter (2003:203) labelled WIL as the 'internship' to acquire "on the job experience soon after graduation". In universities of technology in South Africa, the practice of workplace learning is widely expressed through cooperative education and experimental learning which both forms part of WIL (Du Plessis 2015:3). Illeris (2007:86) argues further that, the development of WIL in other countries such as New Zealand and Australia provides a comprehensive exposition of learning with related experience in the workplace. Although the confusion surrounding WIL as a term in workplaces has been dealt with in literature Mc Luskie and Zipf (2003:46) believe that, terms used such as internship or cooperative education have been repealed by WIL although they were popular in the previous four decades.

Dressler and Keeling (2004), students benefit academically as a result of WIL by an improvement in their thinking, learning and problem-solving ability, as well as in their motivation to learn. They also show improvement in their general commitment and attitude to their academic institutions, and are more able to put theory into practice.

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In an emerging economy such as South Africa, the preparation in industry for their role in mentoring students prior to receiving them on a WIL program may need additional attention. For example, the academic supervisor may need to ensure that the employers do not use the students simply as 'cheap' or free labour, but ensure they experience meaningful training and work exposure (Taylor, 2004). Besides the formal release to the workplace in the third year, students are exposed to a realistic work environment on campus in terms of kitchens, restaurants, conference facilities and a bar. They prepare and serve the food and set up the necessary facilities under guidance of chefs and restaurant instructors and assist with customer needs. This campus-based WIL is important as it gives students the opportunities to apply what they have learned in classroom and to be better prepared for the actual workplace.

In the Department of Tourism, Hospitality and Sport management (DTHS) at WSU, unlike most other departments in the institution, there are two dedicated WIL instructors who not only find placement for the students but visit each one of them at least twice during the training period. The visits are for the purpose of ensuring that the students are being exposed to various work areas in the Hotel unit, as well as to carry out assessment in conjunction with the industry mentor. These academic instructors have developed good working relationships with certain hotels, food service provider companies, private caterers, lodges and the like. In addition, industry mentors and recruitment officers of hospitality companies are approached regularly by the academic instructors who are continually searching for new opportunities (Reeve & Gallacher, 2003). The collaboration allows for WSU lecturers to understand the needs of the industry and to better prepare the students for their WIL modules.

RESEARCH CONTEXT FOR WIL IN THE DTHS AT WSU

Scholars believe WIL has gained international recognition although it is difficult to effectively fit it within the Experimental Learning. Other critics suggest that WIL is emerging within the umbrella of Experiential Learning (EL) theory to bridge the gap between theory and practice and thus address the gap in graduate employability skills. However, this is subject to debate as WIL has overlapping aspects which makes it more flexible to address other issues besides learning or practical work experience. The essence of this concept is to focus on experience, integrating practical, relevant and reflective industry experience within tertiary curriculums to bring about learning and job-ready graduates. This is in stark contrast to conservative learning theories that espouse pure book learning empty of application and practice. The personal, social and career benefits for WIL are also well documented for students/graduates, employers, government, educators and the wider community (Bates 2005; Rittichainuwat, Worth, Hanson & Rattanapinanchai, 2010). Qualifications offering WIL are perceived as advantageous as students typically have limited work experience prior to commencing tertiary studies (Bates, 2005). The prolific literature base on learning and education presents mounting evidence in support of WIL, though research on effective design and integration is currently preliminary and generalized towards traditional disciplines such as Teaching, Medicine and Engineering (Cooper, Orrell & Bowden, 2010) It is hypothesized that the benefits of using WIL are transferable to Hospitality. The results will assist in improving the preparation of the students for their placements, making their first weeks of work-integrated learning easier, as well as informing the industry mentor of apparent shortcomings that need be addressed (Dwesini & Nomnga, 2013).

GLOBAL CONTEXT ON WIL

The rising diversity in the modes of vocational learning led to the rise in WIL (Reeders, 2000). Studies by (Lawson, Fallshaw, Papadopoulos, Taylor, & Zanko, 2011) show that WIL has been used differently in literature to involve experience based learning and professional learning, cooperative education as well as work-based learning. Groenewald (2004) perceives WIL as practice-based learning whereas Hodge, (2008) simply equate WIL to work placements, internships, field work, sandwich year degrees, and job shadowing (Von Treuer, Sturre, Keele, & McLeod, 2010). In many contexts as Gardner and Bartkus (2014) observe, internships or placements taken off-campus are considered to be the most widely reported and accepted form" of WIL (Rowe, Winchester-Seeto, & Mackaway, 2012). Popular belief among people is that WIL is a work placement or internship although there is much more to it. Institutions of higher learning globally seem to have been addressing such misconceptions as they use WIL to forge range of activities which include inter-arlia work related experience for students within the industry rather than treating WIL as mere placements or internships (Macdonald, Cameron, Brimble, Freudenberg

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and English 2014). This paper therefore; focuses on WIL as a placement tool to improve industry experience among hospitality students at WSU although discussion have been drawn from broad range of literature.

METHODOLOGY

This paper used a case study approach since reports on past studies have shown that, the method a holistic and in-depth investigation that allows the exploration and understanding of complex matters in education, sociology an community based problems hence it was appropriate to the objectives and purpose of this paper (Grassel & Schirmer, 2006; Johnson, 2006). Salkind (2009:213) writes that a "case study design explores the unit of analysis, be it a single person, groups or institutions, in an intensified manner as the research aims at close examination and scrutiny and the collection of a great deal of detailed data". Ritchie and Lewis (2003) explains that, the major characteristic of a case study is its "multiplicity of perspectives which are rooted in a specific context". Therefore; Creswell (2007:74) states that a case study approach is based on the logic of replication which is why this study was based on the placements of 3rd year students within the Tourism and Hospitality Industry at WSU. The rationale was to gain an in-depth understanding of how WIL is being used by student to gain practical industry related experience. Using a purposive sampling technique 12 students were selected as participants since they had completed their WIL as a requirement for the National Diploma of Hospitality Management. Teddlie and Yu (2007:77) describe purposive sampling as a "process whereby individuals are chosen to be part of the study based on their ability to have vast information in answering the research questions of the study. The students were requested to participate in the study on their return from the WIL program. The paper used semi-structured interviews to tap into the opinions, expectations, and suggestions on the WIL program. The interviews were ranging from 20-25minutes and about 8 questions that were based on WIL experiences in the placement environment were asked. Document analysis was use as well to establish the existence and use of WIL in various institutions in South African tertiary institutions that involve WSU. Content analysis was used to analyse data from documents. Data from interviews was transcribed to verbatim and themes were drawn based on the flow of objective for this paper. Due to the scope of the paper few interview are presented to indicate key arguments which are essential for the paper. The paper obtained ethical clearance from the Walter Sisulu University Research Ethics Committee since it involve students as subjects of study. The informed consent, privacy anonymity and confidentiality of students was highly observed. The reliability of the two qualitative techniques was assessed by using peer revealed articles which contains updated and relevant information to complete the paper

RESULTS

Student's beliefs on WIL

The paper establishes that, ten of the twelve students were willing to integrate WIL as part of their studies but they lament the minimal supervision given to them in their placement period. Student's belief will was a more of comprehensible programme which act as an eye opener on what to expect priori to graduation form University. Much more incapacitating was the lack of clarity around WIL. The participants expressed their confusion on what they were expected to achieve using WIL. It appears there was a need for the educators to clarify and provide the benefits of WIL especially in real world since skills that are going to be acquire will determine the students' employability in the labor market.

The need for stress management in students

Through a qualitative inquiry, the paper gathers that, stress related challenges were often barriers to effective implementation of WIL. Some students who emanate from impoverished backgrounds find WIL so irritating hence they portray negative emotion and attitudes towards the WIL programme. This view left an institutional gap in terms of stress management whereby the University has to intervene with programmes that assist students from disadvantaged backgrounds. Nevertheless, WIL in the study area has shown marked improvement in advancing students' knowledge and practical capabilities at the same time advancing the hospitality and tourism industry. Given the overwhelming response WIL should be continuously implemented to improve students' performance.

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WIL can assist in preparing students for life after graduation since the labor market requires relevant expertise for them to be employable.

Disconnection between institutions and industry

Empirical evidence form the interviews have shown a clear disconnection between industry and institution which makes WIL a weakened link in preparing student future. In the case study, the paper recognizes the emphasis on the theoretical discourse among students which impacts negatively on WIL experiences. The findings revealed that a couple of students are being integrated into the WIL experiences which starve the industry of the fully baked graduates employable to enhance production. Organizations in some cases are not offering career guidance which causes misalignments between the course students undertake and the available employment the companies offer.

A study by Khuong (2016) attests to these findings when it assures that WIL activities conducted by some organizations are just mere occasional talks where lectures and inputs are fed into the curriculum design with the aim of improving learning. Based on these results therefore a study Bilsland and Nagy (2015) shows that, poorly trained students are often subjected to work environment through internships whereas they have little or no knowledge on what they are doing. In some cases, during student internships contact between supervisor and students will be scarce which led to other administrative staff assigning interns to non-related work experiences.

WIL's advancement of Tourism & Hospitality Industry

Participants in general did not believe that WIL as a component in their tertiary hospitality education would allow quicker progression within the industry. The 'quality of contract with tertiary staff' and 'The quantity of contact with tertiary staff' were identified as areas of concern. The highest scoring area was: 'The supervision and support you received during WIL from your employer in the hospitality industry'. The majority of participants believe that their roles in work stations were clearly explained to them and WIL was an effective contribution towards their learning.

DISCUSSION

The report on findings has stimulated many debates and make scholars wonder whether WIL is indeed a solution to enlightening theoretical knowledge and practical experience among students in the Hospitality and Tourism Industry. Evidence from the study has shown that WIL has gained momentum as a theoretical discourse in academics although it still has to stand the test of time in as far as proving industry related experience. Some aspects of practical work experience are still missing in WIL probably because students are enrolled for WIL for a short period of time making them half-baked in coping with demands and complexities in the world of employment. This view is shared by Barrows and Johan (2008) and Wang (2008) who claim that education providers do not adequately prepare graduates hence many students graduate with unrealistic expectations of an industry where operational competence is highly emphasized.

Therefore; based on the results it show the lack of clarity and confusion surrounding WIL pose serious implications to students acquiring relevant employability skills to make a positive change in the real world of tourism in the global spectrum. Studies by (Bell, Crebert, Patrick, Bates, & Cragnolini, 2003; Fleming, Zinn, & Ferkin, 2008) highlight the need to use WIL as a skills emancipation program for graduates in the Hospitality Industry however, many shortcoming prevail leading to involuntary disconnections between industry and academics-WIL in particular.

The findings revealed he insignificant role played by stakeholders and government in WIL environment although skills development has been priorities in the National Development Plan (2011-2030) of the South Africa government. Results indicate that students and placement companies follow institutional regulations which lack government backing in terms of regulatory policies that protect students in pre and post WIL environment. Such inefficiencies discourage the development of WIL. The practical implications of WIL therefore lies in its ability to provide graduates with skills which assist in penetrating the industry which is demanding and competitive. Tertiary

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intuitions therefore need to take WIL seriously as it can improve the employability chances for graduates in tertiary institutions not only in South Africa but globally.

CONCLUSION AND RECOMMENDATIONS

With a focus on integrating practical, relevant and reflective industry experience within tertiary curriculum, WIL has the potential to create job ready 'employable' Hospitality graduates. The paper established that that WIL provides great career, personal and social benefits, a perspective well-supported in the generic literature. However, there is a need for commitment among staff and students towards implementing WIL.

These findings support the urgent necessity to stop the dilution of Hospitality courses and reallocate resources required to develop meaningful and high quality Hospitality qualifications. The formation of national competency and accreditation frameworks for the Hospitality industry would provide opportunities for students and industry collaboration to design appropriate curriculums within the various forms of tertiary institutions to set acceptable standards.

Employees must learn to acknowledge differences and not to ignore them. Awareness training and skill-building training would educate employees on specific cultural differences. This suggestion is in line with the recommendation made by Westhuizen and Kesa (2014) that the task at hand is for all WIL coordinators to work closely with industry on the outcomes that we all desire for our students.

Lister (2003) as cited in Nicolaides (2015) posits that if we are to prepare students to be educated to be good future employees and model citizens, we cannot ignore the issue of cultural diversity. Mok (2002) in Nicolaides (2015) contends diversity management should typically include the following: "The explicit recognition of the strategic importance of employee and customer diversity by top management, ensuring that all human resource management systems (e.g. recruitment, selection, orientation, training and development, rewards systems, communication strategies) are supportive of employee diversity and consistent with applicable legislation (e.g. local labour laws, human rights)".

Given the importance of employers in WIL, it is difficult to imagine how any successful programme can function without the support of employers (Coll et al., 2002 in Donkor, Nsoh, & Mitchual, 2009). It is also recommended that a study like this should be undertaken in other academic programmes with a compulsory WIL component for improvement purposes.

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YOUTH UNEMPLOYMENT PROBLEMS AND EDUCATION CHALLENGES FOR WORK IN THE 21st CENTURY

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ABSTRACT

In 21st century youth generations are facing increasing challenges which came with a new age of automation and artificial intelligence. The growth of so called "non-standard forms of employment" in EU-28 decreased labor market rigidities but in the same time increased the duality of labor market. The analysis show that youth unemployment in some countries is even four times higher than aggregate one and younger generations are mainly having unsecure, temporary contracts, remaining in precarious employment for a long time. The lowest unemployment rates have young people with tertiary level of education and those who get work experience during their education.

Keywords: youth unemployment, NEET group, dual labor market, precarious employment, EU-28.

INTRODUCTION

The emergence of unemployment in the most developed countries of the world at the beginning of the 21st century simultaneously represents an economic and social problem. Future work proofs the surprising diversification of the workforce, the explosive growth of technology, and the persistent impact of growing globalization. Youth generation are facing ever-increasing challenges. In the 21st century, the challenge for skill competences will come in ensuring that future workers must have adequate soft and digital skills and competencies. Youth unemployment rates in EU-28 are generally much higher, even double or more than double, than total unemployment rates. The paper analyzes the inactivity of young people through the so called - NEET group ("Young people neither in employment nor in education and training"), whose share is alarming in Bulgaria, Cyprus, Greece, Croatia and Spain. Most of these young people do not have a lower secondary school education and leave education and training system early. Low labor market demand and discouragement with regard to job placement have encouraged young people to withdraw from the labor market or not to enter it. Therefore, some young people have decided to stay longer in the education system, and others have unfortunately become part of a growing number of NEET group.

The paper explores youth unemployment in EU-28 Member states, which is especially high in Mediterranean EU countries (Greece, Italy and Spain). Most of these young people does not have a lower secondary school degree and early leave the educational system and training. The transition from school to the world of work is not easy, and the average transition period until the first significant work in the EU takes about 6.5 months (Eurostat, 2018). It is believed that employment policy measures are also contributing to this. Namely, in 2012, the EU launched the "Opportunities for Youth" initiative. The European Commission has particularly focused on those Member States with the highest unemployment rate (30% and over). In order to address the issue of youth unemployment as a priority issue, some of them tried to liberalize labor market institutions by offering the possibility of contracting employees with temporary, fixed-term contracts. In such situations countries are faced with so called "dual labor market" which is divided between older employees with a secure permanent job and the younger generations, who are typically locked into temporary and often "precarious" employment for a long time. Considering, huge youth unemployment problems, the analysis in this paper shows that the mismatch of the labor

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market and the education system is particularly obvious, and the rise of youth unemployed with the highest level of education increasingly worries. Using the Eurostat Database for EU-28 Member states from 2006 onwards the analysis in this paper attempts to find the answers on the following research questions:

RQ1: Are young employees over-represented in temporary contracts?

RQ2: Do young people without work experience during their education period have higher unemployment rates later in their life?

The examination of youth unemployment problems and education challenges in EU-28 in this paper is divided in two main parts: (1) analysis of youth unemployment trends and labor market duality and (2) educational and qualification mismatch. The paper is divided into four main parts. After introductory part the second part reflects some theoretical background. The third part of the paper analysis the youth labor market in EU-28 in the last ten years through the research analysis which is divided in the two main parts. The most important conclusions are presented in the last, the forth part.

THEORETICAL BACKGROUND

Flexible labor market is essential precondition for working conditions of 21st century. The growth of these so-called "non-standard forms of employment" (part-time, temporary, false self-employment) since the late 1990s owed much to a series of labor market reforms designed to encourage hiring under a wide variety of different, non-permanent contracts (De Geus, A., et al., 2016). Rigid labor markets have long been one of the key bottlenecks for European competitiveness and productivity. In the past decade, governments focused on reducing protection for temporary workers, while leaving largely untouched regulations for permanent employees. These reforms often created a dual labor market, leaving few good employment opportunities for young outsiders while not fully addressing the initial rigidities (Di Battista, 2015). "Non-standard" work is todays' reality, and may offer greater flexibility and autonomy (European Commission, 2016). One of the biggest issues speaking of employability of young people is discriminatory labor market contracts between younger and older employees.

Problems of youth unemployment and NEET group

The labor market outcomes of youth are especially closely linked to the business cycle, leading to higher job losses during downturns, but which also benefit more during economic booms. This is partially explained by the fact that youth employment represents a more flexible segment of the labor market, with a higher share of temporary contracts and informal employment. Reforming labor regulations and labor taxation could have a positive impact on youth employment, but there are also other important constraints, like skills mismatches, low levels of entrepreneurship skills and access to productive inputs as well as social norms and attitudes, particularly regarding care responsibilities (Dragičević, Obadić, 2007; World Bank and WIIW, 2017, p. 19).

Youth unemployment rates are especially high in Mediterranean EU countries (Greece, Italy and Spain - more than 40% in 2017) showing that they are most affected by this problem today in EU (Eurostat, 2018). For example, in most Western Balkan countries the unemployment rate for people under 25 years shows a similar patterns as in the EU peer countries (AT, BG, HR, HU), at levels about twice as high as overall unemployment rates (World Bank and WIIW, 2017, p. 17). Youth unemployment in the EU peer countries fell in all educational groups in Hungary and probably in Bulgaria, while the most striking increase was reported for the highly educated young people in Croatia (World Bank and WIIW, 2017, p. 18). Long-term unemployment rates are highest for the young people and lowest for the older. The long-term effects of continuing youth unemployment are severe and often described by the term "lost generation". Youths affected by (long-term) unemployment run several other risks like, for example, permanent and old-age poverty. A high and persistent share of long-term unemployment illustrates the structural nature of unemployment. Those affected run the risk of degradation of skills, declining motivation to find a job, and possibly the exiting the official labor market altogether in the long run (World Bank and WIIW, 2017, p. 20-21).

There are major policy concerns related to NEETs group, who are often disconnected from the labor market and have a higher risk of not finding a job, which may lead to a higher risk of poverty and/or social exclusion. NEETs group is more numerous in the 25-29 years age group (than in younger age groups) and were

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more likely to be men than women (Eurostat, 2017b, p. 5). In 2016, 11.6% of people aged 15-24 years and 18.8% of people aged 25-29 years in the EU-28 were in NEETs group. The lowest proportions of people aged 15-24 in NEETs were recorded in the Netherlands (4.6%), Luxembourg (5.4%), Denmark (5.8%), Sweden (6.5%) and Germany (6.7%). At the other end of the range, the highest shares were recorded in Italy (19.9%), Bulgaria (18.2%) and Romania (17.4%), (Eurostat, 2017b, p. 6). Young people who are isolated from jobs or education for longer periods may experience difficulty reintegrating into the labor market, or even risk labor market and social exclusion. They also earn less when they do find work due to the degradation of skills. Earnings can be 20% less than for those who find employment sooner and earnings deficit can persist for a long period of time (World Bank, 2016).

The Labor Market Duality among young

The rise of new working arrangements in dual labor market particularly affects new labor market entrants, such as youth. These types of contract, which often include seasonal employment, allow employers to adapt to changes in their demand for labor inputs. Furthermore, employers may use temporary work contracts to assess the capabilities of new recruits before offering them a permanent position (Eurostat, 2017b, p. 14). Over the last two decades, most governments have responded to the need for more flexibility while at the same time trying to minimize the political cost of reforms; they have reduced the constraints on temporary contracts, while leaving almost unchanged the protection of permanent employees (Di Battista, 2015). In addition to making the largest share in unemployment or even in the NEET group, employed young people are in a very difficult position in the dual labor market. Therefore, many developed countries are still trying to reduce the gap between favorable permanent contracts and unfavorable contracts on temporary working hours. In European countries, such movements are increasingly present. Labor market duality may encourage firms to hire under temporary (rather than regular) contracts in order to reduce costs. Because labor market duality results in sizable differences between the cost of hiring/firing a permanent or a temporary worker, it may encourage firms to hire temporary workers in order to minimize costs – especially during economic downturns. For these reasons, labor market duality may make the hiring and firing of workers the dominant mechanism for adjusting to the business cycle, as opposed to wages. This may also explain why the share of temporary employment in the Netherlands is among the highest in the OECD area (in the Netherlands, around 20.2% of people in dependent employment have a temporary contract, almost double the OECD average of 11.4%), why it has increased considerably during the economic crisis, and why it particularly affects new labor market entrants, such as youth (OECD, 2017a, p. 123).

Lower levels of labor market duality – achieved by reducing the gap between the protection of temporary works and that of regular workers – could help address high youth unemployment rate. Illustratively, reducing the share of youth on temporary contracts in Spain, Portugal and Italy to the European average could be associated with lower youth unemployment by 3-11 percentage points, all else being held constant (Banerji, *et al.*, 2014, p. 24). Considering that the large-scale destruction of jobs has already taken place, the IMF has recommended easing employment protection on existing and new regular contracts at this point. This could help stimulate hiring on more stable contracts as the recovery takes hold (Banerji, *et al.*, 2014, p. 24). For example, Portugal implemented deep reforms that reduced employment protection for regular employees and particularly bridged the gap with temporary contracts, which reduced the duality of its labor market (Di Battista, 2015). In early 2013, temporary contracts made up almost ¾ of youth employment, making Slovenia an outlier within the EU (IMF, 2017, p. 34). For example, the Netherlands, which has the among the lowest unemployment rates in EU, has also problems with labor market duality and is constantly struggling to break down the gap in EPL between permanent and temporary contracts. Through the Work and Security Act of 2015 (*Wet Werk en Zekerheid*), the maximum duration of a temporary contract was reduced from three to two years, and the minimum interval period between two consecutive contracts increased from three to six months. However, the Work and Security Act of 2015 lowered employment protection from permanent workers by introducing a cap on severance payments (at EUR 75 000 or a year's salary, whichever is higher) and linking them to tenure rather than age. In addition, the dismissal system was also simplified (OECD, 2017a, p. 123). Although, these measures are introduced in order to reduce labor market duality it is still too early to evaluate their impact on the labor market. Temporary employment among young people is also common in Italy. The majority of young people – including the high skilled – hold temporary contracts, and the vast majority (60%) of all temporary contracts are held by young workers (aged 15-24). Temporary contracts are cheaper form of employment used by employers to increase flexibility. The massive majority (70%) of new jobs in 2014 were temporary contracts and transitions from temporary to permanent contracts are very limited (OECD, 2017a, p. 124).

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Temporary contracts of work are not the only form of non-standard employment for young people. In a number of countries, untrue self-employment (when independent workers are contracted to provide services to a single client or work provider in much the same way as if they were an employee) is of importance and, like temporary jobs, can often involve a relatively high level of insecurity. Untrue self-employment is a means of reducing the costs of employment partly by lowering the social contributions payable and partly by avoiding the costs imposed by employment protection legislation. Like temporary contracts, contracting out work gives employers more ability to adjust their workforce in line with variations in sales, or at least to operate at lower cost. For the workers concerned, however, it means taking over the responsibility for providing protection against possible loss of work or an inability to continue working and for ensuring that they build up enough pension for their future retirement (Eurofound, 2013, p. 7). In this two-tier labor market workers with permanent contracts are always privileged group. Employers do not invest in training workers with temporary contracts and cautious of hiring them. The duality of labor market therefore leads to the protection of employees to fixed-term contracts or contracts with less unemployment protection. In addition, when it comes to dismissals, the younger employees are more affected (Oesingmann, 2017, p. 54).

The Future Work Challenges

Technological progress is a main driver of aggregate economic growth and improvements in living standards over the long term (UN, 2017). There are always many concerns that technological progress will lead to increased unemployment ("technological unemployment", as Keynes already predicted, (Keynes, 1930)), inhibited wages and greater income and wealth inequality. Currently, there is renewed concern that with the outstanding advances in automation, robotics, and artificial intelligence (AI) the same can happen. Automation, robots and AI are having a questionably transformative effect on labor markets in the Unites States and perhaps in many other advanced economies. Robots, in particular industrial robots, are anticipated to spread rapidly in the next several decades and assume tasks previously performed by labor (Acemoglu, Restrepo, 2017, p. 35). Advances in robotics, AI and machine learning are leading in a new age of automation, as machines match or outperform human performance in a range of work activities, including ones requiring cognitive capabilities (Manyika, et al., 2017). It is important to stress that automation enables businesses to improve performance, by reducing errors and improving quality speed, and in some cases achieving outcomes that go beyond human capabilities. The automation of activities can change the level of entire economies. At the microeconomic level, business will have opportunity to capture benefits and achieve competitive advantage not just from labor cost reductions, but also from performance benefits such as increased through, higher quality, and decreased downtime. At the macroeconomic level, McKinsey Global Institute estimates that automation could raise productivity growth on a global basis by as much as 0.8 to 1.4% annually (Manyika, 2017, p. 1). Acemoglu and Restrepo, (2017) estimate the impact of industrial robots on employment and wages in the US between 1990 and 2007 on US local labor markets, which may have a positive or negative effect. Their positive impact comes from the productivity effect (as other industries and /or tasks increase their demand for labor), while their negative impact is due to the direct displacement (by directly displacing workers from tasks they were previously performing) of workers by robots (Acemoglu, Restrepo, 2017, p. 36). Because there are relatively few robots in the US economy, the number of jobs lost due to robots has been limited so far (ranging between 360.000 and 670.000 jobs, equivalent to a 0,18-034 percentage point decline in the employment to population ratio), (Acemoglu, Restrepo, 2017, p. 36). World Bank estimates that 57% of jobs in the OECD could be automated over the next two decades (World Bank, 2016) and McKinsey puts the same number at 45% (Manyika, *et al.*, 2017).

Estimates on the impact of automation on jobs very, but there are some certain telling trends. Machines are already capable of answering email and drafting summaries of sports' games. We may soon see driverless cars at the traffic lights, drones delivering goods, and algorithms replacing accountants, bank staff and legal assistance (European Commission, 2016, p. 4). The sectors most at risk of contraction in the future world of work are those that rely heavily on routines tasks, such as low-skill manufacturing jobs, but also some craft and clerical occupations (European Commission, 2016, p. 4). Job growth in the future can be expected to be in the service sector and particularly in non-routine elementary occupations such as personal care services (European Commission, 2016, p. 4). The digital revolution has generated a surge in demand for new jobs and occupational categories that did not even exist a decade ago. These include people with high technology quotient such as big data specialists, social media managers, cognitive computing engineers and blockchain developers (European Commission, 2016, p. 5).

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The transformative trends of the digital revolution have also highlighted that some jobs will quite simply always be performed by humans, either because of the sort of skills required, or simply because of our preferences. Child care, care for the elderly, social work, mental health care for instance, easily stands out as jobs with low risk of automation (European Commission, 2016, p. 5).

RESEARCH ANALYSIS

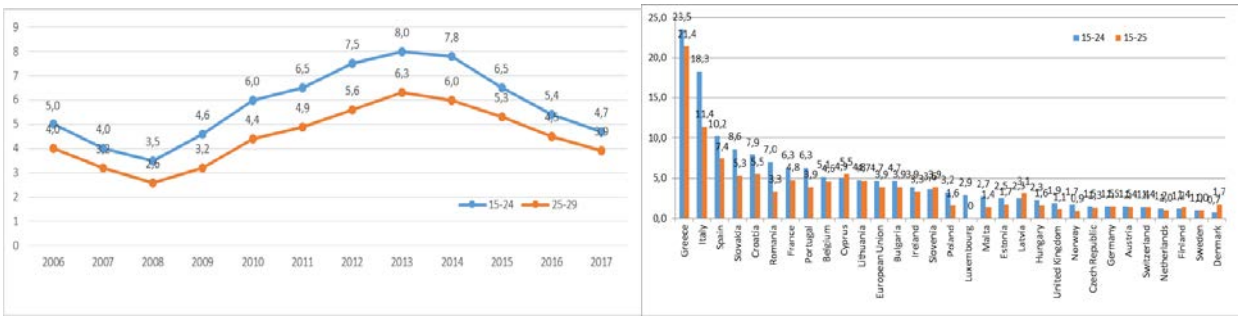
The research analysis consists of two main parts. The first part, analyses youth unemployment trends and labor market duality arrangements among youth in last ten years in EU-28. The second part of the research refers to educational and qualification mismatch by selected countries in recent years.

Youth Unemployment Trends and Forms of Employment

The unemployment rate of young people increased as a consequence of the global financial and economic crisis, with unemployment rates for young people rising at a faster pace than for the population in general. Youth unemployment in EU is not a new phenomenon that can be completely ascribed to the Great Recession. Most countries that are currently struggling to integrate their young people into the labor market faced high youth unemployment rates prior to the crisis.

In June 2017, the youth unemployment rate was 16.7% in the EU28 and 18.7% in the euro area, compared with 18.8% and 21.0% respectively in June 2016, (Eurostat, 2017a, p. 2) or around 15% before economic crisis in 2008 (Obadić, 2017). The unemployment situation of young people varied considerably between the member states. The lowest rate was observed in Germany (6.7%), while the highest were recorded in Greece (45.5% in April 2017), Spain (39.2%), Italy (35.4%), and Croatia (27%) (Eurostat, 2017a, p. 2). An analysis of the difference in unemployment rates between young people aged 15-24 years and young people aged 25-29 years reveals that the largest gaps were generally in the EU Member states characterized by higher rates (Eurostat, 2017b, p. 20). Long-term unemployment makes a huge problem for policymakers, because it may have a negative effect on social life of a person and their family and can hinder economic growth. The Figure 1 shows that EU-28 long-term unemployment rates for young people fell to relative lows in 2008 as a consequence of global and economic crises. After that they rose until 2013 and then fell for three years.

Figure 1: Long term unemployment rate for young people, by age groups in EU-28, 2006-2017 and 2017 (% share of labor force among people aged 15-24 and 25-29 years)



Source: Eurostat (2018) Database- http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=yth_empl_120&lang=en

Long-term unemployment rates varied considerably across the EU Member States in 2017. Greece and Italy recorded the highest long-term unemployment rates for young people aged in both aged groups. By contrast, long-term unemployment affected less than 1 in 20 persons aged 15-29 years in majority of the EU Member states in 2016 (Eurostat, 2017b, p. 25). Next to the high total unemployment and NEET rates, another major concern in labor market is duality of labor market between youths and adults when it comes to the types of contracts that they receive. Youths are at present over-represented in temporary contracts which include work under fixed-term

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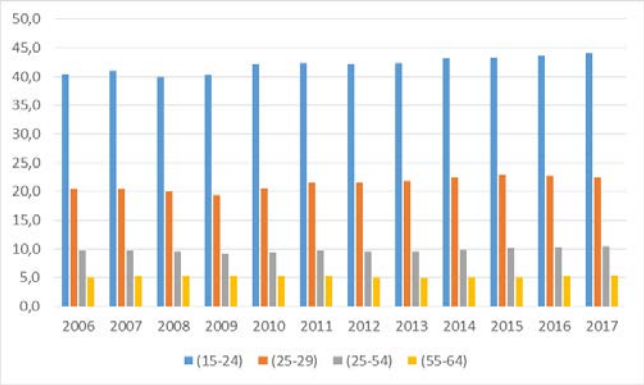
contract, rather than permanent and they are quite common among young people entering the labor market. Figure 2 shows the proportion of temporary contracts among different age groups in last eleven years.

Figure 2: Proportion of temporary contracts by age groups in EU-28 (% of total employment), 2006-2017



Source: Eurostat (2018) Database.

The figure illustrates that during the whole period the proportion of young employees (15-24 and 25-29) employed by means of temporary contracts is on average four times higher than their share among older employees. There were however substantial differences between the EU Member states: the rates of young employees (both age groups) working with temporary work contracts in 2016 were highest in Spain, Portugal, and Slovenia (over 60%). On the other side, Romania and the Baltic Member States were among the member states with lowest temporary employment rates below 10% in both age groups. Country-specific regulations on temporary work contracts (for example, their maximum duration or renewal possibilities) and differences in national education systems relation to traineeships may explain, at least to some degree, some of these differences (Eurostat, 2017b, p. 15).

Education requirements – qualification and skills mismatch

Educational attainment is one of the most important factors that may be used to assess unemployment. Across the EU-28, the unemployment rate for young people aged 15-29 years with a tertiary level of education was 9.9% in 2016, reaching 13.5% among young people with an upper secondary or post-secondary non-tertiary level of education and peaking at 25.3% among young people with at most a lower secondary level of education (Eurostat, 2017b, p. 22). This pattern was repeated in the majority of the EU Member States in 2016, as Denmark and Slovenia were the only Member states where the lowest unemployment rate was not recorded for young people with a tertiary level of education (Eurostat, 2017b, p. 22). Considering education requirements, young people are also faced with the mismatch between their current job and attained education level. At EU-level, 16% of employed persons aged 15-34 reported in 2016 that their current main job does not correspond at all to their level of education. This mismatch was highest in Denmark (32%) and Slovakia (27%), followed by France (24%), Spain and Poland (both 23%) and Croatia (21%). On the other hand, the job mismatch levels were the lowest in the Netherlands and Germany (both 6%, Romania and Hungary (both 7%), (Eurostat, 2018, p. 8). In order to increase the chance of finding a job later in life after finishing any level of education and better match their abilities with labor market needs, young people are recommended to gain as much work experience as possible during their education. In such way, young people become aware of actual requirements posed by the labor market and realize their weaknesses and benefits. In the age of automation and digital technology, requirements of labor market changes extremely quickly and younger generations have to be prepare to adjust their competences and abilities on time. Next table shows youth unemployment rates according to their work experience (Table 1).

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Table 1: Unemployment rate of people aged 15-34 rate by work while studying, EU-28, 2016

Country	Work only outside curriculum	Work-based learning	No work experience	Country	Work only outside curriculum	Work-based learning	No work experience
EU-28	**8,1**	**10,5**	**15,7**	Hungary	5,0	5,7	15,0
Belgium	8,2	9,1	18,3	Malta	:	:	7,9
Bulgaria	6,5	6,5	11,9	Netherlands	6,1	5,6	14,6
Czech Republic	5,4	6,6	5,7	Austria	5,8	6,6	12,5
Denmark	8,0	7,3	14,6	Poland	3,5	9,3	10,2
Germany	3,2	3,2	6,5	Portugal	13,2	14,6	17,6
Estonia	5,0	6,3	10,7	Romania	7,1	10,0	9,9
Ireland	6,3	8,4	18,9	Slovenia	9,8	11,6	14,4
Greece	19,3	27,6	37,2	Slovakia	5,0	11,5	17,1
Spain	17,3	19,8	31,7	Finland	11,7	12,7	17,7
France	13,0	14,7	21,0	Sweden	10,3	9,2	19,8
Croatia	11,2	20,0	20,1	UK	5,0	4,6	11,3
Italy	14,2	18,2	24,8	Iceland	6,1	:	:
Cyprus	16,2	12,8	19,3	Norway	6,0	3,8	11,9
Latvia	10,3	7,3	14,3	Switzerland	7,3	5,6	8,3
Lithuania	8,2	6,5	13,2	Turkey	10,0	14,3	14,3
Luxembourg	:	10,0	12,2				

Source: Eurostat (2018, p. 10).

In the EU-28, the unemployment rate among young people without work experience during their education was 15,7% while it was 8,1% for persons with work experience outside the curriculum. The unemployment rates ranged from 3.2% (Germany, work based learning and work outside curriculum) to 37.2% (Greece, no work experience). According to these results, it can be concluded that countries with highest proportion of youth unemployment have the highest unemployment rates for young people with no work experience at all, like Greece (37.2%) and Spain (31.7%). On the other hand, the lowest unemployment rates for young people have those countries where young people get work experience during their education. Considering qualification and skills competencies, two of them are particularly important in the future. First, with disappearance of routine tasks, growing emphasis will be placed on skills which are more difficult to automate. In particular, there is evidence that the labor market is increasingly rewarding soft skills such as the ability to communicate, work in teams, lead, solve problems and self-organize. Second, the importance of digital skills is increasing. While the demand for ICT specialist skills has been growing fast, the existing evidence does not suggest that major shortages are likely to arise. However, there is much concern about individuals' ICT generic skills, such as the ability to use communication and information search or office productivity software. Here, existing evidence suggests a significant mismatch between the demand and supply of skills. In Italy and Korea, around a quarter of adults report having no experience in using computers or lack the most elementary computer skills, such as the ability to use a mouse (OECD, 2017b, p. 19).

CONCLUSION

In order to liberalize labor market institutions and make the labor market more flexible, the ongoing reforms in the last two decades in Europe have mainly created two-tiered system, which has negative implications for long-term competitiveness and productivity and it's very unsecure for young generations. The research analysis confirms that between young people, aged group (15-24), are mostly faced with temporary, fixed-term contracts, which often last for long time. The duality of labor market leads to the protection of older employees for a longer period and leaves younger employees with fixed-term contracts and less unemployment protection. Policy makers should try to minimize the gap in EPL *(employment protection legislation)* between permanent and temporary contracts. The analyzed data shows that majority of young unemployed in EU-28 have at most a lower secondary or post-secondary level of education. Huge problem of young employed people in EU is also the mismatch between their current job and attained education level. In order to shorten their unemployment span and increase their employability, young people are recommended to gain as much work experience as possible during their education.

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A NON-JUDGEMENTAL APPRAISAL OF SEXUAL ASSAULT IN SOUTH AFRICA

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ABSTRACT

The incidence and prevalence of sexual assault including rape is a real problem in South Africa. Sexual Assaults are often complicated crimes that, most frequently, involve perpetrators known to the victim. Unlike other violent crimes, in most cases these assaults have been underreported. This study sought to explore the belief by people that out of all other violent crimes, sexual assault occurred mostly where the victim knows the perpetrator. This secondary data analysis involved the 2014/2015 South African Victims of Crime Survey from Statistics South Africa. Sample size was 24,701 HHs (n= 24,024 individuals). Using interviewer-administered questionnaire, information obtained included socio-demographic data, experience of household crime, individual and community response to crime, beliefs that sexual assault occurs in an area. Data analysis included descriptive statistics. Result: Of all the households in the survey, 16.6% (n=4428) believed that out of all violent crimes, sexual assault including rape occurred mostly in their areas. The percentage of female respondents who believed that sexual assault occurred mostly in their areas was higher than their male counterparts (19.4% vs. 14.7%; p<0.001). A higher population of those who believed that murder or child abuse occurred mostly in their areas also believed that sexual assault occurred in these areas. However, sexual assault belief among those who had taken physical protection measures at home against crime and violence was lower than those who had not taken any physical protection at home (13.0% vs. 20.8%; p<0.001). There was no difference in the sexual assault belief among those who carried weapons as a measure to protect against crime and violence and those who did not. This study's findings show that South Africans believed that sexual assaults including rape occurred mostly in their areas.

Keywords: Sexual assault, South Africa, crime, violence, child abuse.

INTRODUCTION

Sexual assault is one persistent violence epidemic affecting several countries of the world, including South Africa. According to World Health Organisation (WHO) Global Report, one out of three women will be sexually assaulted in their lifetime (WHO, 2005). Studies conducted on sexual assault in the United States of America (US) also indicate that about 25% of women in the US have either been raped or will be raped in their lifetime (Turchik & Wilson, 2010; Fisher, Culler & Turner, 2010; Tjaden & Thoennes, 2000). In 2012, there was a global outcry over a 23-year old female physiotherapy student that died after being gang-raped by six men, while returning home from a theatre, in South Delhi, India (Livne, 2015; Sigdah, 2012). In Western Cape South Africa, there was a sexual assault video that went viral, where a 41-year-old man was tied and beaten, after been caught assaulting a 9-year old girl (Family voice, 2017). All these statistics and media reports are microcosm of a broader portrait of the extent of sexual assault globally, and they portend one thing: that our world is fast becoming a theatre of horror - a relapse into what Aristotle described as 'the brutish state of nature'.

Sexual assault, particularly of women and children, and less of men, have provoked stern argument among analysts and researchers over the past couple of decades (Myhill & Allen, 2002). Specifically, feminist critics have

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long argued that official crime statistics and generic crime surveys tend to underestimate the true extent of sexual assault, especially, incidences of rape (Myhill & Allen, 2002). In opposition, some radical feminists have been accused of over-representation of the extent of rape (Myhill & Allen, 2002). However, regardless of the divergences in worldviews and perceptions of the crime, the fact is, incidences of sexual assault do more harm than good, to victims, and the society. The effects of sexual assault are enormous, with far-reaching dire consequences. It has grave impact on victims' physical and mental health (McMullin & White, 2006). Besides causing physical injury, it is associated with a high risk of a range of sexual and reproductive health problems, with both immediate and long-term consequences. It can also affect the social-cultural well-being of victims. In some settings, victims may be stigmatised and ostracized by their families, as a consequence (Cacho, 2012; Moorti, 2002).

Sexual assault is rife in South Africa (Jewkes & Abrahams, 2002). Moreover, of all forms of sexual assaults often reported to the police in South Africa, rape is the most prominent (Jewkes & Abrahams, 2002). Actually, South Africa profiles one of the highest statistics on incidences of rape in the world (Jewkes, Sikeyiya, Morrell & Dunkle, 2010). Perhaps this account as one of the reasons why South Africa is dubbed the rape capital of the world (Jewkes, et al., 2010). Though such description did not emanate from research findings, but it could be best explained as guess of the realities in contemporary South Africa. For instance, in 2009 alone, a total of 68,332 cases of rape were reported to the South African Police Service (SAPS). It was also indicated in SAPS statistics that every thirty-five (35) seconds, someone is raped in South Africa (SAPS, 2010). Similarly, the National Institute for Crime Prevention and Rehabilitation (NICRO) holds that one in every twenty (20) minutes, rape cases are reported to the SAPS (Naidoo, 2013).

Studies have not only discovered some variations in the rate of occurrence of sexual assault but have also contended that it is the most underreported violent crime (Boateng, 2015; Rozee & Koss, 2001). It is worth mentioning the fact that though incidences of sexual assault, especially rape, are reported to the police, often, such reports do not reflect the true representation of the extent of the crime. These reports are usually documented or recorded in one or more official crime classifications by the police. For various reasons, cases of sexual assaults, even if reported to the police, and recorded by them (police), are usually not recorded as incidents of sexual assaults (CRSVR, 2008:18). For instance, homicide might have been the end-product of sexual assault, but in the process of recording or classifying such crime, the police may be unmindful that the victim was also sexually assaulted, when opening a murder docket (Abrahams, Martins, Jewkes, Mathews, Vetten, & Lombard, 2008).

The police may also open a robbery docket for a supposedly reported incident of robbery, without any consideration that such robbery could have been a means to an end (rape) (Abrahams, et al, 2008). Even in situations where suspects are eventually charged with robbery and rape, they may not include or enter the rape case into rape statistics (CRSVR, 2008). Similarly, there are instances were victims do not report such incidences to the police. Several factors have often worked together to inform victims not reporting their ordeals to the police, they include: a deterioration of trust in the entire criminal justice system, the trauma they experience while reporting their ordeals to the police, to mention a few (Naidoo, 2013; Robertson, 2011; Jewkes, Mbanaga & Bradshaw, 2002).

Surprisingly, considering the extent and frequency of sexual assault in South Africa, a few demographic factors still shape victims' decisions in reporting the incidence to appropriate authorities, especially to the police. There are also divergent views, conflicting assessments and reports on the most frequently committed violent crime in the country. Such puzzles have often left policy makers perplexed, especially in deciding on the most appropriate, or enduring response to such social malaise. In a bid to address this imbroglio, this study seeks to explore the belief by people, that out of all other violent crimes, sexual assault occurred frequently in the areas of those that participated in the survey.

Conceptualising sexual assault

Sexual assault is a tricky concept that requires an in-depth understanding of its ramifications before it can be defined. This is fundamental because most literature have often misconstrued it as sexual molestation, sexual harassment and sexual violence, to mention a few. Unfortunately, it is not so. Sexual assault is a broad term that summarizes all forms of unlawful sexual act, carried out by an individual or individuals, against another person or

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persons 'without due consent'. Rape is a form of sexual assault. The following definitions of sexual assault corroborate the above assertion:

> Cook, David & Grant (2001:5) define:
>
> *sexual assault to include offences such as rape, buggery, oral sex, sodomy, incest, carnal knowledge, unlawful sexual intercourse, indecent assault, and assault with intent to rape or commit unnatural offence. However, it excludes pornography and prostitution.*

More so, clarification was offered by the United State Bureau of Justice Statistics' (BJS) in the National Crime Victimisation Survey (NCVS) report in 2013. It viewed sexual assault crime from spectrums of victimisations that are fundamentally separate from rape or attempted rape (NCVS, 2013:2). These crimes include attacks or attempted attacks, which generally involve unsolicited sexual connection between a victim and an offender. In addition, sexual assault may, or may not involve the use of force, and comprises grabbing or fondling (NCVS, 2013:2). It may also involve verbal threats. All these indicators go to explain that sexual assault is beyond rape. However, this article focuses on rape.

Further, NCVS report defines rape as *the unlawful penetration of a person against the will of the victim, with use or threatened use of force, or attempting such an act* (NCVS, 2013:2). The report further indicates that rape involves the following: *physical force* or violence and *psychological coercion*; *forced sexual intercourse* through *vaginal, anal, or oral penetration by the offender* (NCVS, 2013:2). Rape could also be perpetrated through the insertion of objects into victim's private part (either vagina or anus).

Causal and contributing factors to sexual assault

Considering the recurring media reports on sexual assault, incessant national clamour and activisms against rape in South Africa, one would have thought that by now, there should have at least been a reduction in the rate of its occurrence, but instead, it is proliferating. To this end, the perplexing question is: why has the incidence of rape persisted in South Africa? There are fragmented views and studies on the contributing factors to sexual assault (rape) in South Africa, however, efforts will be made to discuss these in concise manner.

Rape in South Africa is often fuelled by the patriarchal configuration of the society, where women are construed by men as sex machines, as instrument to satisfy their libido. Sex is often construed as a legitimate entitlement by some men. Hence, when sexual gestures or urges are turned down - whether overtly or covertly, violence (rape) is often employed as a means of achieving such end. Jewkes and Abrahams (2002:1238), contend that 'male control of women and notions of male sexual entitlement feature strongly in the dominant social constructions of masculinity in South Africa'. Buttressing this position, Moffett contends that in post-apartheid milieu, rape is 'fuelled by justificatory narratives that are rooted in apartheid practices that legitimatised violence by the dominant group against the disempowered' (Moffett, 2006:129). Across racial lines, the South African society is patriarchally built on masculine hegemony that recognises violence as a male normal weapon against women (Dosekun, 2013; Gqola, 2007; Moffett, 2006; Jewkes & Abrahams, 2002).

In addition to the above-mentioned, incidences of rape are also embedded in poverty, inequalities and social injustices. Some of these risk factors transcend national boundaries, and occur in individual socio-cultural, political and economic milieus. South Africa stands among the unequal societies in the world. However, to really comprehend the level of inequalities in South Africa today, it will be appropriate to take the bearing from the apartheid era. During apartheid, there were two extreme socioeconomic classes – the exceptionally rich class and the extremely poor class. The policies of apartheid underscored the economic disparities between races that favoured the white against the blacks. Black South Africans were compelled to live in substandard houses in townships. The blacks were also excluded from opportunities for development through legal restrictions (Mapombere, 2011).

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Preliminary findings from demographic studies on sexual assault (rape) in other climes

Studies on sexual assaults in different parts of the world have proliferated for decades, and much of these researches have underscored the act as a gross violation of human rights (Abraham, 2004). As a pervasive social phenomenon, incidences of rape often leave victims with an enduring scar (Fanflik, 2007; McMullin & White, 2006). Though there are existing literature on sexual assault of men, but an overwhelming victim of sexual assault are women. From a survey conducted in Australia by Cook, *et al*. (2001), 79 per cent of sexual assault victims recorded by the police were females, out of which 46% were under the age of 20.

Rapes are often perpetrated by both strangers and non-strangers (Pazzani, 2007; Cook, *et al*., 2001). Though the popular stereotype about rape is that it is perpetrated by masked stranger who waylays a woman walking alone, either in solitary areas, especially at night (Pazzani, 2007), studies have also indicated a close relationship between sexual assault victims and offenders (Wegner, Abbey, Pierce, Pegram & Woerner 2015:1021; Cook, *et al*., 2001). Most the victims were sexually assaulted by persons known to them – mostly non-family members (Cook, *et al*., 2001). However, in much of acquaintance rape, the offenders and victims are usually in some type of actual or potential romantic or sexual relationship (Wegner *et al*, 2015).

Location of occurrence

It was reported in findings from study conducted on sexual assault by Pazzani that the incidence is more likely to take place in both residential and community locations (Pazzani, 2007). Residential locations were described in the context of dwellings used for private or commercial purposes such as houses, units, apartments and hotels. Community locations were described as any location whose primary function is the provision of services for public use, for instance, public transport, car parks, streets and footpaths (Pazzani, 2007).

Cook, *et al*., (2001) found out that of all recorded sexual assaults in Australia, 65 per cent occurred in residential locations, most of these in private dwellings. Twenty –one per cent of sexual assaults on streets or footpaths accounting for eight per cent of all recorded sexual assaults. Only nine per cent of recorded sexual assaults took place in other locations, including recreational facilities. The private nature of residential locations and the relationship between the victims and offender are the major contributing factors to the high level of offending within residential locations (Cook, *et al*., 2001).

In conclusion, the secondary data used in this paper was obtained from South African National Crime Victimisation Survey (NCVS) report of 2013 (with per permission of South African Statistic's office). It indicates that most respondents that participated in the survey acknowledged the occurrence of sexual assaults in their locality. However, as revealed by literature the scourge of sexual assault varies from locality to locality and country to country. No society seems to be exempted from this plague. Effective law enforcement is therefore suggested to serve as deterrent to the perpetrators.

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THE MODERATING ROLES OF SOCIAL MEDIA ON SOCIALLY RESPONSIBLE ACTIVITY IN THE DEVELOPING COUNTRIES

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ABSTRACT

This paper explores the mediating role of social media on socially responsible activities in the Ready-Made Garment (henceforth RMG) sector of a developing country. This research addresses the following two questions: such as, what factors can influence socially responsible activity in the RMG sector? What are the contributions of social media, and how do social media affect socially responsible activities in the RMG sector of Bangladesh? The paper analyzes these questions about socially responsible activities in the RMG sector. On one hand, social media can be useful in promoting socially responsible activities as it can establish networks amongst members or groups. On the other hand, however, discussions regarding socially responsible activities are mostly related to organizational policies, processes, and practices. Therefore, this paper will focus on object-oriented issues to answer the above research questions. To analyze the research problems accurately, social identity theory is adopted since the theory can recognize individual and group contributions in social or organization settings.

Keywords: Social media, mediating role, Corporate Social Responsibility, developing country, RMG.

INTRODUCTION AND BACKGROUND OF THE STUDY

The Bangladeshi economy is growing and cheap labour and low overheads attract inward investment from around the world. Multinational companies are entering at a growing pace along with emerging domestic companies. The RMG sector is the main source of foreign currency income in Bangladesh and it contributes significantly to the nation's gross domestic product. More than seven million skilled and semi-skilled workers are associated with the sector. Although this sector has occupied a competitive position in the global market for some time, the operational environment continues to threaten the sustainability of the sector (Belal & Cooper, 2011). Moreover, most of the buyers come from developed countries such as the UK, EU nations, the USA and Canada. These are well connected in terms of their use of latest technologies, social media platforms and they are more concerned about ethical sourcing. As such, and to improve upon the image of RMG sector, social media is a force that can continue to play a mediating through socially responsible activity.

Corporate Social Responsibility (henceforth CSR) is a buzzword in academia and in the business world. It is recognized as part of the culture in developed countries due to the pressure groups, social activities, volunteers, the conscious citizen movement and government strategies. Unfortunately, in Bangladesh, CSR activities are uncommon because of poor supporting facilities. Nonetheless, government support attracts investors and opens new opportunities for the global hub of (RMG) businesses. This opportunity has accelerated the country's economic growth and it has become a rising tiger within South Asia. However, unplanned industrialization, over use of chemical in landfills, unethical organizational behaviors, and the exploitation of labor are the key threats to the environment of Bangladesh and its sustainability. Few accidents capture the attention of the world to raise awareness of such issues as worker safety and welfare and environmental pollution. For this reason, RMG factories have developed poor brand image which threatens the future of the sector. Moreover, investors and buyers are more

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conscious about responsible sourcing around the globe. As such, practicing CSR in the RMG industry of Bangladesh can increase competitive advantages. It can also enhance organizational performance and enable strong relationships between buyer and manufacturer. To achieve this, organizations need to adopt the latest marketing tools and media. They must also create a positive identity for the long-term business relationship. Research suggests that social media is one of the most effective and reliable channels to conduct business compared to the traditional marketing media (Ozuem & Helal, 2017). This paper therefore explores how social media can facilitate the socially responsible activities in the RMG sector of a developing country. The aim of the current paper is to develop a conceptual framework to analyze how social media facilitates socially responsible activities in a developing country.

CONTEXT: SOCIAL MEDIA & CSR

The concept of social media is an ongoing phenomenon for communication and interactions between people. Social media is a powerful tool which connects worldwide users via the internet according to their lifestyles, likes and dislikes and virtual activities. Kaplan & Haenlein (2010, p 61) describe social media as a range of internet-based application that support the exchange of user generated content on multiples platforms. User generated content such as pictures, video and text make this platform interactive. Aladwani (2017) define social media as a platform for some like-minded people to create online based communities. Such groups of people can share political views, social aspects and personal experiences with another member.

Social media can be used for business purposes or to generate revenue (Hamilton et al., 2016). Therefore, information on social media can carry certain values in terms of personal issues or economic activities (Ozuem & Stokinger, 2014). Due to the nature of the viral content, e-reputation, effective engagement characteristics, impressions amongst others make this platform popular. Different marketers and firms use this social networking sites for their organization for the different purposes. Social media works as the spokesman of the organization with the power to impress the consumer and establish a positive image in the community (Ozuem & Gordon, 2016). To establish a positive image, organizations need to give back to society. This philanthropic activity is what embodies the ides of CSR.

Most of the companies are incorporated corporate social responsible (CSR) activities in their business strategies. Indeed, CSR encompasses with different organizational activities. Seitanidi and Ryan, (2007) suggest six different categories of CSR. These are (1) cause promotion or sponsorship, (2) Cause-related marketing, (3) corporate social marketing, (4), corporate philanthropy, (5) community volunteering, (6) socially responsible business practices. Among these categories, cause related marketing (CRM) and cause promotion and sponsorship (CS) describe more about organization philanthropic commitment. Youn & Kim, (2008), suggest that marketers seek out demographic and psychographic information about consumers to examine cause related marketing. Consumer awareness, knowledge, and behavior are the key components of cause related marketing (Nan & Heo, 2007) although cause related marketing studies have taken many different directions (Lee et al 2005).

On the other hand, cause promotion and sponsorship research has focused on the motives of marketers to influence consumers and their ideas surrounding brand attitude (Morrissey, 2008). Research into cause related marketing and cause promotion and sponsorship has also been carried out in traditional media settings. This study specially examines the effect of cause related marketing and cause promotion sponsorship effect on the social networking sites (SNSs). White et al (2009) articulated that social media supports a wider range of engagement compared with traditional media. The free exchange of information and interactive activities underline the concept of engagement (Van Laer, De Ruyter, and Cox 2013). Such engagement is one of the key features of social media measurement (Briggs & Tom, 2010). Online engagement scales are designed to identify the relationship of stakeholders with the organizations. To engage the consumer with social networking sites, organizations need to add features which impress them and which demonstrate their support in a social context. Impression-management is used enhance individuals' images to others in a social context (Mousiolis & Bourletidis, 2014). For this reason, organizations need to make their contribution visible to others. Consumers are likely to form impressions on social networking sites in ways that reveal their belief, support, and engagement with their friends in the same network.

These activities create organizational values and beliefs which increase reputations in the society. This also creates an organizational identity which comes from the idea of social identity first proposed by Tajfel & Turner,

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1979 as Social Identity Theory (SIT). The rationale behind the SIT is that people have a desire to identify with groups that allow themselves to view their identity in a distinctive and a positive way (Mousiolis & Bourletidis, 2014). A positive image of the organization can establish a strong relationship with consumers, employees, investors to increase their commitment and job satisfaction etc. Some studies have suggested that fair CSR practice amongst organizations can create positive impression for stakeholders which helps them to build a strong relationship (Yongrok & Yanni 2014). Modern technology takes this further through by using internet-based web 2 application social networking systems. Existing literature shows that different organizations use social networking systems for different industries, but in the developing countries these are not used for organizational purposes. Scholars argues, however, that, CSR shapes the corporate identity but organization need to avoid producing misleading information about giving back to the society. Unfortunately, developing countries do not yet fully understand the socially responsible activities and their long terms benefits. For example, if the organization donates money to charity as part of their philanthropic activities it will not keep balance with other stakeholders (Zulhamri and Yuhanis 2014). However, such philanthropic activity can be much more effective if the organization can be delivered with the right channel.

Now a day's business stakeholders are well connected in terms of using social media platforms and they are more overtly concerned about ethical sourcing (Belal and Cooper, 2011; ILO, 2017). Very little research has focused on social media as means to promote socially responsible activity in developing countries. This may be due to different barriers and poor access to the internet in such countries. However, access to the internet is increasing in developing countries, and at the same time, social media users are also dramatically increasing. Therefore, to improve upon the image of the industry, social media must be considered as having a role in its future growth as a platform to promote socially responsible activities. Social media content is more visible, accessible, and cost effective and it is more interactive compared to traditional media. A review of the literature suggests that social media has several unique features that enable users to connect to others across the world. Eageleman, (2013) anticipated that social media is unique since it extends the reach of traditional communication process by eliminating all barriers and geographical borders. Moreover, implementing social media platforms does not require significant financial investment. Furthermore, it can facilitate public relations and can help organizations engage with different personalities to influence customers. It can engage customers in socially responsible activities (Tismonis & Dimitriadis, 2014).

Due to increasing uncertainty and concerns about sustainability in developing countries (e.g. Bangladesh) researchers have focused on the identification of barriers that can impact on the benefits of employees and corporate performance. Currently, the Bangladeshi RMG industry is facing several such barriers, including pressure to reduce prices, review suppliers and respond to third party auditors. Their actions have been criticized for violations employee rights and for damaging relationships between suppliers and buyers. As such, the sector also receives very little government support (He et al., 2013). Improving sustainability to the standard of western countries is difficult since cultural variations are a barrier (Gugler and Shi, 2009). As a result, most foreign buyers and suppliers have a limited understanding of the socially sustainable practices of the Bangladeshi RMG sector (Carter and Rogers, 2008). To solve the above problems, He et al (2013) recommended that improvements to governance structures and employee rights, education and training are all crucial. It is therefore a fitting time to review communication technologies and features to capitalize on global reach and connectivity to world communities. Furthermore, by adopting social media platforms, RMG organizations will be able to showcase socially responsible activities and establish two-way communications around the globe. When organizations perform well and achieve their targets the employees will also be able to feel part of the company and the organizational culture.

SOCIALLY RESPONSIBLE ACTIVITY (SRA) AND KEY ACTORS

Socially responsible activity is a broad term that is used to indicate the social performance of firms. The literature defines Socially Responsible Activities (SRA) using two broad terms- Corporate Social Responsibility (CSR) and corporate governance. CSR is the social responsibility of businesses and encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time Carroll (1979, p 500). This view suggests economic or market growth alone is not enough to justify the sustainability of the sector. Legal and

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ethical considerations in the RMG operations are required to promote the social benefits in terms of employee welfare and consumer expectations. Many studies recognize CSR as "internal marketing" because it can promote the identity of the firm (Bhattacharya et al., 2008). This mechanism can be used to attract new employees, retain existing employees and promote the firm's image across the industry. Cruz and Pedro (2009), argued that institutional theory discusses the firm's conditions, and regulations guide organizational behavior towards socially responsible activities. Country-specific factors can influence the socially responsible activities that firms practice (Campbel, 2007; Jamali et al., 2008). Both political and economic conditions affect productivity and firms plan responsible behavior accordingly. Deegan (2006) and Islam and Deegan (2008) argued that managing social responsibility refers to the controlling of stakeholder activities and the provision of information to support them. On the other hand, ethics refer to the ways in which organizations govern. Turing to the definition of CSR, socially responsible activities should develop an ethical framework that drives both the economical and operational expectations of an organization.

Collaboration between buyer and suppliers can be an effective technique to promote socially responsible activities. By definition, collaboration in the organizational setting includes improvements to performance through training and education, sharing information, exchanging technologies and research and development (Gualandris and Kalchschmidt, 2014). Corporate governance also involves an assessment of suppliers and related third parties to create a positive impact through collaborations and to develop a sustainability agenda (Sancha et al., 2015). Sancha et al., (2015) also suggest that socially responsible activities are measured through the variables of safety and labor conditions as well as the number of industrial accidents recorded. Other indicators include human rights levels, the care of employees, social progress, work-life balance policies, the social reputation of the company, internal management systems, compliance with employment and child labor laws and feedback and evaluation processes.

CONCLUSION

The above discussion suggests that social networking sites are examples of strong communicative power, which can create a big difference compared to traditional media (Ozuem, 2004). It facilitates and establishes the direct relationships between organisations and stakeholders (Ozuem & Howel, 2008). Social media is also a bellwether of public opinion which help the organisation to involve the public in discussions towards solutions. At the same time, organisational CSR policy says a great deal about organisational identity. Sometimes organisations form policy but fail to impress its stakeholders. CSR is just not just about advertising or public campaigns. It is also a strategy which shapes the organisation. It is also an investment which can complement the company and maintain a balance with multiple stakeholders who are critical in terms of social and environmental issues. Social networking systems can monitor and facilitate the CSR activity in more transparent ways in this networked society.

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EMERGENT MARKETING OPPORTUNITIES: VIRAL MARKETING AND CONSUMER PURCHASE INTENTIONS IN THE FASHION INDUSTRY

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ABSTRACT

The proliferation of technology in the field online communication has been considered one of the most significant developments in the domain of viral marketing; an electronic form of words-of-mouth marketing. Viral marketing is widely practiced by all industries. Since the last decade the rapid development of e-communication platforms, such as email, forums, blogs and social media has taken place, and increasingly consumer engagement has been enhanced through viral marketing as a new marketing trend. The orientation of this emerging marketing strategy has motivated many more companies to attempt to increase sales by influencing the purchase intentions of consumers. However, due to the various impacts of viral marketing, they have encountered a number of challenges in their attempts. Reviews of existing literature covering viral marketing and consumer purchase intentions remain underdeveloped, particularly in the context of the fashion industry. Although the existing literature provides a clearer understanding of viral marketing related to consumer purchase intentions, very little has been developed in terms of understanding consumer purchase intentions through viral marketing in the context of fashion.

Keywords: Viral marketing, purchase intentions, fashion viral marketing, electronic words-of-mouth (eWOM), influential factors of viral messages, determinants of purchase behavior.

INTRODUCTION

In the era of the World Wide Web and electronic communications, a new marketing strategy has emerged, referred to as viral marketing (Grifoni, D'Andrea and Ferri 2013; Ozuem, Prasad and Lancaster, 2015; Smith *et al.*, 2007). "Businesses have embraced the advantages presented by the internet, as demonstrated in the technological transition of marketing efforts. The number of online fashion companies recognising these advantages is growing, increasing competition online" (Ozuem, *et al*, 2016, p, 109). Due to the potential impact of this phenomenon on commerce, a variety of organisations are gradually adapting viral marketing to reach larger audiences, and to boost their sales. Traditional word of mouth marketing, which takes place on the internet is known as viral marketing, and this occurs when individuals share and communicate online instead of via oral communication (Phelps *et al.*, 2004; Ho and Dempsey, 2010; Ferguson, 2008).

Viral marketing has created opportunities for industries to build strong relationships with consumers by satisfying their wants and needs. This has had a remarkable impact on their operations and profitability. Viral marketing literally spreads like a virus by multiplying across receivers based on principles such as referrals, sharing and forwarding which have had a significant impact on purchase intentions (Gruen *et al.*, 2006; Buttle, 1998). Based on of this emergent marketing strategy, many more companies have tried to increase their sales volumes by influencing the purchase intentions of consumers. Furthermore, Ozuem, Howell and Lancater (2008), states that "New internet technologies have undermined traditional media by providing new opportunities for marketing communications. Computer-mediated marketing is a new channel with distinctive characteristics and it is essential for organisations and policy makers to focus on changing customer behavior", (p. 1073). However, due to both the

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positive and negative impacts of viral marketing, they have encountered many challenges in their practices (Yang, Zhou and Liu, 2012).

CONTEXTUALIZATION: VIRAL MARKETING

Several studies have claimed that viral marketing is a form of online messaging, which is generated by an individual and spreads like a virus across multiple receivers (Buttle, 1998; Gil-Or, 2010, and Moore, 2003). A viral message can take the form of adverts, petitions, newsletters, press releases, photos, videos or promotional activities (De Bruyn and Lilien, 2008). These authors also state that viral marketing is a peer-to-peer or consumer-to-consumer form of communication, as opposed to a company-to-consumer interaction. As part of the process, individuals create and send messages to influence their target audience. As soon as the audience receives the message, the originator loses control over it and individuals can begin to spread the message across a wider and less discreet network (Moore, 2003). The effectiveness and strength of viral marketing depends on several factors, such as the appeal of the message, the relevance of the content, the trustworthiness of the source, the motivation to forward the message and the extent to which reference groups can be influenced (Brown Broderick and Lee, 2007; Gruen *et al.*, 2006; Ozuem, and Lancaster, 2016). The most significant feature of viral marketing is that it can reach and attract potential audiences at low cost within a remarkably short period of time (Silverman, 2001). In addition, Gay *et al.* (2007) state that viral marketing is so cost-effective that in some cases it can reach a large consumer base without the direct participation of any particular organization. A well designed viral message can evoke emotions which can tempt individuals to share the original message with like-minded people (Henning-Thurau *et al.*, 2004). Therefore, it can empower people through effective and honest circulation (Phelps *et al.*, 2004) and can be capitalised upon by businesses as a powerful communications medium (Thomas 2004).

Several studies that have explored the effectiveness of viral marketing campaigns have revealed that two types of factors are associated with consumers, and these are forwarding behaviour and intentions (Wolny and Mueller, 2013; Cheung and Lee, 2012; Keller and Fay, 2012; Chu and Kim, 2011). The extent to which individuals are motivated to forward a viral message depends on the identification of consumers who are encouraged to do so. On the other hand, Gruen *et al.*, (2006) empirically demonstrated that retaining five percent of customers can boost sales by up to 100%. They also claim that viral marketing has the potential to facilitate increased sale. Therefore, viral marketing can create value for potential consumers and businesses; in other words, it can increase product adoption by consumers and boost sales. However, some researchers claim that viral marketing is all about generating accurate messages in order to accelerate the passion and desire of the targeted consumers. A balanced content of message and the passion of consumers can accelerate forward intentions which can reason it go viral (Ho and Dempsey, 2010). On the other hand, an examination of viral marketing from the consumer's perspective found that it is effective due to customer engagement, social needs and entertainment (Cruez and Fill, 2008). Apart from these factors, a viral message needs to be targeted towards specific consumers and their desires so that consumers feel they can relate to it (Yang, Zhou and Liu, 2012).

VIRAL MARKETING AND PURCHASE INTENTIONS

Certain studies claim that viral marketing has a contextual implication and the ability to exert influence on purchase intentions (Cheung and Chen, 2009; Prendergast *et al.*, 2010; Wang *et al.*, 2012; Bickart and Schindler, 2001; Toder-Alon *et al.*, 2014; Chevalier and Mayzlin, 2006). Consumer purchase intentions involve a process that includes gathering information, ordering, obtaining and consuming products or services (Delacroix and Guillard, 2016). Other factors also play an important role, such as money, time and effort. Despite these common assumptions about purchase intentions, some complex and dynamic issues are involved in viral marketing such as peer review, context, and reference groups (Grifoni D'Andrea and Ferri, 2013). But Ozuem Borrelli and Lancaster (2016) found that "……. on examining online purchasing behaviour using predictions and the impact online shopping has had on subsequent purchasing patterns" (p, 91). However, buying intentions, peer-recommendation and consumer preferences are all psychological phenomena that can be categorised as idealised behaviour which is subject to internal and external factors such as age, personality lifestyle, friends and family, economy, timing, location, society, weather conditions and the environment (Li, Daugherty and Biocca, 2002; Michael, 2013).

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However, the notion of modern consumer purchase intentions took shape in the 1950s. This notion suggests that an unknown range of factors can influence purchase intentions (Ecklor and Boll, 2011; Bruy and Lilien, 2008). Since the emergence of the internet, consumer purchase intentions have been influenced by a diverse spectrum of relationships and e-communication (Chu and Kim, 2011). Noticeably, the modern consumer's purchase intentions are highly influenced by external factors such as reference groups, motivation, satisfaction and online reviews. Trust and motivation are the most traditional purchase variables and they both remain relevant in the electronic purchase era. The diverse nature of online communication and rapid changing social environments such as family, friends and life-style have a remarkable influence on purchase intentions. Apart from these, there are other factors relating to viral marketing which strongly influence purchase intentions. These include peer recommendations, online feedback, competitive messaging, interpretations and reference groups.

MANAGERIAL IMPLICATIONS AND CONCLUSION

A significant number of critics claim that spending trends in terms of viral marketing are much more compared to traditional marketing campaigns because of the associated revenue-earning possibilities (Campbell, 2011; Jose-Cabezudo and Camarero-Izquiredo, 2012). Viral marketing can facilitate the understanding consumers have about products, as well as their purchasing patterns. Such intelligence can be used to influence purchase intentions. In this regard Cudmore (2010) introduced a model named AIDA (Attention, Interest, Desire, Action and Satisfied) with the claim that it can help marketers to design and measure a successful viral message. A critical study of AIDA models shows that viral messages influence consumers in terms of their awareness and propensity to purchase through grabbing their attention, creating interest and desire and motivating them to take action. This can lead to purchases to satisfy a basic need (Cudmore, 2010). The rapid diffusion and peer to peer spread of viral messages provides advantages for marketers and organisations in terms of legal and privacy concerns, because in-peer communications and unsolicited messages can be considered spam (Dobele, Toleman, Beverland, 2005; Helm, 2000). Due to the huge usefulness, applicability and security of online communication (Ozuem, Howell and Lanvcaster, 2016, p, 287) suggest that "Educating customers and members of the public should involve free demonstrations and presentations …….. to derive satisfaction from the internet".

Likewise, there is great potential for other industries, such as the fashion industry to use viral marketing to influence purchase intentions (Wolny and Muller, 2013; Ozuem and Azemi, 2017). Although Bakewell, Mitchell and Rothwell (2006) however state that most fashion organizations still favour traditional methods of advertising, instead of viral marketing. Chen and Wells (2012) and Carida and Coluricio, (2013) on the other hand state that most fashion companies undertake viral marketing on social media because of the huge presence of potential consumers and the frequent inter-communication opportunities they represent. According to Kulmala, Mesiranta and Tuominen (2013), viral marketing has emerged as new type of business marketing to enable the frequent circulation of viral messages which are communicated to vast volumes of participants. This is why, any form of viral activity that takes place on online platforms such as video, photos and messages sent by individuals or companies are highly anticipated by consumers. Fashion viral marketing consumers create values for fashion products and the fashion industry because they have the power to influence family, friends, followers and like-minded people. As a result, scholars and marketers consider online fashion consumers as an important source of marketing information (Goldsmith, Moor and Beaudoin, 1999; Goldsmith and Clark, 2008; Ha and Stoel, 2004).

Despite the unknown range of factors can influence purchase intentions (Ecklor and Boll, 2011; Bruy and Lilien, 2008), viral marketing and its influence on consumers purchase intentions can be very effective to marketers in order to manipulate and create viral phenomenon. As the message content is more important in viral phenomenon which required marketers and scholars to be more 'consumers-focused' compare to 'organization-focused' during viral marketing analysis. On the other hand, the modern purchase intentions are highly influence by the viral message content and external factors such as reference group, online review and peer-recommendations; therefore, marketers need to design viral message diligently for maximum customer attraction. Although traditional purchase variables such as motivation and trust are remained relevant in electronic purchase era, but the diverse nature of online communication and rapid changing social environments has a strong impact on purchase intentions such as family, friends and life-style. In other words, there are some multidimensional factors associated in viral marketing which may have influence on consumer purchase intentions, need to empirical approach. Therefore, addressing the

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issues mentioned above will help to better understand the relationship between viral marketing and purchase intentions in the context of the fashion industry.

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NATURAL RESOURCE MUNIFICENCE, STATE INSTITUTIONS, AND EMNC INTERNATIONALIZATION: EVIDENCE FROM THE ARABIAN GULF

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ABSTRACT

Internationalization from under-examined emerging markets into both developed and developing markets is an increasingly crucial component of FDI. Based on multifaceted analysis of Arabian Gulf EMNCs in the time range 2012-2017, we propose that resource munificence and market-supporting institutions promote international expansion through mergers and acquisitions. We additionally propose that the strategic momentum arising from home country and regional influences is established through three mechanisms: (1) full and partial acquisitions for increasing presence in global markets, (2) joint ventures and strategic alliances with international partners for accessing complementary resources, and (3) start-up and corporate entrepreneurship for encouraging new business models nurturing technological and business innovation. Our emergent model contributes to an understanding of how EMNCs from a resource-munificent but strategically relatively under-examined region expand and globalize.

Keywords: Emerging markets, mergers and acquisitions, internationalization, Arabian Gulf, natural and environmental resource munificence, state institutions.

CORPORATE STRATEGY AND EMERGING MARKETS

As emerging market firms internationalize, institutional issues and strategic actions become more and more integral to their consideration (Cuervo-Cazurra, 2012; Gammeltoft, Barnard and Madhok, 2010; Luo and Zhang, 2016). For instance, previous research has found that while developed/ advanced economy multinationals (DMNCs) tend to benefit from stronger institutions, emerging market multinationals (EMNCs) typically do not (Geleilate et al., 2016). This finding of differing institutional impacts depending on the surrounding level of economic development leaves open the question of precisely how the country or region of origin impacts the strategic evolution of EMNCs. We consider the dualism in national and regional influences alongside internationalization strategies to address the research question: What are the influence of natural resource munificence and state involvement on EMNC internationalization through cross-border mergers and acquisitions?

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NATIONAL AND REGIONAL STRATEGIC INFLUENCES

Locational factors have been present since virtually the inception of international business and management research (Dunning, 1998; Dunning, 2009; Ghemawat, 2001; Johanson and Vahlne, 1977) but have attained renewed import with the proliferation of EMNCs (Arregle et al., 2013). We contribute to extant literatures by examining country and region of origin with regard to institutional context. For instance, relatively well-developed capital market regulations and controls can accelerate inward and outward FDI. In our research context, national and regional origination helps mold individual and organizational incentives and aspirations due to financial resources through the geostrategic advantages of fossil fuel resources.

The sociopolitical dynamics of the region reflect an adapted social contract (Locke, 1946; Simon, 1951) that government has the responsibility to secure the best interests of citizens. This adapted social contract in combination with abundant natural resource endowments in extractive energy (Penrose, 1969; 1971) supports individual human capital improvement and corporate international expansion. The regimes recognize the centrality of international managerial and leadership development for addressing national development concerns (AlSabah, 2012). We examine how governmental involvement in home country EMNCs has played out specifically in acquisitions for expansion and internationalization from the Arabian Gulf to the world.

MNCs come from varying social, political, legal and economic settings influencing strategy and performance. Institutional structures encompass market-supporting factors including national social, political, legal and economic systems (Hoskisson et al., 2013); governmental regulations regarding, for instance, capital market transparency, labor market flexibility, quality control, anti-corruption, and trade openness (Geleilate et al., 2016); and attitudes, values, behaviors, beliefs and expectations that have become internalized, codified and widely recognized to the extent of attaining a status and permanency and affecting managerial decisions and consequences (Raynard, Johnson and Greenwood, 2015).

With intellectual roots in the theory of the social contract and the notion of people existing within systems of laws mediating behavior among individuals within the regulations of the state (Locke, 1946), institutional theory has addressed primarily the components and influences of social structure (Kostova, Roth and Dacin, 2008). Strategic management theory has extended the purview of institutionalism to actions and outcomes emanating from organizations, including now understanding international acquisitions in the context of resource munificence and state involvement. Institutional theory as applied to MNCs asserts that when social, labor and financial regulatory structures within national societies dramatically diverge from the structures within organizations, pressures will occur on both sides to change (Westney, 2005).

The rapid economic development of the Arabian Gulf countries within less than a 100 years, since the extraction of oil from the Saudi-Kuwaiti Burgan oil field in the 1930s, means that the region speeded from millennia of pearl-catching and overland trade, through the industrial age, into the digital/ information epoch. Munificent natural resources and the escalating pace of technological change throughout the 20th and into the early 21st century meant that amenities such as global travel, private education, English language conversational and literacy capabilities, automotive transport, smartphones, and access internationally to world-class health care rapidly became norms of daily life for many Gulf country citizens. Gradations of democracy to autocracy embedded within coordinated market economies (Musacchio, Lazzarini and Aguilera, 2015), with citizenry preference for replacing the relatively harsh desert living “state of nature” (Locke, 1690/ 2014) for the economic embrace of the state, all propelled development.

Another regional background factor of interest is the prominence of family business and the promulgation of dynastic wealth, given traditional Islamic inheritance laws and a relative dearth of taxes. The family businesses can themselves be EMNCs. The threshold for disclosure of ownership is high, for instance, 15% in Kuwait as compared to 5% in the US. The revealed concentrations of ownership are enlightening, demonstrating government stakes (through pension funds and other investment vehicles) of on average 25% in each of the 20 oldest publicly listed firms on the Kuwait Stock Exchange. Of those largest publicly listed firms, seven are included in this study within the ethnographic interview and company data compilations. The remaining firms in the sample are drawn

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from state-owned and privately held entities. Our research setting consists of EMNCs headquartered primarily in Kuwait or Dubai and originating within the economic single market known as the Gulf Cooperation Council (GCC).

The GCC governments provide financial and related resources for citizens and various forms of support—for instance, through land or funding—directly to organizations. In reinforcement of the development of its citizens and corporations, the states have institutionalized high levels of unskilled and skilled expatriates to run everything from vacuum cleaners to company divisions. As previously mentioned, the government also becomes a sizable investor in many listed firms. Related to the aforementioned investments, the Gulf national regimes have for at least the past 30 years widely encouraged the learning of English in government and private schools alike. The wealthier governments offer numerous generous scholarships for undergraduate and graduate study in English-speaking countries for talented students—and the lucrative career prospects and national entitlements typically draw these graduates in very large numbers back to the country to reap their individual rewards and to apply their human capital for the national benefit (Woolcock, 1997). Hence we see the government enabling and empowering economic development and international expansion through individuals, families and firms.

Blanchard and Shleifer (2001) assert that governmental power, authority and decision making are crucial in for promoting growth in emerging markets. Governmental interventions and benefits can moderate the liability of emerging-ness (Held and Berg, 2015) sometimes militating against successful outward FDI from emerging markets. In many GCC countries, there have been abundant opportunities for revenue generation and surplus cash within state-owned or -influenced firms in the extractive energy sector. Previous research on what firms do with surplus cash—either free cash flow theory (Jensen, 1987) or cash windfalls—shows acquisitions as a favored choice (Blanchard, Lopez-de-Silanes and Shleifer, 1994). Cash windfalls in corporations could be compared to windfalls from the natural resource munificence in the Arabian Gulf.

The economically cooperating and culturally interconnecting countries of the Arabian Gulf GCC (Bahrain, Kuwait, Qatar, Oman, Saudi Arabia and UAE) are a commercial, yet also shared-faith, single market, with strategic implications. The countries are in some ways emerging, yet in various ways, emerged, with the benefits of munificent natural resources having propelled GCC countries from "developing" closer to "developed" status with respect to education, income, and opportunities for businesses and individuals.

PROPOSITIONS

Based on our theoretical precepts and preliminary data, we develop the following propositions:

- *P1: The state encouragement of and support for individual and organizational aspirations has implications for the outward foreign direct investment, including in the form of cross-border acquisitions.*
- *P2: International acquisitions will be encouraged and facilitated by strong state support—for instance, funding for young citizens building businesses with an international orientation—and technological infrastructure.*
- *P3: The GCC national and regional characteristics of emerging-yet-emerged and as culturally, politically, and economically interconnected yet differentiated from other regions have implications for potential international acquisitions disapproval and backlash in interactions with non-GCC firms and markets and with DMNCs.*
- *P4: The state-level resource munificence and promotion of individual as well as organizational capabilities, including multicultural and multilingual managerial skills, facilitates international expansion through cross-border acquisitions.*
- *P5: GCC economic development, state munificence, and familiarity with earlier foreign entry modes facilitate international expansion through cross-border acquisitions.*

DISCUSSION AND CONCLUSIONS

Based on our examination of strategic momentum in relation to national and regional influences, we determine that home country matters for the expansion and internationalization of Arabian Gulf EMNCs through three mechanisms: (1) full and partial acquisitions of key firms/ brands in selected international markets, (2) alliances and

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joint ventures for obtaining key resources and capabilities through shared development and deployment with a GCC or international partner, and (3) entrepreneurial initiatives through partial acquisitions. The full and partial acquisitions have a dual innovation and internationalization aim toward evolving new and platform business models, disseminating technology developments, and penetrating further into target markets.

We view partial stakes acquisitions as interrelated with ambidexterity (Meglio, King and Risberg, 2015) and with technology and product life cycles (Heimeriks, Gates and Zollo, 2008). Partial stakes acquisitions occur with exploratory investment in the earlier phases of the technology lifecycle, followed by exploitative strategic activity to take advantage of technology maturation and penetration into desired markets. We furthermore contribute through our research context investigating home country and regional impact on multinational companies within a relatively under-studied constellation of emerging markets—specifically, EMNCs of the Arabian Gulf. This region has experienced rapid economic and technological development—and outreach into as well as impact on—the global economy throughout the 20th and into the 21st century. The strategic momentum of these EMNCs, as orchestrated through governmental involvement, home and host country interactions, and market-supporting resources, infrastructure and institutions, demonstrates not only swiftness of economic development but also mechanisms of strategic momentum with potential lessons for other emerging market economies and EMNCs.

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MERGERS AND ACQUISITIONS AND CORPORATE SOCIAL RESPONSIBILITY: PERSPECTIVES FROM THE ARABIAN GULF

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ABSTRACT

This paper examines the impact of an international mergers and acquisitions (M&A) program on the development of the worldwide corporate social responsibility (CSR) program of an emerging markets multinational company (EMNC). We contribute to existing research by (1) enhancing understanding of the interrelatedness of acquisitions and CSR at programmatic levels; and (2) extending research into the currently relatively underexamined, yet economically significant, emerging markets region of the Arabian Gulf. Our findings reveal that state-level and regional-level institutional considerations can impact the development of the global CSR program. Various aspects of the CSR program—for instance, health, education, employment assurances, and disaster assistance—function in tandem with and reflect the influences of international expansion and institutional logics in the home as well as host countries. We propose an emergent model depicting how organizational hierarchical levels intersect with home and host nation locations in the leadership and resource allocations of international M&A and CSR programs.

Keywords: Mergers and acquisitions, corporate citizenship, corporate social responsibility and sustainability, Arabian Gulf, institutional factors, stakeholder theory, emerging markets.

CSR IMPLICATIONS OF M&A

Mergers and acquisitions (M&As or acquisitions) have been a popular strategy for decades. Scholars have long sought to understand how these transactions work, what are their implications, and what makes deals successful (e.g., Haleblian et al., 2009). So far, much existing research, especially in financial economics and strategic management, has primarily addressed the interests of shareholders by measuring the impact of acquisitions on stock price fluctuations (Meglio and Risberg, 2011).

However, recent research has challenged the shareholder-centric view of acquisitions and included in the domain of analysis a broader set of stakeholders' interests (Anderson, Havila and Nilsson, 2013; Williams, 2013) and investigated how they change along the acquisition process (Meglio, 2015). The adoption of a stakeholder perspective accompanies the recognition that issues of corporate social responsibility (CSR) more and more surface across acquisition processes (see for instance, the acquisition of Ben & Jerry from Unilever or the deal involving VF Corp and Timberland). However, only scant research attention has been devoted to examining CSR in mergers and acquisitions with a focus on stakeholder management (Anderson et al., 2013).

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In this paper, we remedy this state of affairs by analyzing the ways in which organizations can manage the interplay among acquisitions, the institutional context and CSR program, and identifying practice implications for managers implementing acquisitions. We achieve this aim by investigating a globally expanding Arabian Gulf EMNC implementing a CSR program in both the country of origin and abroad

EVOLUTION OF CSR AND ACQUISITION STRATEGIES—EVOLUTION OF CSR AS A STRATEGIC OPPORTUNITY AND SOCIAL BENEFIT

The concept of CSR has steadily evolved since introduced in the early 20th century (Lee, 2008) and has gained recognition and prominence in management practice, education, and research. The debate has been polarized between the position of Milton Friedman (1962), who perceived CSR as imposing unnecessary burdens on shareholders and companies, and the perspective of. Edward Freeman (1984), who underscored multifaceted benefits of corporate responsibilities toward all stakeholders.

In a similar vein, the application of CSR issues to M&As represents essentially two positions: one paying attention to the costs incurred by acquisitions, in particular in terms of layoffs, and the other focusing on the efficiency and competitiveness benefits of acquisitions, in particular at the societal level (Waddock and Graves, 2006). In the first position, ethicists concentrate primarily on hostile takeovers because they externalize some of the costs to non-investor stakeholders, thereby reducing the breadth of innovation in stakeholder practices, such as employee retention, customer service, or community donations (Chase, Burns and Claypool, 1997). In contrast, in the second position, proponents claim that M&A benefit society and stakeholders by increasing market efficiency and improving managerial performance (e.g., Rahman, Lambkin and Hussain, 2016).

While we emphasize the importance of shareholder interests, we also suggest that analyzing acquisitions as multi-stakeholder deals (Anderson et al., 2013) enables to account for a range of outcomes beyond the purely economic or financial ones. Consistent with a process approach we recognize that the acquiring and the target firm stakeholders interests are neither monolithic nor constant (Meglio, 2015). These conditions give stakeholders different amounts of influence over time (e.g., Schriber, 2013). We further contend that variations in stakeholder interests imply variations in perceptions and conceptions of CSR, depending on whether regulatory, social responsibility, or profit imperative dimensions rule at any given moment of decision making or reaction in the acquisition evolution.

We enrich our analysis by investigating the influence of institutional factors. We take the perspective that CSR enactment cannot be fully explained by organizational-level choices but rather requires the consideration of institutional influences in tandem with social responsibility practices (e.g., Beddewela and Fairbrass, 2016; Fernando and Lawrence, 2014; Marano, Tashman and Kostova, 2017; Rathert, 2016). Institutional influences enter in particular into international M&A transactions, although only one previous published study, to our knowledge, has examined the nexus of CSR, acquisitions, and institutional theory (Miska, Witt and Stahl, 2016).

Applying institutional theory to the study of CSR enhances understanding of the cross-national variations of CSR practices (Blasco and Zølner, 2010; Gjølberg, 2009; Jackson and Apostolakou, 2010). A comparative perspective sheds light on how CSR has transferred into different national-institutional settings and has become contingent on institutional frameworks for doing business (Deakin and Whittaker, 2007; Doh and Guay, 2006). As a result, institutional theory allows for a more accurate grasp of what CSR in a specific national setting actually means and in turn contributes to clarity in understanding of the motivation and implementation (Okoye, 2009). The view of CSR as voluntary and subordinate to shareholder interests reflects the institutional corporate responsibility tenets of liberal market economic systems such as in the USA and UK (Musacchio, Lazzarini and Aguilera, 2015). Institutional theory may also help to understand translation of CSR practices when Western MNCs invest in the Middle or Far East or vice versa. In addition, institutional perspectives help elucidate the implications of global strategies in both the home and host countries. Studies of CSR activity by Western MNCs (e.g., Intel, DHL, Shell) in the Middle East show that the Western CSR enactment contrasts with the relatively little initiative taken by local

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businesses in this direction (Katsioloudes and Brodtkorb, 2007). Khan and colleagues (Khan, Al-Maimani and Al-YafiKing, 2013), while analyzing CSR in Saudi Arabia—the largest and economically emblematic country within the six fiscally and culturally interrelated nations comprising the Gulf Cooperation Council (GCC) single market (Cooperation Council for the Arab States of the Gulf, 2015)—mentions that firms in the Arabian Gulf region have used formal CSR policies to play a complementary role alongside government initiatives for the development of education, health, housing. Studying the influence of institutional variations on CSR within the wide-reaching context and consequences of M&A represents an untapped potential.

CASE ANALYSIS OF AN ARABIAN GULF EMNC

Our insights on the interconnections among CSR, institutional theory, and international acquisitions derive from an exploratory case study of a logistics firm—pseudonymously termed Large Logistics Group (LLG)—headquartered in Kuwait and expanded into 100 countries through an intense acquisition program. We relied on primary and secondary data. Primary data were collected through observations and interviews with 12 key individuals, interviewed at least three times, from within the top three management levels of LLG. The interviews were initially focused on the acquisitions program. CSR issues quickly surfaced as central to the implementation of the corporate vision. Hence we decided to dig deeper into CSR program and institutional influences based on additional questions in subsequent and secondary data. All interviews have been transcribed, coded and analyzed for key themes in content (Miles and Huberman, 1994). In this paper, we take programmatic examples as data for country specific and country level manifestations of the LLG CSR philosophy and implementation as reflecting the state-level institutional structures, logics, emphases and voids. We now turn to the themes surfacing from our empirical context and how these themes and findings enhance understanding of the interplay among the institutional contexts and the interrelated development of the LLG acquisitions program and CSR program.

SOCIAL RESPONSIBILITY AND ACQUISITIONS SUCCESS

Our data reveal interesting insights on CSR and acquisition program interconnections between tenets of institutional theory and local, international and global aspects of the focal CSR program in the Arabian Gulf EMNC. LLG has a global CSR program developed in tandem with and strengthening its global acquisitions program.

Following privatization from the state of Kuwait in 1997, LLG became an independent, investor-owned, later publicly traded company doing business worldwide in the land, air, and sea transportation and warehousing of corporate goods. The company enacted over 100 joint ventures and acquisitions during 1997 to 2016 to expand from local to regional to global. The LLG programmatic acquisitions had two primary goals as strategic transactions: (1) acquiring transportation capabilities by land, sea and air or warehousing capacity in tactical locations serving as storage and retrieval nodes within the transport system; (2) pursuing internationalization from the Arabian Gulf into other regions of the world, particularly emerging markets regions where, where the firm has perceived an affinity of interests because of its own economic development trajectory and external as well as self-identification as an emerging markets company. The regions entered through acquisitions span from emerging markets in Southeast Asia, North and Sub-Saharan Africa and Latin America to more established markets Europe, North America, and East Asia. LLG as well experienced continued growth within the expanded home market region of the Arabian Gulf Middle East. In addition to enhancing the overt core competences, LLG made acquisitions in electronics, telecommunications, construction, recycling, and real estate. The ambition of the LLG acquisitions program has been for the acquisition of technological competencies for leading-edge communication and services fulfillment with both clients and CSR beneficiaries. As a result, LLG nowadays operates in 100-plus countries and has been the only top 10-15 logistics firm with an origination and specialization in emerging markets, and a concomitant commitment to social responsibility.

The vision of becoming an international logistics leader through technological capabilities contributed to the development of a globally outreaching, world-class social responsibility and sustainability program. The profitability of the company through its international expansion enabled the philanthropic funding accompanying a heightened awareness of global corporate citizenship consistent with the UN Global Compact (Matten and Crane, 2005) and also consistent with the regional faith-based principles for stewardship, protection, and caring. The technological capabilities in the form of specialized software for communication and order fulfillment capabilities

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came dramatically to the fore as LLG—at the same time as moving from local to regional to global in scope—moved to establish its global CSR and sustainability program. Their leading edge CSR program has excelled at rapidly mobilizing resources for disaster relief wherever needed around the world. At the local level, wherever in the world LLG has offices, their software tracking and employee management systems furthermore enabled the voluntary sign-up and commitment of personal time by employees to community educational, health, sports and environmental initiatives. Whether finding orders, allocating inventory space, or managing professional and voluntary time allocations of employees, the commercial and proprietary software systems have helped enable the firm to maintain both a product-market and a social responsibility leadership position.

As noted by the LLG CEO, the global growth and performance of the company set the stage for a highly ambitious and far-reaching CSR program:
"Our CSR journey has now spanned almost a decade. We approach CSR in the same way we do business: with a sense of entrepreneurialism and openness, with a unique local flavor in each market and community in which we operate, and with deep commitment from our team—from the people working in our warehouses and driving our trucks to our most senior leadership."

The innovation and internationalization through cross-border acquisitions and the concomitant prosperity positively and specifically affected the regional CSR through the educational, employment, economic diversification, and environmental outreach of the firm. In the Arabian Gulf region, where governments have employed the large majority of citizens, LLG has contributed to the push for private labor-force participation rising for both women and men and for advanced career prospects available to women. In addition, through the high-technology orientation, training and requirements of firms such as LLG, the technological literacy of the workforce has grown in line with the globalized, high-tech business milieu. Innovation requires and promotes technological aptitudes, and, as mentioned above, technological literacy is an increasingly central form of knowledge complementing traditional reading and writing literacy (Warnick, 2012). Moreover, the financial benefits of innovation—as experienced by LLG—further enable increased investments in and support of social welfare and human capital (Schultz, 1961).

The prospective wider-ranging economic benefits of M&A have long been recognized (e.g., Roll, 1988). Beyond serving as strategic instruments at the firm level, international acquisitions have functioned as fundamental economic—and foreign direct—investments capable of contributing to the growth of economies and the enhancement of social wellbeing (e.g., Porter and Kramer, 2006; Scherer, Palazzo and Baumann, 2006). LLG's success through international acquisitions and expansion in the worldwide logistics industry has benefited economic diversification. In the largely oil-dependent economies of the region, LLG has pioneered a global presence in a sector distinct from the primary national industries involving the exploration, extraction and refining of crude oil and gas into commercial energy forms and petrochemicals. The environmental risks of the primary energy industry and in the region have perhaps heightened the LLG mindfulness of and attentiveness to ameliorative actions for cleaning shorelines and maintaining areas within the natural environment.

As noted by the LLG CEO: "We are leaders in emerging market logistics, and we take this leadership seriously: in the form of helping our customers grow regionally and globally, creating employment opportunities and developing our people, conducting our business with integrity and taking ethics and compliance seriously, giving back to our communities, and being mindful of the planet and our environmental impact on it."

The LLG CSR program centers around five components: community investment, humanitarian logistics, mindfulness of the planet, commitment to ethical standards and integrity, and commitment to a safe and healthy work environment. Each of these components comes into play in different ways to different extents, as fundamentally enabled by the international acquisitions program and dependent on local institutional logics and infrastructure interrelated with stakeholder needs, and reflect prior research. Examples of institutional arrangements at the state level are regulation of financial markets, monetary policy, and currency circulation, and implementation of health, education and safety social welfare entitlements. Institutional structures at the state level can further impact national security and any type of acute disaster or distress alleviation—for instance, in the event of terrorist activity, natural catastrophes, or even periodic personal debt relief. Institutional logics moreover exist around longstanding and even cherished state policies, for instance with respect to marriage, family and employment

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continuity. These institutional forces all factor into the overall development of an Arabian Gulf CSR program and the decisions by corporate senior management on where to focus initiatives—and which stakeholders benefit—depending on the country receiving the largesse.

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THE ROLE OF INNOVATION FOR LEVERAGING REGIONAL DEVELOPMENT

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ABSTRACT

Innovation exerts a central influence on the economy in every level: firm, industry, region, country and globally. Academics in business management have extensively explored the importance of the development of innovation for the firm, as well as for the industry. Studies at the regional level, in their turn, are more scarce. The primary goal of this paper is to verify the influence of product and process innovations introduced by the firms in a region on its economic development, considering as regions the states of Brazil. We found that process innovation influences GDP growth positively after five years, corroborating the hypothesis that the effect of innovation is positive and takes some time to be perceived, with process innovation being faster than product innovation.

Keywords: Product Innovation, Process Innovation, Economic Development, GDP growth.

INTRODUCTION

The influence of innovation, especially product and process innovation, on firms' performance has been widely investigated by the business literature (Cheng & Huizingh, 2014; Faems, Van Looy & Debackere, 2005). The uncertainty of the environment, in which future changes may not be predicted, imposes firms to innovate in order to compete efficiently (Teece, 2007). New industries emerge while old ones disappear by the effect of disruptive innovations that are usually introduced by new entrants that end up taking incumbents out of the market (Christensen, 2013). However, the benefits of innovation for one firm individually or a group of firms does not automatically promote growth in the whole industry's performance or regional development. Although this relationship seems intuitive, the fact that new entrants are growing while old incumbents are perishing may promote a raise or a decay on local income. Besides possibly promoting a decline in local income, another possible negative consequence is that process innovations may cause automation that destroys jobs and raises unemployment. These facts make clear the importance to study the effects of the introduction of innovation by the firms on the regional level. This importance is potentiated nowadays by the growing relevance given to business sustainability, which corresponds to a vision that firms have a social role to contribute for society, and not only generating an attractive return for its shareholders.

Nevertheless, observable facts allow supposing the existence of a direct relationship between innovation and regional development. The Brazilian projected 2017 nominal GDP *per capita* is $10,309 (Statistics Times, 2018), positioning the country as the 65th among all countries worldwide. This position is similar to the Brazilian place in the 2016 Global Innovation Index ranking (GII), which is 69th (Dutta, Lavinn & Wunsh-Vincent, 2016). On the other hand, the 23 leaders of the GII ranking are among the 30 countries with higher projected 2017 nominal GDP *per capita* with an average of $51,135 (Statistics Times, 2018). A similar pattern in the relationship between the GII and GDP *per capita* may be observed for the other countries of the list. Despite this apparent correlation between innovation and GDP *per capita*, causality is not easily identified as a country may become innovative as a result of an increase in its wealth (Orihata, 2001). Therefore, this relationship should be more deeply investigated to check if this correlation and causality exist.

Inequality among country regions is very high in Brazil. The state of São Paulo has a GDP *per capita* almost four times higher than the state of Maranhão; R$43,695 versus R$11,366 according to IBGE (2017). If innovation is a trigger for regional development, understanding this relationship may bring lessons that may help the

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Government and policy formulators to propose public policies to boost innovation and economic growth in all parts of Brazil. To achieve this goal, we try to answer the following research question: *What is the impact of the level of introduction of product and process innovation by the firms in the economic development of the Brazilian states?*

To answer the research question presented above, this paper formulated two hypotheses investigating the relationships between the introduction of product and process innovation and GDP growth (which is the proxy used for economic development). Using panel data from 15 Brazilian states, this empirical study found that the introduction of process innovation by the firms of a state together is more effective in promoting GDP growth than product innovation in a shorter period. This study contributes to the literature as prior studies were more focused in developed countries and, to the best of our knowledge, did not focus on investigating the relationship between innovation and GDP growth with different time-lags (in this study, we investigated time-lags from one to five years) to capture the maturation of the innovations introduced.

LITERATURE REVIEW

According to several authors, the introduction of innovation by local firms is one of the main factors to promote regional development and economic growth (Ahlstrom, 2010; Domenech, Escamilla, & Roig-Tierno, 2016; Howells, 2005; Kiselitsa, Shilova, & Liman, 2017). This relationship was observed in empirical studies of several developing countries such as Poland, Hungary, Romania, Greece, Bulgaria (Jemala, 2017) and Russia (Kiselitsa et al., 2017). It was supported even in studies analyzing some of the lowest developed and innovative regions, such as some African countries (Van Aardt Smit, 2017). Gumbau Albert (2017) found that some regions of Spain with a high presence of more technology-intensive start-ups felt more the effects of innovation on economic performance than some regions with low technology-intensive start-ups. Similar findings were achieved by Heidenreich (2009) in a study of 270 regions from 27 European countries. Moutinho et al. (2015), in an empirical study of 158 regions from 18 European countries, identified that technological capacity enhancement, which is strongly related to the innovation capacity of the whole region, is effective for reducing unemployment without threatening sustainable economic development. Trinh (2017) stated that economic growth (measured as GDP growth) is improved by capital (physical and human) accumulation and technological innovation. Technological innovation would shift up the capital accumulation versus GDP growth curve, allowing that, among two regions with the same capital accumulation level, the one with a higher technological innovation rate would have higher GDP growth.

Although the relationship between innovation rates and economic growth seems intuitive, some arguments may indicate the opposite. More innovative firms in a region may take some less innovative firms out of the market (Christensen, 2013), provoking the loss of some jobs and of sources of tax collection for the government. Process innovations that promote the automation of the production process may destroy jobs inside the firm. However, some reasons account for the existence a positive balance in this tradeoff. Innovation allows the creation of new firms and expansion of old ones (Schefer & Frenkel, 2005). Product innovation enables the introduction of new products into more markets (Galindo & Méndez, 2014), which create new demands or fill demand gaps (Beugelsdijk, 2010), allowing to increase revenues. Process innovation increases workers' productivity (Terjesen & Patel, 2017), and transforms fixed costs into variable costs, enabling cost reduction (Moutinho et al., 2015). And both types of innovation allow the accumulation of knowledge (Beugelsdijk, 2010). These facts make innovative firms "more competitive…create more jobs, pay higher wages and more taxes" (Rutten & Boekema, 2007, p. 1843) than less innovative firms, bringing more return regarding regional economic growth. Also, as firms do not compete only inside their regions, but with firms of other parts of the nation or even have global competitors, firms that may go out of the market are not necessarily from the same area. These factors indicate that the more innovative the firms of a region are, the more developed the region tends to be.

Innovation performance of firms increases with a balance between high internal R&D investment, highly educated human resources and an active collaboration with different types of partners, e.g., suppliers, competitors, clients, universities and the government (Paula & Silva, 2017). The combination of all these factors promotes knowledge creation and economic growth not only for the focal firm but for all the actors, many of them located close to each other and forming a complex regional innovation network – RIN (Rutten & Boekema, 2007). According to Rutten and Boekema, RINs organize the innovation development inside the region and stimulates the

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conversion of innovation developed by local firms into regional development. This relationship is observed because innovation developed inside RINs influence the emergence of new industries in the region (Gjelsvik, 2018), which brings new businesses, new jobs and new sources of tax collection for the local government (Ahlstrom, 2010). Besides, innovative efforts made by firms embedded in the regional social network and through intense collaboration improve innovation performance of the network as a whole and foment the emergence of a more trained and well-paid labor force, stimulating regional growth (Etzkowitz & Klofsten, 2005).

According to Domenech et al. (2016), an innovative region has innovative firms, innovation enablers and have a high innovation performance. An innovative region has the capacity of moving across different technologies and renew itself when it is necessary (Etzkowitz & Klofsten, 2005). It also generates a creative and innovative atmosphere that stimulates the discovery of new opportunities and favors the emergence of entrepreneurs capable of transforming knowledge into innovation and contribute to economic growth (Capello & Lenzi, 2016). The mechanism that allows this contribution is the knowledge spillover that occurs from the firm or the network of firms that invested intensely on R&D for the local industries they compete and for the region as a whole. It expands the opportunities related to technology and leverages the capacity to recognize and exploit new business opportunities in general (Moutinho et al., 2015). One common way innovative regions organize itself and its RIN is by clusters specialized in one or some closely related industrial sector (Giuliani & Bell, 2005). This concentration in related industrial sectors enhances growth (Howell, 2005). In South America, we have the innovative wine industrial clusters in Chile (Giuliani & Bell, 2005), and in Mendoza, Argentine (Lazzarini, 2015). Both are more successful than other wine clusters in the continent because of their integration, knowledge diffusion throughout the network and, in consequence, innovative capacity.

The capacity of a region to benefit from innovation have a cumulative nature (Howells, 2005). It may be related to the proper cumulativeness of innovation capabilities of firms, which are developed by an accumulation of experiences and knowledge from generating simpler innovations and improving gradually the complexity until they can develop more radical and profitable innovations (Bell & Figieiredo, 2012). It causes a delay between the innovation introduction and economic results for both product and process innovation. At the same time, product and process innovations are of complementary nature (Utterback & Abernathy, 1975), as radical product innovations that create a new market or fill a market gap have a maturation process that requires cost reduction for gaining scale. Thereby, the introduction of both types of innovation is necessary, although process innovation is viewed as less glamorous (Keupp, Palmie, & Gassmann, 2011), and is less focused by Brazilian firms than product innovation. The Utterback and Abernathy cycle indicate that radical product innovation comes first, and process innovations are more incident in later and more mature phases of the new product lifecycle, in which the product will bring more return to the firm. Considering all innovations introduced in a region, we may expand this conclusion to a higher level of analysis and consider that the set of process innovations developed by the firms in a region are related to economic growth in a shorter period, compared with the set of product innovations.

H1: The level of product innovations introduced by local firms have a positive influence on the medium and long-term regional economic development.

H2: The level of process innovations introduced by the local firms have a positive influence on the medium and long-term regional economic development. This effect is perceived faster in the case of process innovation than in the case of product innovation.

METHOD

The empirical analysis used data of innovation from the aggregated tables of PINTEC - Brazilian Innovation Survey (IBGE, 2016), conducted by IBGE (Brazilian Institute of Geography and Statistics), which investigates innovation activities undertaken by firms and based on innovation concepts proposed by the Oslo Manual (OECD, 2005). GDP data was also gathered from IBGE (IBGE, 2017). The panel data was set up with the data corresponding the percentage of firms that introduced product and process innovation by state from all PINTEC surveys (2000, 2003, 2005, 2008, 2011, and 2014). The states with information on the aggregated tables of PINTEC were Amazonas, Bahia, Ceará, Distrito Federal, Espírito Santo, Goiás, Mato Grosso, Minas Gerais, Pará, Paraná, Pernambuco, Rio de

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Janeiro, Rio Grande do Sul, Santa Catarina, and São Paulo. We decided to exclude Distrito Federal as it the federal capital city and has characteristics of an outlier. Not all states are covered in PINTEC, and not all of the covered ones have data in the six versions of the survey. For that reasons, our panel had a total of 63 observations. The statistical techniques utilized to run the model treat this type of absence of data in the panel. GDP growth by state, on the other hand, could be obtained for every year.

The dependent variable of the study is GDP growth (calculated using GDP in USD) from one year compared to the last one (*GDP_Grw*), representing the economic development rate of the state in one year. Several authors argue that economic growth is an essential mechanism for improving people's life quality (Ahlstrom, 2010), which reinforces the choice of GDP growth as a proxy for economic development. As will be described next, the model tests GDP growth with five different time-lags. from year + 1 to year + 5. It means that the innovation data from PINTEC 2000, for example, will be tested with GDP growth of 2001 compared to 2000, up to GDP growth of 2005 compared to 2004. When the innovation data do not have the corresponding GDP growth for some of the time-lags, it will not be used in the regression. It is the case, for instance, of PINTEC 2014, which have GDP growth available only for year + 1 and year + 2. The dependent variables consist in the percentage of the total of PINTEC's respondent firms that introduced a product or process innovation that were new to the Brazilian market in three years, being the year of the research and the two previous ones (*Inov_Prod/Tot* and *Inov_Proc/Tot*). As control variable, we used the GDP growth of the previous year compared to the GDP growth used as dependent variable. For estimating *GDP_Grw* from year + 1 to year + 5, we run five separate models, one for the *GDP_Grw* of each year. The equation used for the estimation may be written as follows, with i varying from 1 to 5 for each model:

$$(I) \quad GDP_Grw_{y+i} = \beta a0 + \beta a1 * GDP_Grw_{y+i-1} + \beta a2 * Inov_Prod/Tot + \beta a3 * Inov_Proc/Tot + \varepsilon$$

Using the Least Squares (LS) method, we tested a pooled regression model, cross-section and period fixed effects and cross-section and period random effects for all equations. The adjusted R^2 was better with period fixed effects in all of them. Wald tests, to check if all dummies representing the fixed effects are zero, followed by Hausmann tests (Hausmann. 1978), to verify the presence of random effects, also confirmed that period fixed effects were more appropriate for our data. Durbin-Watson tests were also conducted to verify autocorrelations of residuals and rejected the hypothesis of their presence.

RESULTS

Table 1 presents some characteristics of the sample. It shows the average and standard deviations of *Inov_Prod/Tot*, *Inov_Proc/Tot* by state in the six surveys, and of *GDP_grw* from 2000 to 2014. The state that scored higher and lower in each variable was also highlighted. The average proportion of firms that introduced product innovation in all states is 2.98%. On its turn, the average percentage of firms that introduced process innovation is 2.04%, a little more than two-thirds compared to product innovation. The average GDP growth from 2000 to 2014 was 3.88%, slightly higher than the average GDP growth of the country in the period, which was 3.37% This difference occurs as not all Brazilian states are available in our sample and the average of 3.88% is not weighted by the total population of each state. Amazonas has the higher proportion of introduction of process and product innovation on average (*Inov_Prod/Tot* of 6.53% and *Inov_Proc/Tot* of 5.26%). It is possibly an effect of several multinationals installed in the region and its suppliers because of the taxes advantages guaranteed by its capital (Manaus) status as a Free Economic Zone, which has a concentration of TV, audio and video, cell phones, computers and motorcycles' manufacturers (SUFRAMA, 2018). On the opposite are North and Northeast states such as Pará with *Inov_Prod/Tot* of 0.82%, being in the last position in this indicator, and Pernambuco with *Inov_Proc/Tot* of 0.59%. Considering GDP growth, the state of Mato Grosso has the highest average (6.62%), while Rio de Janeiro is in the last position, with 2.60% on average.

Figure 1 shows the tendency curves of the average of all states in the sample of the variables *Inov_Prod/Tot*, *Inov_Proc/Tot*, and *GDP_grw*. *Inov_Prod/Tot* tendency seems almost steady in all surveys, from 2000 to 2014, increasing slightly through the period. On the other hand, *Inov_Proc/Tot* and *GDP_grw* are decreasing through time. It may indicate a possible correlation between these two variables. However, the similar slopes of the tendency curves of *Inov_Proc/Tot* and *GDP_grw* and the different slope from the tendency curve of

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Inov_Prod/Tot of does not allow us to infer anything about the hypotheses as they consider the existence of a time-lag between the introduction of innovation and growth. The panel LS tests the hypotheses as they make five regressions with future GDP_grw as the dependent variable with different time-lags: from one to five years (see Table 2). The results of the regressions rejected hypothesis 1, which proposed that the highest the proportion of firms that introduce product innovation, the higher the future regional growth. None of the five regressions indicated a significant relationship of *Inov_Prod/Tot* and *GDP_grw* in up to five years for $p < 0.05$. Hypothesis 2, in its turn, was supported. This hypothesis proposed that the highest the proportion of firms that introduce produces innovation, the higher the future regional growth; and that the effect of process innovation comes faster than product innovation. The regression estimating *GDP_grw* with a five years' time-lag found a positive and significant influence of *Inov_Proc/Tot (*0.672 for $p < 0.05$), indicating that the effect of a stronger introduction of process innovation by firms on regional growth starts to be perceived in five years. As the impact of product innovation could not be observed in this period, we may infer that it takes longer than the effect of process innovation, if observed at some point.

Table 1: Characteristics of the sample

State	*Inov_Prod/Tot*		*Inov_Proc/Tot*		*GDP_grw*	
	Avg.	S.D.	Avg.	S.D.	Avg.	S.D.
Amazonas	6.53%[1]	2.22%	5.26%[1]	3.23%	5.33%	3.72%
Bahia	2.46%	2.02%	1.91%	1.13%	3.31%	2.44%
Ceará	1.55%	1.12%	1.41%	1.19%	3.75%	2.65%
Espírito Santo	2.39%	2.93%	1.09%	0.77%	4.45%	5.16%
Goiás	2.27%	1.74%	0.95%	0.44%	4.58%	2.11%
Mato Grosso	1.04%	0.21%	1.43%	1.31%	6.62%[1]	4.18%
Minas Gerais	3.10%	1.28%	2.02%	1.23%	3.01%	3.15%
Pará	0.82%[2]	0.28%	2.45%	2.11%	4.45%	2.95%
Paraná	3.49%	0.96%	2.04%	0.59%	3.40%	3.23%
Pernambuco	0.84%	0.31%	0.59%[2]	0.33%	3.67%	2.34%
Rio de Janeiro	3.85%	1.31%	2.00%	0.79%	2.60%[1]	1.54%
Rio Grande do Sul	4.78%	0.81%	2.65%	0.49%	2.75%	3.33%
Santa Catarina	3.55%	0.82%	2.06%	0.90%	3.25%	2.02%
São Paulo	5.03%	1.19%	2.76%	0.90%	3.15%	2.87%
Total	**2.98%**	**1.23%**	**2.04%**	**1.10%**	**3.88%**	**2.20%**

[1]State with the highest score in the variable
[2]State with the lowest score in the variable

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Figure 1: Variables' tendencies (Total sample)

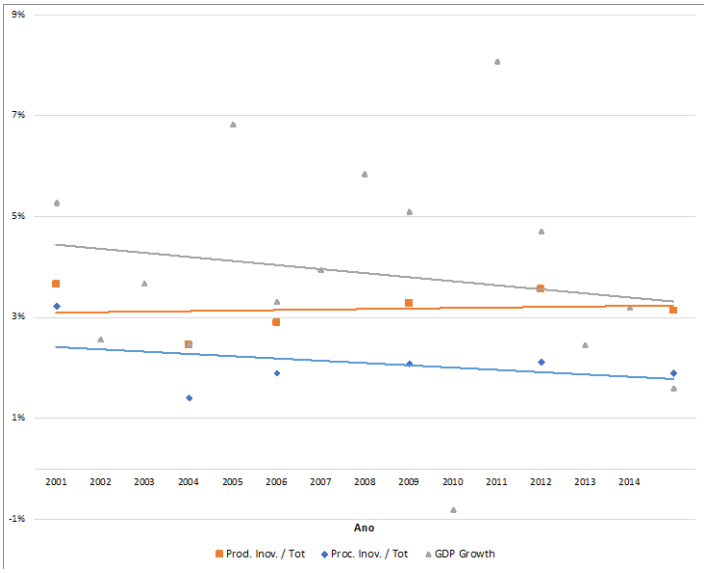

Table 2: Panel Regression (*GDP_gwt* from year+1 to year+5)

	GDP_grw (year + 1)		*GDP_grw (year + 2)*		*GDP_grw (year + 3)*		*GDP_grw (year + 4)*		*GDP_grw (year + 5)*	
	Coeff.	S.E.	Coeff.	S.E	Coeff.	S.E	Coeff.	S.E.	Coeff.	S.E.
Predictors										
GDP_grw (year + i - 1)	0.017	0.153	-0.193	0.124	0.106	0.117	-0.032	0.156	-0.256	0.175
Inov_Prod/Tot	-0.235	0.188	-0.265	0.176	-0.307	0.156	0.137	0.231	-0.396	0.255
Inov_Proc/Tot	0.278	0.244	0.388	0.222	0.060	0.199	0.123	0.259	**0.672***	0.293
Constant	0.028*	0.008	0.052*	0.007	0.039*	0.007	0.024*	0.009	0.054*	0.007
Model Fit										
R2	0.525		0.498		0.386		0.701		0.525	
Adj. R2	0.464		0.435		0.308		0.658		0.457	
F statistic	8.67*		7.81*		4.94*		16.39*		7.72*	

* $p < 0.05$

DISCUSSION

The results of the empirical analysis supported the affirmative that the level of introduction of process innovation by firms in a region brings a faster return regarding economic growth than the level of introduction of product innovation. The regression showed that the effect of the percentage of firms that introduced process innovation in three years in a region has a positive impact on GDP growth after five years. Although the effect of product innovation was not perceived within five years, this may be an indication that the Utterback and Abernathy cycle (Utterback & Abernathy, 1975) effectively occurs and in many cases. Product innovations would be followed by process innovations that improve the new products efficiency and decreases its costs. After around five years after start improving the new products and services through process innovation, performance effects start to be felt by the firms. The new products and services, now with a reasonable price, quality, and which had time to mature and be known in the market, gain market share and increases the firms' revenues. Aggregating this results by the region in which the firms are located, this process influences GDP growth. But not only process innovation is relevant to this process. The previous introduction of innovative products and services were necessary to demand those process innovations. Although not observable in the empirical analysis, these results indicate that, in a time-lag longer than

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five years, the level of introduction of product innovation by the firms of a region may also influence its GDP growth.

Another reason why only the effect of process innovation is perceived may be because a part of the process innovations introduced is not for improving the production process of radical product innovations introduced by the regional firms. They are necessary adaptations of the production process of firms that copied or licensed innovative products from other firms (mostly foreign firms) and are making only simple adjustments. These firms are still at the beginning of the innovation learning curve, not yet able to develop more effective product innovations (Bell & Figieiredo, 2012; Kim, 1997). However, they had to introduce process innovations on the plant floor to adapt their production processes for absorbing the production of these new copied or licensed products. It takes some time to make these adaptations and have an acceptable cost of production and quality. At the same time, the copied or licensed product launched needs time and market efforts to be known and gain market share. Therefore, it is more than expected that process innovations influence economic performance within some years (five years, as observed), even if these process innovations were not a consequence of the previous introduction of product innovations.

CONCLUSION

This paper analysis supported partially the studies that propose that innovation have a positive influence on regional development. In the case of the Brazilian states, the results indicated that the level of introduction of process innovation influenced GDP growth positively with a time-lag of five years, while no influence was found for the level of introduction of product innovation. It is consistent with the hypothesis that suggests that process innovation promote faster results than product innovation not only in the level of the firm but also considering the set of firms at the regional level. The process innovations introduced may be a consequence of product innovations that launched new products or services to the market, which demanded improvements in quality and its production processes. If it is the case, product innovations may also influence GDP growth at the regional level in a longer term, although this hypothesis could not be tested in this empirical study. Another possibility is that the process innovations developed were a consequence of necessary improvements in the production process of firms that copied or licensed new products and services from other firms (mainly foreign). In these cases, nothing indicates that product innovation will influence GDP growth. The introduction of a mix of both types of process innovations may also occur for the set of firms in a region, making the influence of process innovation stronger but without withdrawing the possibility of a following effect of product innovation.

This study has several limitations. First, the various PINTEC surveys ask if the firm introduced innovation (product or process) in a three-year period or not. It does not consider the possibility of a firm to develop a lot of different innovations of each type, which indeed would increase the regional level of innovativeness. It was not also possible to measure if the firm introduced product and process innovation in the same period, which would give more information about the possibility of occurrence of the Utterback and Abernathy cycle. Another limitation is that we had information about 14 of the 26 states of Brazil (not considering Distrito Federal), and not all of them were covered by all the six PINTEC surveys. The last limitation is that GDP growth is not the only dimension of economic development existent, and other variables could be used to form a more complete frame.

Even with the limitations, this study has interesting theoretical and practical implications. The theoretical implications were already analyzed in the discussion section and at the beginning of this conclusion. As practical implications, we may highlight that the government programs which incentive innovation should have two focuses. The first should be on the development of process innovation, which is not strongly focused in Brazil and brings faster results. The second should be on encouraging product innovators to improve its technological learning to be competitive in global markets (Lazzarini, 2015). It is the only way the government incentives can be temporary, and the firms can go further by themselves, contributing to regional economic development effectively.

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ORGANIZATIONAL CHANGE AND RESILIENCE STRATEGIES: A PHENOMENOLOGY STUDY OF MANAGERS IN MULTINATIONAL ENTERPRISES

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ABSTRACT

Business is a complex system. Over the last decade, social forces and the influences of globalization have created challenges to stability and agility in organizations. The literature on management effectiveness and its effect on resilience in organizations is limited. The purpose of this phenomenological study is to examine the effects of change in enabling resilient organizations. Based on qualitative interviews with 21organizational leaders, discussions explored alternative formats to the traditional ways of strategizing business operations. This research will help managers understand the importance of effective management of strategic and disruptive change in building stronger and more vibrant organizations and communities.

Keywords: globalization, change, management, resilience.

INTRODUCTION

The evidence is all around us that business is under pressure to become smarter and more efficient (Marwa & Milner, 2013). The forces of change have moved the business landscape beyond traditional boundaries to global ecosystems that interact to compete, share resources, and innovate (Deloitte, 2018). The complexity that multinational organizations face in a globalized world is astounding. Enterprises that operate in two or more countries and derive revenues from countries other than its home country are considered multinational corporations (Kantur & Iseri-Say, 2012). International trade rules, currency fluctuations, culture, and economic conditions are key challenges that affect these organizations globally. Folke (2006) underscored the interdependence of human societies and interconnected economies to support resource flows.

In today's digital world, technology innovations such as artificial intelligence, the Internet of Things, and data analytics have disrupted the methods, systems, and practices of organizations (World Economic Forum, 2018). Chaotic environments necessitate resilience for organizations. From the organizational context, resilience capability becomes increasingly important in business. In practice, business managers feel the impact of change, but find it difficult to effectively respond to the velocity of change and complexity of activities that too frequently seem beyond management control (Marwa & Milner, 2013). Despite the difficulties, the managerial capability is required to meet the challenges of an evolving line of work. The management literature has typically discussed the concept of resilience concerning disaster preparedness, turbulence, and unpredictability. The gap in the literature suggests a need to develop an enhanced understanding of organizational resilience beyond chaotic events to exploiting opportunities through renewal capacity. The vulnerabilities of contemporary business environments make it important to increasingly look at resilience through the lens of daily business operations.

I address organizational change and resilience strategies from the perspective of managers in multinational enterprise (MNE) settings. The explorative nature of the paper points to the central question of how managers strategize to improve organizational resilience. To understand this phenomenon, I draw on the conceptual framework that puts resilience in the context of complex adaptive systems. The second part reviews the methodology. The third part highlights practices of leaders that underpin business strategies and implications. While the paper cannot explore

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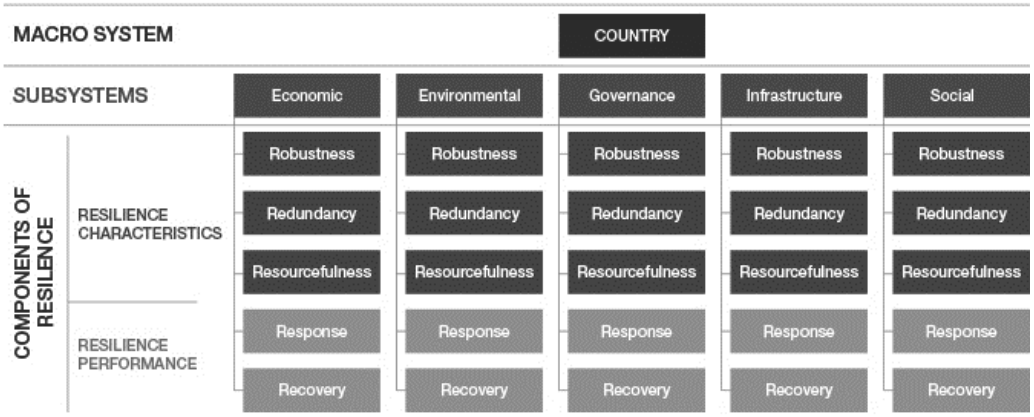
all the managerial implications, I argue the capabilities that might be reshaped for adapting to change in the findings section. I present limitations of the research and make recommendations for future research in the concluding remarks.

CONCEPTIONAL FRAMEWORK

When a business regularly interacts with its environment, and exchanges and processes feedback, it is an open system (von Bertanlaffy, 1972). Organizational systems include people, processes, formal and informal rules and other elements that create a hierarchy for structure and communication. External forces such as natural disasters, social changes, and political changes make organizations vulnerable. Given these dynamics, complex adaptive systems rely on the emergent behavior of its stakeholders to problem solve for smart outcomes.

As a primary tool, I selected the National Resilience Beta Framework (World Economic Forum, 2103) to perceive an international view of resilience and why it is needed. The National Resilience Beta Framework is one of the leading models in contemporary literature that organized information into an open system structure that could sensibly explain the business relevance of resilience to organizational leaders.

Figure 1: National Resilience Beta Framework



Source: Global Risks, 2013 (p. 38) by World Economic Forum.

Using the open system structure, the National Resilience Beta Framework conceptualized a country as a system with subsystems. The resilience characteristics are robustness, redundancy, and resourcefulness. Robustness refers to having scalable decision-making capabilities across the system when needed. Redundancy means to have excess capacity to accomplish the same objective. Resourcefulness means having trusted networks to enable adaptation. The performance elements are response and recovery. Response relates to having feedback mechanisms that allow the business to mobilize quickly. Recovery means to quickly adapt to new conditions.

The economic, environmental, governance, infrastructure, and social elements comprise subsystems of a country that might compare to divisions of an organization. Designed to assess risk, the model looked at the capacity of a country to recover and adapt to a changing environment. For example, adaptability might occur through citizens who act to bring attention to areas relevant to their well-being. As countries experience failing economies, citizens want more input to the governance of their communities. Smith, Ramos, and Desouza (2015) explored how citizens used web technologies such as crowdsourcing to raise funds to benefit disasters. The National Resilience Beta Framework incorporates multiple disciplines in a practical framework.

Building on the organizational resilience discussion, business environments encounter a multiplicity of risks characterized by competition, transformation, and complex operations. Abramson et al. (2015) explained attributes at the individual level or the community level that allow it to collect or conserve resources to recover, withstand, or adapt from disturbances. The researchers described specific ways that the attributes of human capital, economic capital, social capital and political capital are used to counterbalance to social and individual risks.

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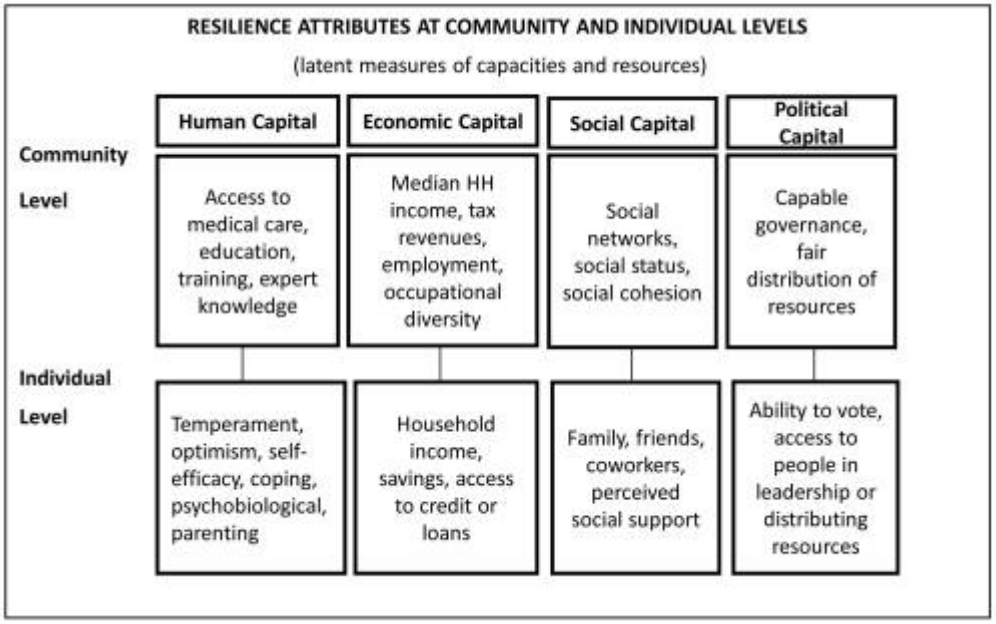
Figure 2: Resilience Attributes at Individual and Community Levels



Source: Abramson, D. M., Grattan, L. M., Mayer, B., Colten, C. E., Arosemena, F. A., Rung, A., & Lichtveld, M. (2015)

LITERATURE REVIEW

It was necessary to take a holistic view of the literature to understand the viewpoints about change, managerial practices, and resilience. My research spanned over 200 articles that were multidisciplinary and multifaceted. I accessed scholarly databases along with reliable industry sources such as World Economic Forum, McKinsey, Towers and Watson, and Deloitte. I selected the pertinent peer-reviewed articles, conference papers, and industry reports to support my research. The succeeding paragraphs provide a historical view the literature.

Over the past 50 years, the central topics of research studies in managerial leadership have been leader behavior, leader vs manager, leader/follow relationships, and various management theories (Yukl, 1989; Yukl & Masud, 2010). During the last 25 years, several streams of literature have broadly focused on organizational change and the types of actions necessary for leaders to cope with changing business environments (Kotter & Schlesinger, 2008). Mostly, research methodologies were surveys administered in different ways.

The inclusion of resilience in business was typically framed from a crises management perspective (Linnenluecke, 2017). The streams of thought have extended foci to globalization, social responsibility, and technological advancement (Suk Bong, Ullah, & Won Jun, 2015). The global consulting firms provide informative articles about job mechanization, business performance, artificial intelligence, and thought leadership. McManus, Seville, Brunsdon and Vargo (2007) conducted a case study that included ten New Zealand communities across diverse industry sectors to look at the process of resilience. The outcome of their investigation identified indicators to assess issues that foster or inhibit organizational resilience.

In more recent times, researchers have shown interest in how adaptability and management skills fit together (Laud, Arevalo, & Johnson (2016). Increasingly, the themes of sustainability, agility, and business practices were reflected in the resilience research. McIntyre, Ivanaj, Ivanaj, and Kar (2016) examined the interplay among government, society, and business in India that moved beyond corporate responsibility to look at the emerging dynamics of sustainability. Largely, the emergent dynamic of organizational situations raised attention to risks that were most troubling to management and systems failures under such conditions of uncertainty.

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METHODOLOGY

The study followed a qualitative research approach to inquiry. Qualitative research includes a variety of methodologies. The value of these methodologies is the contextually rich data produced about how participants experience a given research issue. Neither quantitative method nor mixed methods orientations to inquiry were suitable because quantification of findings was not applicable to the research problem. Epistemologically, the strength of qualitative methodologies is understanding subjective experiences.

Patton (2015) described five research designs that qualitative researchers commonly use: (a) grounded theory, (b) phenomenology, (c) narrative, (d) ethnography, and (e) case study. This study used a descriptive phenomenology study design. Originated from psychological research, the phenomenology philosophy has informed organizational concepts in other branches of social science such as business studies.

Procedure and Subjects

Convenience sampling was used to achieve representativeness of the setting, individuals, or activities selected. Patton (2015) noted convenience sampling as a prominent strategy for qualitative research. Convenience was a primary consideration for sampling technique given the challenge to recruit busy executives and timetable to complete the research. Participants met 100% of the inclusion criteria:

- Work for a multinational enterprise
- Have 5 years or more of management experience
- Work in a top, middle or supervisory position
- Manage dispersed teams or liaise with them to get work done

A guiding principle for phenomenology study sample size is between five to 25 (Creswell, 1998). Data were collected from 21 participants in this study using in-depth interviews. Giorgi's (2009) 4-step method of descriptive phenomenology was followed for its rigor in data analysis. The concept of saturation was bounded by the relevant sample. In this context, saturation occurred when I could find no new data from content analysis.

Table 1: Participant Profile

Participant	Gender	Age	Title	Years of Experience
P1	Female	41-50	Senior Vice President	21-30
P2	Female	61+	Chief Executive Officer	31-40
P3	Female	41-50	Human Resource Director	21-30
P4	Female	51-60	General Manager	31-40
P5	Female	41-50	Human Resource Director	21-30
P6	Male	41-50	Vice President	21-30
P7	Male	61+	Regional Director	41-50
P8	Female	51-60	Executive Director	31-40
P9	Female	41-50	Senior Project Manager	21-30
P10	Male	61– over	President	31-40
P11	Male	61– over	Department Head	31-40
P12	Female	41-50	Sales Director	21-30
P13	Female	61+	President	31-40
P14	Male	51-60	Partner	25-30
P15	Male	31- 40	Consultant	16-20
P16	Female	61+	Senior Executive	31-40
P17	Female	41-50	Implementation Delivery Manager	21-30
P18	Male	41-50	Implementation Delivery Manager	21-30
P19	Male	41-50	Sales Manager	21-30
P20	Male	61+	Director Implementation Services	31-40
P21	Female	41-50	Senior Data Governance Manager	31-40

Source: Pertilla, F. (2018)

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DISCUSSION AND IMPLICATIONS

The main objective of this paper was to address organizational change and resilience strategies in multinational enterprises. Three themes emerged from data collected on the lived experiences of managers (Pertilla, 2018):

- Managers should evolve with the environment.
- Managers should have the capabilities to function at the pace of change.
- Managers should adopt a global mindset.

Taking the themes into account, I incorporated strategies to provide an interpretation of findings and implications of the research. The three strategies described have practical implications for effective management in multinational enterprises. The selected strategies include:

Strategy#1. Build redundant global resources for agility.
Companies that operate in different time zones, natural environments, economies, and governments have many factors that can create uncertainty. Risks affect global firms in many ways—the loss of a supplier might lead to loss of production in a factory, change in an economy might cause change in currency flow or a banking relationship. These situations may present barriers to the flow of goods and services. The more complex the barrier and required resources to overcome it, the more difficult it is for firms to be responsive to customers.

Strategy#2. Build resilience in human capital
The research showed that organizations value people through investment in their professional development. A key action for leaders is to ensure professional development programs that lead to the application of relevant business skills. Technology and skilled labor continue to expose gaps in learning and knowledge transfer in multinational firms. People need problem-solving and teamwork skills to collaborate, integrate, and evaluate their work using timely data, business processes, and systems for efficiency.

Strategy#3. Develop strategic practices
Some managers find it difficult to think beyond their daily routines. Employees experience ambiguity in work expectations when situations require unprogrammed decisions. These behaviors revealed a need to strengthen management orientation toward motivation and goal performance. Organizational change is underpinned by strategic management. The mindset of the global leader is marked by clear intent.

LIMITATIONS

Much of the research on multinational enterprises is positioned from the country of headquarters origin. Many aspects of effective management have not been investigated; mental models based on culture might help explain leadership thinking and its effect on organizational resilience. It is also desirable to have research that includes the perspectives of managers and nonmanagers from different divisions of the same company for stronger representativeness of the sample.

CONCLUSION

In a new era of business, the Fourth Industrial Revolution challenges the way people work, live, and socially interact in all industries and economies (World Economic Forum, 2018). The insights from the National Resilience Beta Framework (World Economic Forum, 2013) and Resilience Attributes at Individual and Community Levels framework (Abramson et al, 2015) give credence to the actionable strategies recommended based on real world practice to improve organizational resilience.

In the future, I recommend a longitudinal mixed methods study to look more directly at scale effects of operations on organizational resilience. Job replacements through automated technologies and artificial intelligence are expected to help businesses run faster and on a more sophisticated level (Brynjolfsson & McAfee, 2014; McKinsey

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Global Institute, 2016). Given the complex times ahead, the evidence is clear that managers should think and act differently (Murphy Enright, Ploetz, & Swarthout, 2018) This outlook positions management as capable of transforming business rather than involuntarily being transformed.

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TECHNICAL EDUCATION INNOVATIONS IN THE CZECH REPUBLIC – CASE STUDY

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ABSTRACT

The Czech industry uses 28.9 % of the country's workforce, which is the highest percentage among the EU countries with the average being 16.5 % (Eurostat, 2017). The low unemployment figures and focus on industrial production in the current period of economic prosperity make it imperative to educate engineering professionals with state-of-the-art skills. This compels technical universities to admit more students. Employers' unions (Industry and Transport Union) as well as particular employers require that schools and universities should supply them with more graduates. The lack of qualified technicians has become a factor that limits further hi-tech advancement of the Czech Republic.
The paper brings some suggestions for innovations in technical education to make it more attractive for students while proving that the demand for technical education is a long term trend with a bright outlook.

INTRODUCTION

The Czech Republic is the most industrialized European country with industry accounting for 37.5 % of its GDP, which is more than the world's average of 29.9 %. The bulk of the Czech industry is represented by the production of machines and cars forming 54.5 %. The Czech industry is among the traditional drivers of the domestic exports, which is important particularly because exports accounted for 80.3 % of the Czech 2017 GDP (World Bank, 2017). This rather narrow strategy focus of the exports is balanced by efforts to strengthen those industry branches that have a high percentage of added value. Thus, technical education becomes a key factor of boosting the knowledge economy. Over the past five years, the Czech Republic, like the whole of Europe, has been experiencing a period of economic boom.

The unemployment rates in the Czech Republic and Germany are the lowest in the EU (CR- 4%, Germany 4.1), in the 15-74 age bracket. The labour needs thousands of additional workers, mostly technical professionals including both blue-collar workers and highly qualified experts such as in the IT or mechanical engineering industries.

While significantly restricting further business activities, this present lack becomes a limiting factor of further economic growth of the Czech Republic.

This situation compels the employers to push schools and universities into encouraging students to study the technical and engineering fields. Although this pressure is by no means of a political nature, it brings about a certain tension between employers and representatives from universities. As there are no tuition fees in the Czech Republic, there is a point in the employers asking the following question:
Universities are funded from public budgets replenished mostly by industrial enterprises. Are universities doing their best to have students enrolling for technical and engineering fields?

Below we will introduce suggestions for a further strategy in technical education. It is based on an analysis of the current situation bringing suggestions for an innovative approach to technical innovation.

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OBJECTIVES AND METHODOLOGY

This analysis aims to point out the stable proportion of engineering graduates, thus, refuting the hypothesis of their declining numbers. Prevailing in Czech society, this theory puts the technical universities in an awkward position in which they have to defend their strategies. The main database used by the analytical part was that of the Ministry of Education, Youth and Sports. There are three dimensions to our analysis – total graduate numbers, technical university graduate numbers, and international student graduate numbers. Our statistics span the period from the beginning of the millennium to 2017.

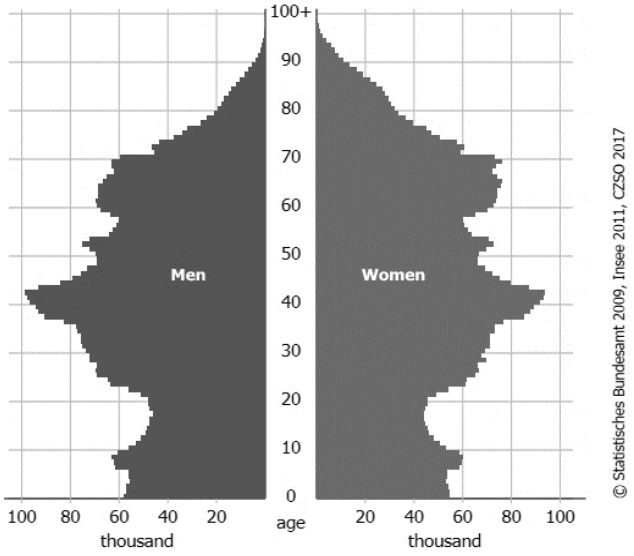
This analytic material is accompanied by a case study from Brno University of Technology, the largest technical university of the Czech Republic. Using a statistical analysis and the outcomes of a qualitative research carried out at Brno University of Technology, the authors define the key factors of a future successful strategy for the development of technical education in the Czech Republic. She comes up with concrete proposals for strengthening the position of technical fields and suggesting ways of discovering and educating technically talented students in the population regardless of their social or physical disablement.

An analysis of this type is among the first in the Czech Republic. Its importance is given by the extraordinary importance of the industrial production and its future in the Czech Republic.

Analysis results

Below is a demographic tree that we used to predict events in the educational market

Figure 1: Predicting events in the educational market



Sources https://www.czso.cz/staticke/animgraf/cz/

It can be seen that the coming generation of the young people in their twenties will be by one-third less numerous than the generation of those who are in their forties today. According to Mr Hanák, president of the Industry and Transport Union, right now there is a deficit of 200,000 employees, mostly in engineering fields. Viewed from this angle, it is obvious that the coming generation cannot fully cope with the current demand of the labour market. No doubt the labour market has entered a rather dynamic period facing entirely new challenges from the gradual spreading of robots and automated production. Nevertheless, exactly this period of unrestrained transfer to fully automated production will require highly qualified, technically educated specialists. While not striving to be a universal cure, the recommendations that the present paper brings seem to be adequate to the present situation in the Czech Republic. The below diagram displays the numbers of the engineering graduates in proportion to the total

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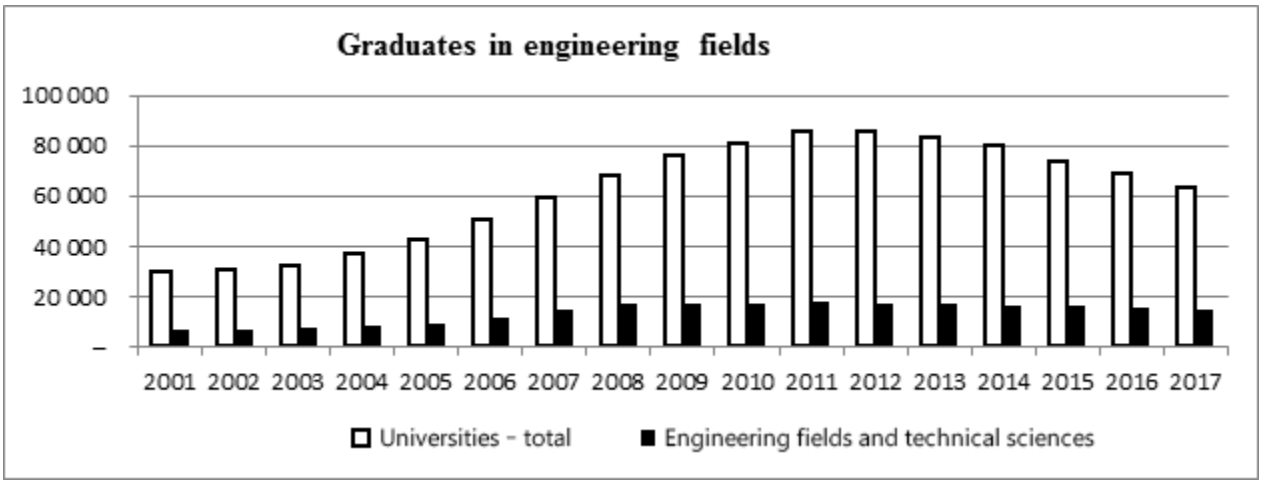
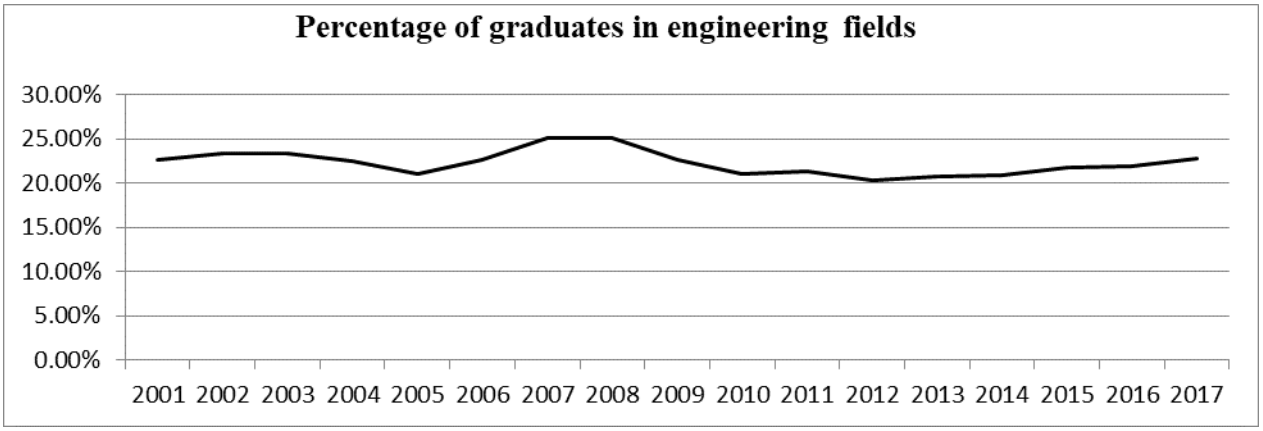
university graduates numbers. This proportion oscillates about 20%, which proves that it is not true that the interest in technical study should drop.

Figure 2: Graduates in engineering fields



Sources: Ministry of education, http://dsia.uiv.cz/vystupy/vu_vs
Graph nu.1: Own processing

Figure 3: Percentage of graduates in engineering fields



Sources: Ministry of education, http://dsia.uiv.cz/vystupy/vu_vs
Graph nu.2: Own processing

The following diagram shows the number of international graduates of engineering fields at Czech technical universities. In a majority of cases, these are Slovak students, who are waived tuition fees and do not have to learn the Czech language because of the close similarities between the two languages. Such an offer is much to advantage for the Czech Republic as many of them will stay and find jobs here after graduation.

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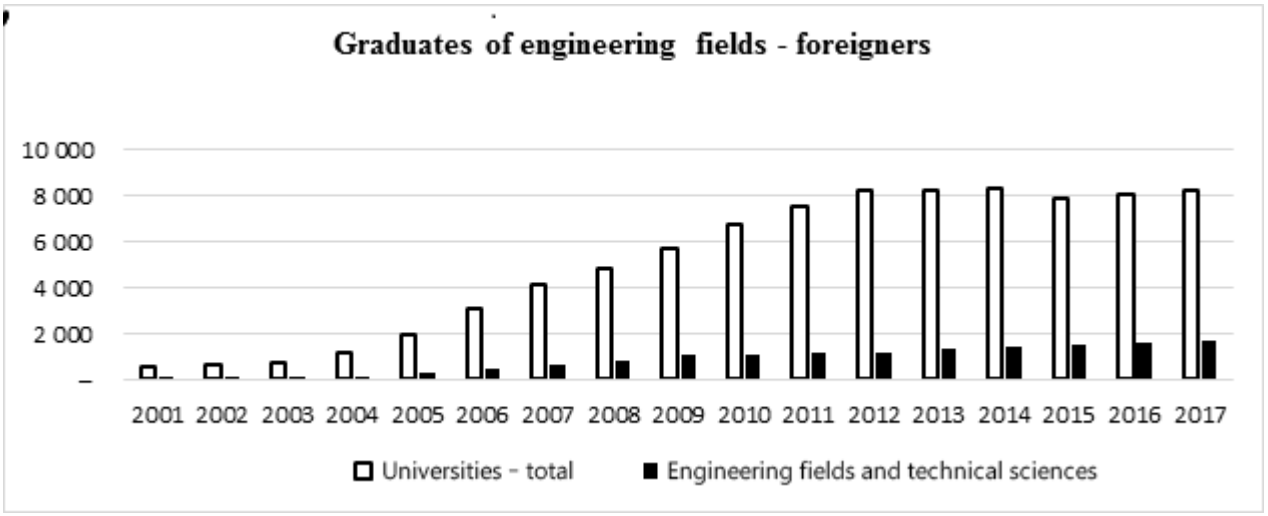
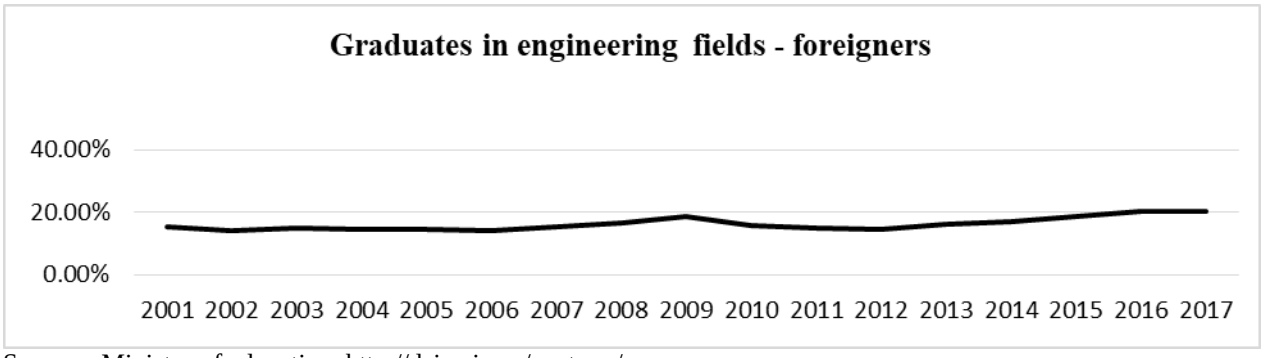
Figure 4: Foreign graduates of engineering fields compared to Univerity totals



Sources: Ministry of education, http://dsia.uiv.cz/vystupy/vu_vs
Graph nu.3: Own processing

Figure 5: Foreign graduates in engineering fields



Sources: Ministry of education, http://dsia.uiv.cz/vystupy/vu_vs
Graph nu.4: Own processing

At present, the Czech economy could not do without foreign labour force. The diagram displays the increase in the number of workers from abroad that has taken place since the split between the Czech and Slovak Republics in 1993. This number began to soar after the Czech Republic joined the EU in 2004.

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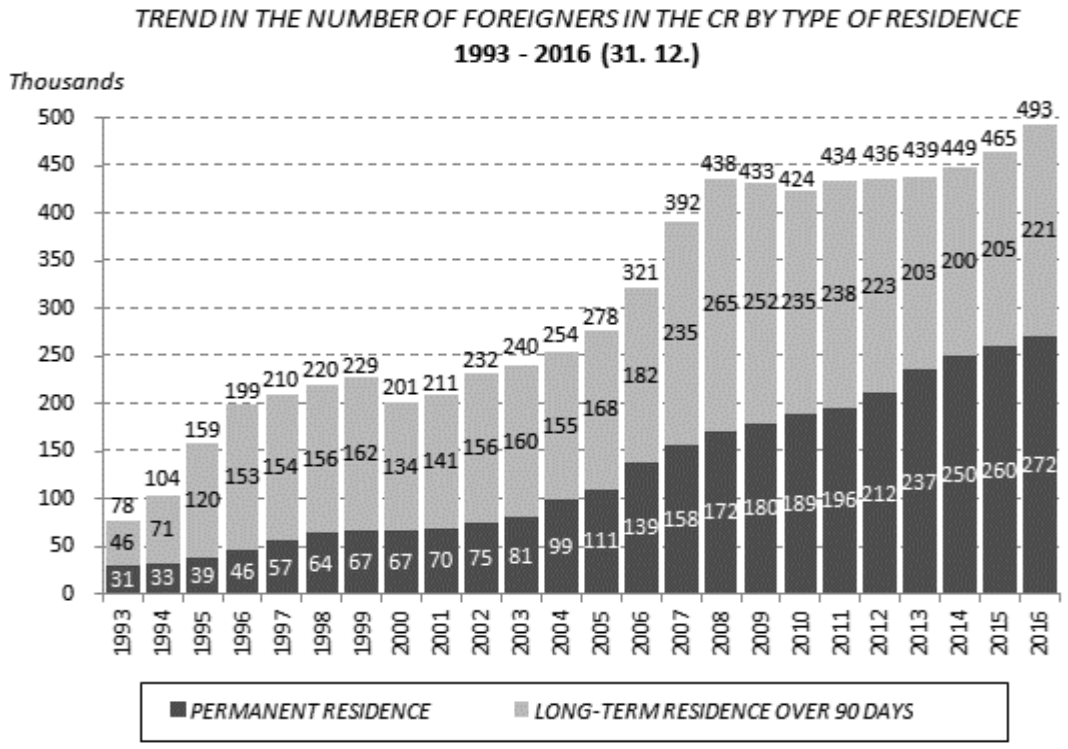
Figure 6: Trend in the number of foreigners in the CR by type of residence



Sources: Ředitelství služby cizinecké policie MV ČR (in ČSÚ) https://www.czso.cz/csu/czso/hmu_cr

Brno University of Technology – case study

In terms of student numbers, BUT is the Czech Republic's largest technical university. In 2017, 19,240 students studied at the BUT eight faculties and two university institutes. This number includes 5,497 women, which is 28.6%. The lowest percentage of female students is at the BUT Faculty of Mechanical Engineering (only 13%); on the other hand, the greatest proportion of them can be found at the BUT Faculty of Chemistry (65%). The number of international students in this period was 4,206 (21.8%) with most of them studying at the BUT Faculty of Information Technology (37.5%).

Faculties and university have embarked on projects in support of technically talented students.

1. Technical skills being developed since preschool age

This is a unique project for the entire Czech Republic. BUT graduates have prepared a very interesting programme for kindergarten children to encourage their technical imagination and improve their manual dexterity. Working in teams, the children can design and, subsequently, carry out various technical tasks. There are several kindergarten already working with this programme.

A great deal of work for the popularization of science and research has also been done by the VUT JUNIOR technical university intended for children aged 12 to 16 years. For a period of one year, children will visit all the BUT faculties and attend the usual events of a standard academic year such as matriculation and graduation.

2. Increase in the number of female students in technical fields

The number of female students at BUT is low. In the Czech Republic and Europe, technical education is regarded as being suitable mainly for men. Some attempts have already been made to break this stereotype such as at the Faculty of Information Technology where regular one-week courses are held in holidays designed for secondary-school female students.

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Winning more female students who could achieve at least a bachelor degree is a big challenge for technical universities.

Part of the gender oriented activities and projects is also the study, Engineering Topics Attractive to Female Researchers, or the BUT promotion campaign, I Belong Here, designed to attract female students to studying technical fields. This campaign has won the EUPRIO Award 2017 as the best marketing event of a European university receiving credit from the international jury for its social responsibility.

3. Individual approach to disabled students of technical fields

An *Alfons* initiative has been launched at BUT to help disabled students. A number of engineering fields such as information technology is suitable for students with specific needs and, mostly physical, disabilities. Creating favourable conditions for talented students with such needs has become a standard part of active measures in the Czech Republic.

4. Post-gradual programmes customized to suit individual companies

Making the doctoral programmes more appealing has become imperative for technical universities. Not only research institutions but hi-tech companies and development centres as well require scientifically educated graduates. Customizing programmes to suit the needs of companies seems to be a viable solution with increased cooperation between universities and the commercial sphere bringing the benefits of synergy as well.

5. Closer cooperation between Czech universities – sharing best practices

Due to its population size of 10 million, the Czech Republic offers ideal opportunities for closer cooperation between technical universities. To increase the competitiveness of the Czech economy, it would no doubt be desirable for students, at least the doctoral ones, to have access to the industry best experts. These should offer consultations or joint lectures. Such a cooperation type must be institutionalized as part of the standard inter-university cooperation platform.

These recommendations can make the technical fields more attractive. They should also help disabled students to overcome their difficulties in developing their technical talents as well as motivate female students to opt for technical fields.

SUMMARY

The specific situation of the Czech labour market requires further technicians and engineers. In view of the country's advanced industrial background, such requirements can be expected to stay topical also in the coming decade. We are aware of the fact the economy cycles as well as the coming automation and robotization of production will influence the labour demand.

Still, we believe that the country's industrial focus will always provide better job expectations for technically educated people in the coming years. The teaching of and interest in engineering can be innovated in many ways. Some of them are described by the present paper.

Being based on statistical data and monitoring the situation in technical education since the beginning of the century up to the present, the paper is mostly of an analytic nature. It also suggests steps that can help start a new stage in technical education.

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MALECÓN 2000 AND ITS INCIDENCE IN THE TOURISM OF GUAYAQUIL CITY

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ABSTRACT

This article aims to identify how the Malecón 2000 affects the tourism of the city of Guayaquil, which constitutes for the city the first place of preference in visits. The results of the study show 50% satisfaction, which means that the other 50% want more innovation in activities. The conclusions of this study indicate that we must continue to do what is right and reinvent continuously to generate resources for the productive system of the city.

Keywords: First place, satisfaction, Malecón 2000, tourism, Guayaquil.

INTRODUCTION

Guayaquil stands out in Latin America thanks to the Malecón 2000 which in the past was merely an old and weak dock. (Alemany, J., 2015, p.73)

The planning of the Simón Bolívar Malecón (the original name of Malecón 2000) took place in 1997, construction started in 1998, it has been operating for 17 years. Through private and public investments, the Malecón 2000 megaproject was completed, over 2.5 km. on the Guayas River. It is the most visited place in Guayaquil, brought with it a general urban, commercial and economic repowering in all its surroundings. Under the direction of The Malecón 2000 Foundation, a non-profit private foundation, here you can find the following points of tourist interest: Museum of Contemporary Art; Garden of the Malecón; restoration of the Southern Market; Mall; restaurants; children's play area; docks for boats on the river; IMAX cinema, etc. (Alemany, J., 2015, p.82).

As the tourists said, the hours are quickly passed on the Malecón 2000. One reason is the access of children to fun, by several playgrounds, which favors the permanence of tourists. It is the first point of attraction for travel agency packages, because it has constant maintenance of its paving stones, with cleanliness, security, extensive parking area, monuments, viewpoints, artificial lagoons with fish, variety of birds, variety of dishes, river and tourist ground transportation, fresh air by the proximity of the Guayas river and also because the buses passing by its surroundings are controlled, minimizing black smoke. According to what has been observed about security, at each stage of the Malecón 2000, there are a large number of security cameras watching, with vigilant staff day and night, as well as civilians monitoring with trunked radios.

The Foundation web page refers to its motto: "All in one place. Fun, Nature, History", makes constant publications of the updated activities of Malecón 2000, however it would be more impressive that this information can be broadcasted live on several tactile information screens located at strategic points along the Malecón 2000.

In addition, innovative activities are continually implemented in order to keep the expectation of its visits alive, such as internet cafeterias, the Ferris Wheel “La Perla”, at Christmas there is the living Nativity and the biggest Christmas tree, the dinosaur park, and also several promotions and distractions. Many families are benefited economically by exercising commercial activities in this tourist icon. Entrepreneurs could be considered satisfied, because of the number of years they have kept their business on the site and because during the observation there were no empty local commercial, which is an indicator that tourists respond to that demand.

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However, according to the MALECÓN 2000 study: A FRIENDLY ARCHITECTURE WITH THE ENVIRONMENT IN GUAYAQUIL, ECUADOR. VALUING THE RECREATION WITH THE TRAVEL COST METHOD, indicates that the Malecón 2000 could take advantage of the surplus of $ 46.28 per visitor, this value is the difference between what the visitors really spent and what they were willing to pay. While, for people with incomes over $ 1,600, which come in lesser measure, this is the opportunity to offer them other types of activities, maintaining the quality of existing ones. (ESPOL, 2015).

Under this approach the following question arises: How the tourist attractions of the Malecón 2000 have influenced the influx of visitors to the city of Guayaquil?

Objective

Malecón 2000 has had an impact on tourism in the city of Guayaquil, since it has a large influx of domestic and foreign tourists, in the food courts, kiosks, playgrounds, shopping center and throughout all its path, especially from Thursday to Sunday and holidays.

MATERIALS AND METHODS

The aim of this study is to know the opinion of the visitors of the Malecón 2000, about its influence in the increase of the national and foreign tourists in the city of Guayaquil, in the technical data sheet of the investigation it is cited that the type of research that has been used is the descriptive one. The sampling technique is probabilistic. A data collection was carried out, using the survey technique (a total of 30 surveys) and the questionnaire instrument, interviewing business owners, as well as taking photographs. The present study was carried out in the city of Guayaquil, to 30 visitors of the Malecón 2000. And the analysis technique by frequency, percentage and correlation table was also used.

Thus, based on the infinite population obtained in table 2, (below) the sample of 30 visitors was calculated with the following formula: $n = \frac{N}{(N-1)E^2+1}$, where N represents the population, E represents the error and n represents the sample.

The type of sampling used is the simple random probabilistic, with the aim of inferring the results of the sample to the population, data taken in weekends of April and May of 2017. Regarding the first of the criteria, on gender: masculine was 65%, feminine 35%. In the table 1, there are the main descriptive statistics of the sample.

Questionnaire

A questionnaire with the aforementioned variables was elaborated. Closed questions of the dichotomous and multiple-choice category were used. In order to validate the questionnaire, it was revised several times until it was finalized. First, the initial questionnaire was revised by some experts on the subject. Then a pilot test of the questionnaire was carried out to know if it was fully understood and to count the average time of execution of the survey. Below is table 1, which shows the descriptive statistics of the sample of 30 visitors, in which the most relevant and valuable results are: only 7% of the sample were of foreign origin, this is due to the fact that foreign visitors travel grouped under the guidance of a tour guide, which prevents access to them. About the reason for the visit, 30% indicated that they preferred the playground and recreation area, with an average stay of 3 hours, referred 37%. In addition, 67% of the sample was satisfied with the existing tourist attractions.

Related to Table 2, the Technical Data Sheet of the research is presented, with the information referring to: Population, Geographical Scope, Type of Sampling, Study Period, Sample Size, Sample Error, Sample Design, Statistical Techniques, and Statistical Program. Regarding the following table 3, the premises of the calculation of the population are presented.

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Table 1: Descriptive Statistics of the sample

Variable		Frequency	Percentage
· Gender	Male	19	63%
	Female	11	37%
· Age	18-25	3	10%
	26-35	9	30%
	36-45	9	30%
	> de 45	9	30%
· Occupation	Student	3	10%
	Public employee	13	43%
	Private employee	7	23%
	Independent	3	10%
	Other: Housewife	4	14%
· Place of residence	Guayaquil	23	77%
	Durán	3	10%
	Loja	2	7%
	Colombia	2	7%
· Preference of tourist attractions	Playground and recreation area	9	30%
	Theater IMAX	8	27%
	The Ferris Wheel "La Perla"	5	17%
	No comment	8	27%
· Satisfaction of tourist attractions	Yes	20	67%
	No	10	33%
· Higher consumption	National tourist	21	70%
	Foreign tourist	9	30%

Own elaboration

Table 2: Technical data sheet of the investigation

Population	366,779 Guayaquil visitors, airplane transport, leisure trip reason, year 2015, see table 3.
Geographical scope	Local (Guayaquil), Entrance doors to the Malecón 2000
Sample size	30 tourists
Sample error	18% (p = q = 0.5)
Confidence level	82%
Type of sampling	Simple random probabilistic
Sample design	Personal survey, personal interview, taking pictures
Date of field work	Weekends of April and May 2017
Statistical techniques	Descriptive analysis
	Correlation between variables
Statistical program	Excel version 2010

Own elaboration

Table 3: Calculation of the Guayaquil tourist population

TOURISTS WHO VISITED GUAYAQUIL IN 2015	Tourists	Air transport		Travel theme: leisure, recreation	
Number of foreign tourists who visited Guayaquil in 2015	546.856	79%	432.016	46%	198.727,47
Number of national tourists who visited Guayaquil in 2015	1.739.662	21%	365.329	46%	168.051,35
TOTAL TOURISTS WHO VISITED GUAYAQUIL 2015	2.286.518		797.345		366.778,82

Source: Guayaquil Tourist Observatory 2015

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In reference to table 4, the motivations that tourists had to visit Guayaquil during 2015 are presented, in which it can be observed that the most preferred reasons to come to Guayaquil are: knowing, having fun and walking in the city, 37 % (Santa Cruz, D, Mesa, W & Cazorla, MD, 2016, p.10). Guayaquil became the most visited city in Ecuador in 2014, according to El Comercio newspaper, a situation that was repeated in 2015, once again occupying the first place according to the Tourist Observatory of Guayaquil.

Table 4: Motivations of tourists to visit Guayaquil during 2015

Motivations	**%**
Meet, have fun and walk in the city	37%
Only transit through the city	21%
Visit family member (s) or friend (s)	17%
To work	12%
Study	6%
Attend a conference, seminar	4%
Make purchases	2%
Others	1%
Total	**100%**

Source: Santa Cruz, D, Mesa, W & Cazorla, M.D., 2016, p. 10

RESULTS

The results are presented in the following 4 tables. The information presented in this section, presents the positive causes for which the Malecón 2000 is preferred and in turn there are weaknesses observed by the visitors, in order to mitigate them.

Time of stay of the tourist

Below is table 5, where it can be seen that visitors have a greater preference for staying an average time of 3 hours on the Malecón 2000, with a percentage of 37%, 2 hours represents a 27% preference and for 4. The schedule and the time of visit are basic concepts for the determination of the load capacity. Twelve hours are considered only in places where only one group is allowed at a time. Visiting time for most sites ranges from 15 minutes to 4 hours. (Amador, E., Cayot, L., Cifuentes, M., Cruz, E. & Cruz, F., 1996, pp. 13, 17).

It should be noted that there is no time limit to visit to remain on the Malecón 2000, as there are in other tourist places. The Malecón 2000 is open 24 hours a day and the Malecón 2000 Shopping Center has a visiting schedule that is from Monday to Sunday from 10 am to 8 pm.

Table 5: Distribution of frequencies related to the time of stay of the tourist

Items	Theme		**Always**		**Almost always**		**Sometimes**		**Hardly ever**		**Never**	
			F	%	F	%	F	%	F	%	F	%
5		1 hour	0	0%	0	0%	0	0%	0	0%	0	0%
		2 hours	8	27%	0	0%	0	0%	0	0%	0	0%
		3 hours	11	37%	0	0%	0	0%	0	0%	0	0%
		4 hours	6	20%	0	0%	0	0%	0	0%	0	0%
		More than 5 hours	5	17%	0	0%	0	0%	0	0%	0	0%
		Total	**30**	**100%**	0	0%	0	0%	0	0%	0	0%

Civil security

Table 6 indicates that the satisfaction of civil security is 50%, considering the grouped results of always and almost always. As a general rule, we tend to visit only those destinations that are presented as safe (Schluter, 2008).

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a. Guards with tourist guide knowledge

Regarding comments on safety, in table 6, 23% made the observation that the guards should have knowledge of tourist guide to help tourists, which could be evidenced by the ignorance of tourism activities that could be done by visitors on the Malecón 2000 and not being able to use a guide. In this case the guards are the first people who should collaborate with the concerns of the visitors.

It is very rewarding that when you visit a place you can find brochures where the updated points and activities to be done in that site are displayed and especially when there are people willing to provide accurate information, when asking for a reference. Then the proposal is that the guards should be trained in knowledge of tourist guide, complementing the tourist communication strategy, in the vicinity of the access doors with screens with the information of the Malecón 2000 website and the location of the places, so that this information is accessible at the moment that visitors are around the area. Cultural tourism has the attribution of revealing and valuing one of the fundamental components of living culture: the identity of a territory (Cluzeau, 2000, p.122).

Table 6: Distribution of frequencies related to civil security in Malecón 2000

Ítems	Theme		**Always**		**Almost always**		**Sometimes**		**Hardly ever**		**Total**
			F	%	F	%	F	%	F	%	
1	Civil security	Civil security satisfaction	6	20%	9	30%	9	30%	6	20%	100%
7	Comments on	1: Robbery in Santa Ana hill	2	7%	0	0%	0	0%	0	0%	0%
	security	2: Guards should have knowledge of tour guide to help tourists	7	23%	0	0%	0	0%	0	0%	0%
		3: Informal sellers infiltrated	7	23%	0	0%	0	0%	0	0%	0%
		4: More support from the national police (only metropolitans)	2	7%	0	0%	0	0%	0	0%	0%
		5: Distracted Guard, not perennial	5	17%	0	0%	0	0%	0	0%	0%
		6:Informal sellers infiltrators ringers	2	7%	0	0%	0	0%	0	0%	0%
		7. No comment	5	17%	0	0%	0	0%	0	0%	0%
		Total	**30**	**100%**	0	0%	0	0%	0	0%	

b. Informal sellers infiltrated

With reference to table 6, the infiltrated informal vendors represent a limitation, since 23% of the informants criticized this item. What is closely related to the other item that deals: They are bellmen for criminal activities, with their participation of 6%. Regarding the informal vendors who continually enter the Malecón 2000, without authorization, it was visually evident that although they are expelled by the guards, they are everywhere and offer a diversity of products, which are transported clandestinely in their backpacks. There is control, however, informal vendors outnumber the guards; this is why they should be reassigned to other places to sell their products.

Informal employment as of September 2016, reached 44.5%, according to El Comercio newspaper. Social prevention reduces the chances of becoming a potential victim by reducing opportunities, making violent crime more difficult, riskier or less advantageous (Frühling, H, 2012, p.61). So the repression could be harmful, leading to commit crimes in order to get food. Putting more repression in criminal systems has no correlation with lowering crime rates, according to several criminological explorations carried out in other countries, so more rigor does not guarantee having less crime (Fuentes, 2003, p.25).

Thus, in the case of Malecón 2000, should strengthen its security with drones. Which have three basic advantages that are: Reduction of labor risk, Access and operation in areas of high risk or difficult access and cost reduction. It reduces the operator's risk, at the moment of not exposing his life, by being in distant places. They have access to high risk areas such as precipices, minefields or places that are not safe for people. Costs are reduced by dispensing with a pilot, aircraft, fuel and permits. (Pichucho, D.A., & Chagna Ontaneda, R. R., 2016, p. 9).

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Satisfaction of tourist attractions

According to table 7 there is a very high percentage of 67% satisfaction of tourist attractions, being the most representative the playground and recreation area. When people have a space for recreation, where they can chat quietly, establish social relationships with a purpose in life, "The service", the development and progress of the city, forge a good social capital. Like other forms of capital, social capital is productive and provides material benefits to people who are connected to other people or groups (Valencia-Garcia, Simoni, Alegría and Takeuchi, 2012). The authors demonstrated that communities with high social capital tend to present high levels of educational attainment, public institutions with better performance, greater economic growth and less crime and violence. Lauder, Kroll and Jones (2007) related high social capital with greater civic participation, high levels of trust among community members and greater psychological well-being, Leandro-Rojas, M. (2014). Having green and recreational points in the city of Guayaquil is a great help to relieve the daily symptoms of stress, which usually lead to mental disorders, or bad relationships that lead to other social problems. The World Health Organization (WHO) estimated that 35% of the economic losses due to illness in the world from 2011 to 2030 will be due to mental illnesses (World Health Organization, 2009). The World Health Organization (WHO) and the Pan American Health Organization (PAHO) declared the Malecón 2000 gardens as a "healthy space" for the health and life of the inhabitants of the city, in 2003 (El Universo newspaper, 2003).

Surroundings of the tourist attractions

Table 8 shows that the first indicator of 30% is related to the cleaning of bathrooms, the river, to increase the frequency of cleaning on holidays, 17% think that tourist guides are missing, which confirms the results of table 6 above, which indicated that the guards should have knowledge of tourist guides, because the guides are very important so that you have a better image of a tourist spot.

Table 7: Distribution of frequencies related to the satisfaction of tourist attractions

Items	Theme		**Always**		**Never**		**Total**
			F	%	F	%	
1		Satisfaction of tourist	20	67%	10	33%	**100%**
4	Attraction	Playground and	9	**25%**	0	0%	**0%**
		Theater IMAX	8	**30%**	0	0%	**0%**
		Ferris wheel "La Perla"	5	**20%**	0	0%	**0%**
		No commenrt	8	**25%**	0	0%	**0%**
		Total	30	100%			**100%**

Table 8: Shows the frequency distribution related to the maintenance and others.

Ítems	Theme		**Always**		**Never**	
			F	%	F	%
13	Maint enance and others	1: There should be more frequency of cleaning on holidays.	3	10%	0	0%
		2: There should be more frequent cleaning of bathrooms, (uneducated people)	3	10%	0	0%
		3: Clean the river	3	10%	0	0%
		4: La Perla should take another turn, it's very expensive	3	10%	0	0%
		5: Always innovate	1	3%	0	0%
		6: There should be more people singing, more shows, music	1	3%	0	0%
		7: There should be machines that change coins for animal food supplier	1	3%	0	0%
		8:There should be a place of fast food in the middle of the Malecon 2000	1	3%	0	0%
		9: Maintenance of wooden bridges	2	7%	0	0%
		10: There should be rides for teenagers	3	10%	0	0%
		11: Play country music as a background	3	10%	0	0%
		12:Need more guides	5	17%	0	0%
		13: No comment	1	3%	0	0%
		Total	**30**	**100%**	0	0%

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Comparison of the level of expenditure of national and foreign tourists

According to interviews with business owners, the following information was obtained. Table 1 (above) indicates that the national tourist in reference to consumption represents 70% compared to the foreign tourist who consumes less than 30%. So it can be seen that foreign tourists prefer to consume drinks, soft drinks, ice cream and clothing. Domestic tourists prefer to consume all kinds of foods and are more dreamers. On the other hand, foreign tourists prefer to visit the Ferris wheel, the museums and El Cerro Santa Ana. Tour guides are very helpful for seniors and people afraid of the unexpected. However, they are not preferred by people who want to live more experiences and have more contact with the natives of the place. A good agent has some personal counselor, psychologist and expert in the art and science of traveling. Agents not only know the advantages and disadvantages of different forms of travel, its rates and schedules, but in many cases also act as advisors to adjust travel services to the personality of the client. García Oro, E., Cruz Pérez, M., & Leyva Velásquez, N. (2009).

CONCLUSIONS

The binomial heritage and nature of the Malecón 2000, represents a great attraction for tourists who come to this place, which would be very well complemented with smiling guards who can guide tourists who come without a tour guide. Although installing touch screens informing of activities to be carried out, it is a better option. Having a city lung is a source of pride and a positive point for sustainable tourism, with regard to the year 2017, the international year of sustainable tourism.

Knowing that the average stay of visitors is three hours, this is a basis to offer other activities that generate more resources to the Malecón 2000. Have present reinvent, always innovating to generate greater economic income for tourism in the city, by the umbrella effect of tourism that benefits everyone.

Related to informal employment, it is a latent issue at the local, national and international level, the result of the management of the national economy, repression and control is a patch solution, so more recreation points should be created, with the purpose of generate more jobs, In the shopping center it is recommended to play national music in the background and the formal vendors do not harass tourists.

In the case of the local visitor that the family core of the society, can count on a wide place of recreation is very positive for the social psychology of the city. Healthy distractions at recreation points promote harmony, coming together in a happy society. In the opinions were mentioned the before and after of the Malecón 2000, so it was concluded that they wanted to be always well managed and cared for, as it is today, in addition to fresh air and green areas for family recreation

As a final part of this conclusion, the scope of the objective that was to identify how the Malecón 2000 has impacted on the tourism of the city of Guayaquil, demonstrating that there is an influence on local and international tourism, is mentioned. The Malecón 2000 is an icon of the city of Guayaquil and a reference site for tourists, in addition to the commerce that makes life in the Malecón 2000 transmits substantial improvements in it. It is evidenced by the time of the tourist's stay, the satisfaction of tourist attractions, and the level of national and international tourist spending.

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OPEN INNOVATION PRACTICES AND SMALL AND MEDIUM ENTERPRISES (SMES)

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ABSTRACT

Despite increased interest in open innovation strategy and its importance to many organisations, its adaptation has been erratic in SMEs in the food sector. Open innovation strategy has been successfully practiced in many high-tech and multinational enterprises as evidenced in the literature. Food sector SMEs face various complex challenges in the modern competitive market. Innovation in the food industry is increasingly based on the decisions and activities of organizations, but other entities such as suppliers and players imply in developing innovative products are also involved in the innovation system. Although empirical studies regarding open innovation in the food industry are scarce, existing research reveals how various firms succeeded in overcoming some of the potential barriers to open innovation. This study reviews the potential benefits of practicing open innovation strategies in food sector SMEs using a social exchange theory perspective.

Keywords: open innovation, food SMEs, OI challenges, potential benefits of OI practices, social exchange theory.

INTRODUCTION

The concept of open innovation has become a popular phenomenon in both the US and Europe in the last decade (Chesbrough, 2003). Many small and medium-sized enterprises depend on innovation to gain sustainable competitive advantage (Parida et al., 2012). However, the typical success rate in terms of successful innovations tends to be lower than expectations. This is mainly due to the complexity, high level of risk alignment and uncertainty inherent in the innovation process (Cooper et al., 2003; Griffiths-Hemans and Grover, 2006; Koufteros et al., 2005). In addition, innovative development is uniquely challenging for small and medium-sized firms as a consequence of the 'liability of smallness' which means that SMEs have limited financial resources (Grando and Belvedere 2006). Furthermore, a lack of multidisciplinary competence bases and poorly structured innovative approaches can impinge upon the abiity of SMEs to innovate and gain competitiveness (Bianchi et al., 2010; De Tony and Nassimbeni, 2003; Ozuem et al., 2016).

Recent studies regarding innovation technology management have underscored the potential benefits of open innovation processes. They describe a shift from traditional, or closed innovation models with a major focus on internal Research and Development (R&D) towards open innovation approaches (Chesbrough, 2003; Parida et al., 2012; Ozuem, Howell and Lancaster, 2016). Engaging open innovation actively uses and exploits the inward and outward transfer of knowledge and technologies (Chesbrough et al., 2003). The food industry is considered to be one of the most significant growth sectors of the national economy across the globe. It has a high ranking in terms of employment, turnover, and value-added investment. The food processing industry has traditionally been characterised as the most reluctant to change in terms of technologies (Brasili and Fanfani, 2006). From a historical perspective, the food processing industry is associated with low technology. In fact, R&D activities in the food industry are considered to be secondary activities when compared with other industrial sectors such as the chemical industry and the Information and Communication Technology (ICT) industry (Samadi, 2014).

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Even though multinational food companies invest heavily in R&D, most large and multinational companies do not have the means to invest in modern laboratories and intensive research. However, it is noticeable that the food industry has dramatically changed over the last decade. For instance, competition has been amplified in both national and international markets and the industry has encountered a string of threats to food safety. Furthermore, cultural and environmental issues have emerged and evolved in food debates (Avermaete and Viaene, 2002).

THEORETICAL CONTEXT

Understanding how to manage innovation successfully is significant at a time when change becomes a requisite survival strategy. At the same time, it is a risk-taking strategy because it can lead to organisational failure (Olleros, 1986; Tellis and Golder, 1996). Many innovation management studies are normative in nature, and focus on how to innovate successfully. Given that fact that innovation management has changed over the last few decades, it seems that many companies have unique notions of what counts as success or best practice (Rothwell, 1994). However, historical divisions may have been accurate in past years, and modern innovation practices advocate that organisations do not automatically decide what best practices are, as prescribed by the dominant model of their time. (Ortt and Van der Duin, 2008). In fact, innovation managers often decide innovation process based on a context.

The term 'Innovation' is increasingly used in all fields of science. Innovation is increasingly recognised as making a significant contribution to organisational success, performance, and survival. Innovations vary significantly in their nature. Damanpour et al (2009) advocate that the urgency of an organisation's innovation management process is often determined by pressure from the external environment. These factors include competition, deregulation, isomorphism, scarce resources and customer demand (Baregheh et al., 2012; O'Keffee et al., 2016). Damanpour (1996) defines innovation as a multifaceted construct that encompasses the generation, development, and implementation of an idea or behaviour which is new to the adopting organisation.

Companies rarely innovate on their own, but instead tend to cooperate with agents (Bayona-Saez et al., 2017). Innovation processes are systematic and interactive. Research on the interactive process has increased following Chesbrough's (2003) publication. There has been substantial colloquium apropos of the categorisation of innovation. Open innovation is a recognised example of innovation management in the business world. In addition, open innovation is one of the more recent innovation strategies in business management research. Chesbrough (2003) coined the term 'Open Innovation' to describe a shift in the innovation paradigm from closed or in-house R&D of new products to an open innovation model which is associated with internal and external ideas, knowledge and technologies to create and commercialise new products and services. The open innovation is described as "the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand markets for the external use of innovation (Chesbrough, 2003)". OI encompasses the most important changes to innovation activities which can be characterised as more distributed, multidisciplinary, trans-border cross-institutional and inter-temporal than those that were salient in the 20th century which were confined to one conceptual framework (Bianchi et al., 2011; Chiaroni et al., 2011; Dalhandera and Gann, 2010; Huizingh, 2011). This framework postulates that innovation is significantly achievable beyond R&D activities. Rather, innovation can be viewed as a consequence of the smart and targeted combined use and application of knowledge and competences with special emphasis on the willingness to integrate third party 'knowledge and abilities into one organisation's activities (Vanhaverbeke & Cloodt, 2014).

In a broad sense, the main understanding of open innovation implies that innovations result from sharing competences between different players along and beyond the value chain, with implications for external relationships (Chesbrough, 2003; Chesbrough et al., 2006). It has long been assumed that open innovation was the preserve of larger organisations. A redefined open innovation definition is 'open innovation as a distributed innovation process based on purposively managed knowledge flows across organisational boundaries, using both pecuniary and non-pecuniary mechanisms in line with the organisation's business model.' This flow of knowledge may involve external knowledge sources through internal process, knowledge outflows from core organisations leveraging internal knowledge through external commercialisation processes and coupling external knowledge

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sources and commercialisation activities (Chesbrough, 2003a, 2006b; Gassmann and Enkel, 2004; Dahlander and Gann, 2010; West and Bogers, 2014).

Early research on open innovation mainly focused on the adoption of open innovation approaches and practices in large high-tech industries such as IBM (Chesbrough, 2003), Xerox, Addidas (Piller and Walcher, 2006) and Proctor & Gamble (Dodgson et al., 2006). These organisations managed innovation and new product development as internal processes, and profoundly depended on their own knowledge, R&D capacity and technology to develop new products in their own laboratory which represented significant strategic assets (Wynarczyk, 2013). The 'closed innovation paradigm' labelled by Chesbrough (2003) provided a considerable entry barrier for potential competitors, particularly small and medium-sized firms which typically retain competitive advantage and lead time in the marketplace (Teece, 1986). Subsequently, research advocates that open innovation strategies are also being practised in small and medium-sized firms (Bianchi et al., 2011; Lee et al., 2010; Van de Vrande et al., 2009; Wynarczyk, 2013). However, empirical studies on open innovation practices in small and medium-sized enterprises remain relatively scarce (Wynarczyk et al., 2013).

Social Exchange Theory (SET) is based on quondam theory of social behaviour, in which any interaction between individuals is considered as an exchange of resources (Homan, 1958). Blau (1964) first applied the term "theory of social exchange" to explain social collaboration. According to Emerson (1976), the SET posits that individuals barter resources with one another to receive something in return. This is a form of reciprocity which motivates users to engage in group behaviors in interdependent relationships (Shiau and Luo, 2012). The outcome of an interdependent relationship depends on the combined efforts of both parties (Cropanzano and Mitchell, 2015; Huang et al., 2018).

SET is one of the most influential theories in management (Cropanzano and Mitchell, 2005). Unlike economic exchange theory, which mainly concentrates on external benefits and involves transactions, SET emphases internal rewards and requires trust (Gefen and Ridings, 2002; Liao, 2008). Trust and commitment are key indicators of the strength of business relationships and are driven by measurements of past performances (Auntry and Golicic, 2010). SET postulates that individuals contribute to a common, or shared pool of benefits and take what they want to meet ad hoc needs.

MANAGERIAL IMPLICATIONS AND CONCLUSION

Innovation is one of the most significant factors enabling firms to challenge major competitors in both national and international markets. It encounters new regulations, changes of customer preferences, and structural changes in the industry (Rama, 2008; Sarkar and Costa, 2008; Capitanio et al., 2009; Saguy and Sirotinskaya, 2016). The phenomenon has been adopted by manufacturing firms and open innovation specifically has been embraced by both Multi-National Enterprises (MNEs) and SMEs to discover, explore and exploit innovation within and outside of the organisations (Idrissia et al., 2012; Laursen and Salter, 2006; Lazzarotti et al., 2010; Tidd, 2013). OI practices help to frame and understand various innovation approaches and have also gradually become an established research field (Huizingh, 2011; West et al., 2014).

Traditionally, firms apply innovation strategy by looking in-house for new ideas, technologies, products and processes that could give them sustainable competitive advantages. The constraints of these exclusively internal activities are that firms often miss out on ideas, knowledge and technology storage beyond their limitations. However, some firms are aware of these circumstances and have shifted from a closed innovation strategy to OI. The notion of OI is that firms should combine both internal and external ideas and technologies when implementing an organisational innovation strategy (Bayona-Saez et al., 2017). A number of studies have been conducted since OI was introduced to the business world. Huizingh's (2011) study suggests that OI practices can maximise the firm's return on innovation. In addition, it has been illustrated that OI can contribute to gaining knowledge, reducing costs, shortening time to market and enhancing performance in terms of sales (Huizingh, 2011; Laursen and Salter, 2006; Tomlinson, 2010; Wang et al., 2015).

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Innovation strategy in the food industry is entirely based on the decisions and activities of the company itself. The food industry, SMEs particularly as a part of this face numerous complex issues that open innovation can addresses. OI is increasingly seen as an important survival strategy in the marketplace and it helps global organisations to gain competitive advantage. Although OI strategies are very popular, they remain constrained by some notable limitations. From a practical view point, SMEs more often face internal problems. Food sector SMEs are considered to be low-tech businesses. The food sector plays a significant role in the UK economy. However, food SMEs and micro businesses face a number of challenges such as rising production costs, a lack of professional training in food production systems, poor management skills, widespread failure to respond to customer demands and ignoring modern technologies at the operational level (Avermaete et al., 2003, Scozzi et al., 2005, Radionova, 2017). In addition, such food SMEs and micro businesses are slow to adopt to new marketing opportunities on social media platforms.

Social exchange or knowledge sharing within SMEs for open innovation strategy guides many businesses to access knowledge in areas where SMEs and star-up businesses find it difficulties. The exchange of knowledge and ideas facilitates knowledge transformation and exploitation into tangible innovation outcomes. Networking therefore plays a significant role in implementing open innovation strategies within SMEs.

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LEAN, GREEN AND SIX SIGMA (LG6σ) FOR SMEs IN THE LEATHER PROCESSING INDUSTRY IN BANGLADESH

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ABSTRACT

This study contributes to a deeper understanding of Lean, Green and Six Sigma (LG6σ) as a strategic resource to overcome some of the negativity associated with the leather industry in Bangladesh. In fact, the Leather industry is considered to be one of the dirtiest industry in the world due to its negative impact on the environment. In Bangladesh, SMEs are the main raw material providers for the large organisations as well as the main actors responsible for environmental pollution. A particular concern is sub-standard product quality and its harmful impact on the environment. Subsequently, foreign buyers are reluctant to make a direct purchase from Bangladesh in order to avoid any negative publicity. We argue that implementation of Lean, Green and Six Sigma (LG6σ) together will not only make a positive contribution to an organisational bottom line through improving quality of the product, but also can contribute to improvement in environmental performance.

Keywords: Lean, green, Six Sigma, SMEs, Leather industry, Bangladesh.

INTRODUCTION

Small and medium enterprises (SMEs) are the main engine of driving economic expansion and sustainable growth in both developed and developing countries (World Bank, 2017). SMEs play a pivotal role in generating revenues, creating employment opportunities, even alleviating poverty (Cravo *et al.*, 2012). Bangladesh has a huge population (Uddin and Bose, 2013); and SMEs' contributions are undeniable in terms of poverty alleviation, employment and income generation, enhancing the living standard and leading the economy toward sustainable development to achieve the 2021 vision (Rashid, 2012; LFMEAB, 2017). Approximately 92% of all industrial units are SMEs, contributes 25% of the labour force and GDP, this includes around 40% of gross manufacturing output (Qamruzzaman, 2015).

According to Bangladesh SME Foundation (BSF) (2015) and Bangladesh Small & Cottage Industry Corporation (BSCIC) (2016), SMEs from 177 clusters have created 1.9 million employment opportunities and generated $295.1 billion of income in 2014-15 financial year (Uz Zaman and Islam, 2011; BSCIC, 2015; Abdin, 2015). In the leather sector, the rate of employment increased by a yearly compound rate of 22.4% from 2001-02 to 2011-12. However, from 2011-12 to financial year end 2016 number of employees have grown from 75000 to 200000, only by 10% (Figure-1) as the advancement of technology reduced dependency on the labour force in this sector (Mamun *et al.*, 2016; LFMEAB, 2016).

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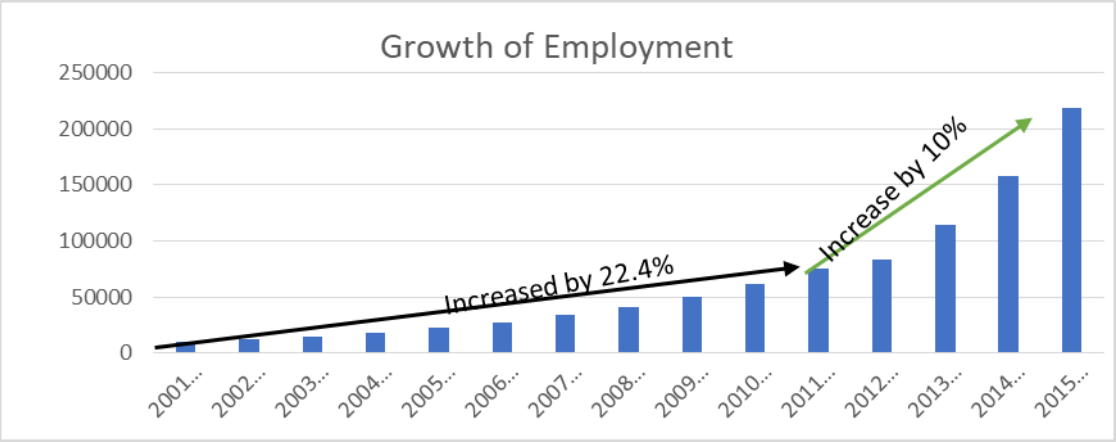
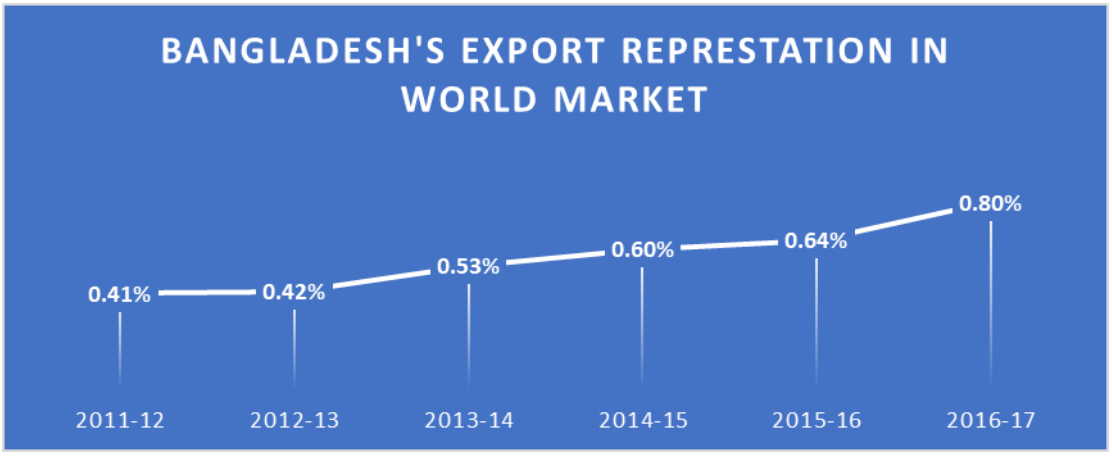
Figure 1: Growth of employment in the leather industry from 2001-02 to 2015-16



Source: Mamun *et al.*, 2016; LFMEAB, 2016.

The leather industry alone (which consists of total 13 clusters, 220 tanneries, 2500 leather goods manufacturers) has contributed to generating $1.4 billion in the 2016-17 financial year, which is 0.1% higher than last financial year (EPB report, 2018; Bangladesh Bank, 2018; Moktadir *et al.*, 2018).

Figure 2: Bangladesh export (Raw hides and skins (other than fur skins) and leather) represent in world market from 2011-2017



Source: https://www.trademap.org/leatherline/Country_SelProductCountry.aspx?nvpm=1|050||||41|||2|1|2|2|1|1|2|5|1. ITC, 2016.

Although the leather industry in Bangladesh only represents 0.8% of the world market share (Figure-2) (ITC, 2016), having favourable characteristics such as inherent low-cost labour force and natural resources which includes 1.8% cattle and 3.7% goats of global livestock (Rahman, 2015; Strasser, 2015; LFMEAB, 2016) provides promising opportunities for further growth in the near future.

Consequently, Bangladeshi leather industry has the potential to attract foreign investors, particularly since many investors have withdrawn investments for instance, there has been a withdrawal of investment from countries such as China due to rising labour and raw materials cost; and to reduce over-dependence on China. Over the last six years, foreign direct investment (FDI) inflows (net) have increased consecutively from 8.29 to 23.38 million USD (Figure-3). According to LGFMEA (Leather Goods and Footwear Manufacture and Exports Association), (2016),

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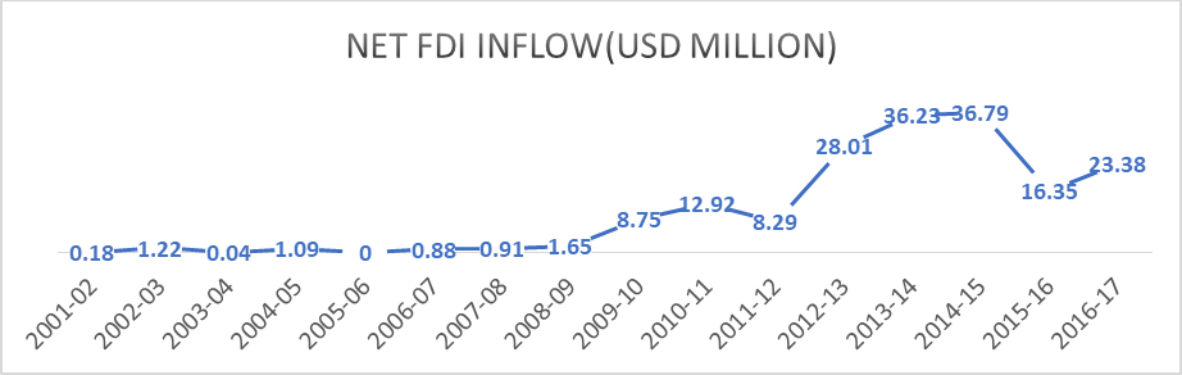
almost 51 foreign investors showed interest to start a joint-venture in Bangladeshi footwear sector which could boost the 1.3 billion USD industry to 15 billion USD within few years.

Figure 3: Net Foreign Direct Investment (FDI) inflows

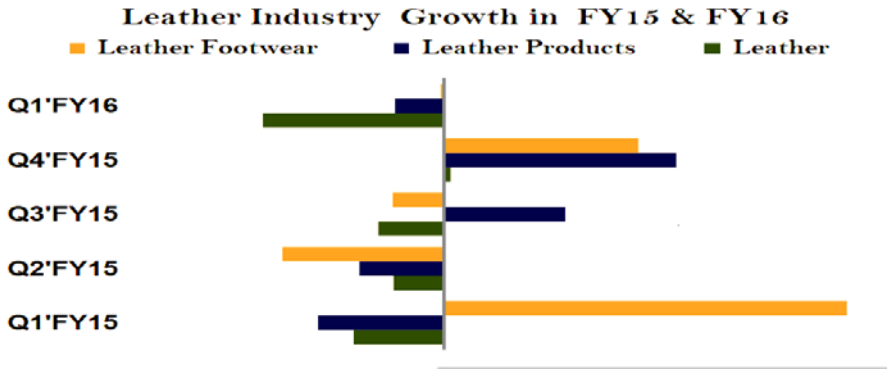


Source, Bangladesh Bank, 2017

Although leather manufacturing SMEs can hardly afford to export leather and leather products, they are still the main suppliers of raw materials and sometimes providers of finished leather to the large organisations which are involved in export activities on a regular basis (Strasser, 2015). Therefore, the contribution of SMEs is much bigger than it looks at first glance and shapes the foundation on which economy of Bangladesh is based. According to EU-Inspired study (2013), Bangladeshi leather industry losses about USD 150 million due to the sub-standard quality of the raw materials. Therefore, it is important to improve the operational condition of SMEs in the leather industry who are the main suppliers of this raw materials.

However, Bangladeshi leather industry does not only suffer from sub-standard quality but also from issues related to environmental pollution. The leather industry is the 4th worst polluting industry in the world as its practice that has a significant impact on the environmental (Worst Polluted, 2016). Bangladeshi leather industry in Hazaribagh (home of 95% of tanneries) alone produces 85,000 tonnes of raw hides, which discharges 22,000 litter of toxic chemical water into the river every day (Worst Polluted, 2016; Okoduwa *et al*., 2017). Subsequently, many large foreign buyers are wary to import directly from Bangladesh to avoid negative publicity (Human Rights Watch, 2012, 2013). According to the Centre for Policy Dialogue (CPD), (2017) report, there is a 30.1% fall in export in the leather industry in 2016 financial year, where the biggest fall of 24.4 % was for raw leather (Mamun *et al.*, 2016). One of the main reasons behind the reduction in export is related to the concerns of the US and EU buyers over the existence of poor health and safety measures and the negative environmental impact caused by the Bangladesh leather industry (Mamun *et al.*, 2016).

Figure 4: Leather Industry Growth in FY 2015 and 2016



Source: Mamun et al., 2016

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A BRIEF OF PROCESS AND DISCRETE INDUSTRY

Almost all industries can be broadly categories into two main groups: Process and discrete (non-process) (King *et, al.,* 2008). Process refers to a series of actions or operations that transform a product from one stage of completion to another or brings about the desired results with a help of one or more types of energy such as mechanical, human, chemical, electrical, thermal and so forth. (APICS, 2016).

According to APICS (2016: pg.141), "Industries that produce products by mixing, separating, forming, and/or performing chemical reactions are known as process industry." In other words, the process industries are involved with the activities to convert raw materials into a finished good. It does not have any fixed layout, thus position itself according to the customers' demand: make-to-stock, make-to-order and so on (Fernàndez Clotet, 2014). The Leather industry, in particular, leather manufacturing (tanning) falls into the definition of the process industry where raw materials are transformed by the influences of different types of chemical to bring about the desired finished products.

On the other side, leather goods production falls under the definition of the discrete parts of assemble manufacturing. The discrete assemble manufacturing (DAM) is generally involved with individual parts and components and then links or bolts or fastens them together to produce finished goods (King *et al.,* 2008). One of the major differences between process and discrete assemble manufacturing is that process manufacturing tends to be capital intensive while DAM tends to be very labour intensive (King *et al.,* 2008). For instance, a leather manufacturing SME in Bangladesh consists of up to 100 employees where leather goods production SME could have as many as 500 employees (Strasser, 2015).

LEAN, GREEN AND SIX SIGMA (LG6σ)

The combination of Lean, Green and Six Sigma (LG6σ) is a rather new concept in the quality management (QM) area. Incorporating green management with the Lean Six Sigma albeit a new concept, however, many studies suggested that these methods have a great synergy and therefore complement each other when implemented together (Banawi and Bilec, 2014; Cherrafi *et al.,* 2016). This can create a powerful tool to eliminate wastages, increase optimisation of resources, assist in creation of environmentally friendly organisational practices as well as increase customers' satisfaction (Banawi and Bilec, 2014; Ng *et al.,* 2015; Graza-Reyes, 2015; Cherrafi *et al.,* 2016; Fatemi and Franchetti, 2016; EPA, 2017).

Lean aims to reduce wastage in every stage of an organisation, including production, supply chain and at the factory floor level; while Green is concerned with environmental issue, rules and regulation on prevention and control of pollution, which is why it seems natural to have the combination of Lean and Green together (Garza-Reyes et al., 2015; Sagnak, and Kazancoglu, 2016; Fercoq et al., 2016). After analysis of existing literature, it would appear that adopting Lean and Green paradigm in organisation can provide at least three advantages:

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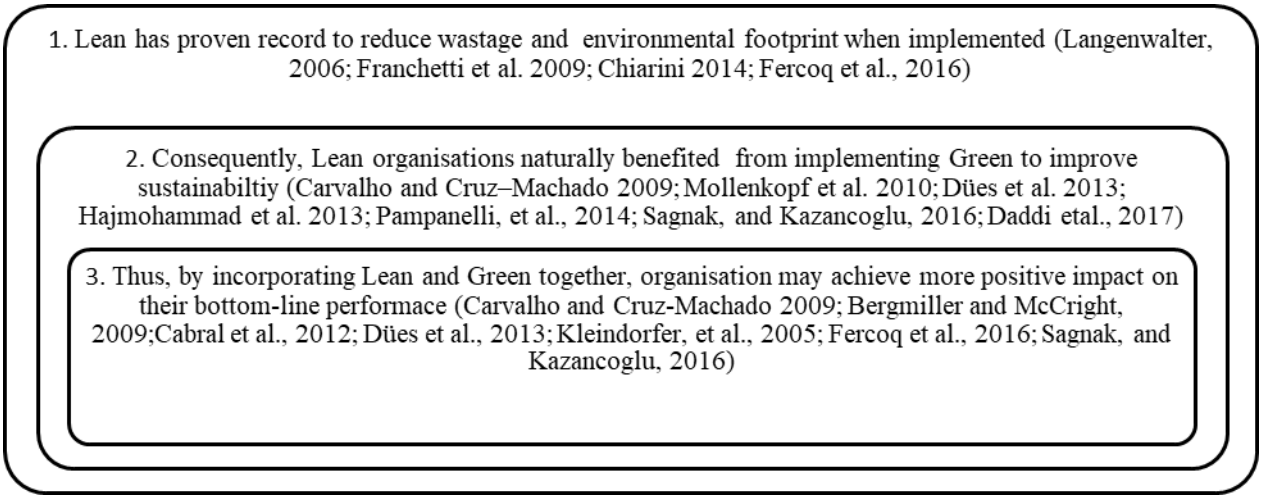
Figure 5: Lean and Green benefits from existing literature



Source: Authors' own illustration

Several studies also suggested that implementation of green management tool life cycle assessment (LCA) will create awareness for manufacturers to take necessary steps in reducing environmental impact (Jimenez-Gonzalez *et al.,* 2000; Zouboulis *et al.,* 2012; Latha and Inbasekaran, 2014).

However, integration of lean and green may not help to overcome inherited limitations of both practices (Garza-Reyes et al., 2014; Cherrafi et al, 2016). According to Salah et al., (2010), the lean tool set is designed to eliminate wastage and achieve lean in the organisation. The limitation of being pure lean is that none of the lean tools or methods includes statistical data or scrutinises the process of variation. Therefore, it would appear less helpful in the decision-making process (Mohanty and Desmukh, 1999; Chauhan and Singh, 2012; Digalwar et al., 2013). Lean focuses on an operational process to increase customers' satisfaction but does not offer a structured and systematic approach either to monitor processes or solve a problem (Chuhan and Singh, 2012). Thus, drawbacks of lean will be inherited by lean/green approach (Garza-Reyes et al., 2014).

Similarly, the green approach also does not help in the strategic decision-making process related to investment priority or implementation procedure that is incorporated in the corporate goal of profitability (Nunns and Bennett, 2010). Hence, the green approach limitations and challenges also will be transferred to green/lean approach (Garza-Reyes *et al.,* 2015; 2014).

Since both approaches have inherent weakness, it would be advisable to incorporate another tool that helps to minimise these limitations. Six Sigma has the capability to overcome this gap (Garza-Reyes *et al.,* 2015). It is a highly structured method which employs statistical tool sets (Garza-Reyes *et al.,* 2015) that provides data for the decision-making process. Therefore, integration of Lean, Green with Six Sigma (LG6σ) can mitigate the limitations and shortcomings of previous two approaches (Garza-Reyes *et al.,* 2014; 2015).

WHY LEAN, GREEN AND SIX SIGMA (LG6σ)?

According to the Environmental Protection Agency (EPA), (2017), four compelling reasons for integration of Green management with Lean and Six Sigma:

- ✓ **Fast and dramatic results:** Integrating green issues with lean philosophy can produce an impressive environmental outcome within a very short time. A lean project can yield compelling results within 2-5 days, in which lean teams contribute to reducing the lead time and cost while improving products quality and customer responsiveness, which is conducive to green management practice.

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- ✓ **Continual improvement culture:** Lean and Six Sigma tools take a holistic approach to ensure employees are engaged in identifying and eliminating non-value-added or wastage in production. Incorporating environmental wastage with Lean and Six Sigma makes even a stronger vehicle for engaging employees in identifying and implementing environmental improvement opportunities.
- ✓ **Avoid pitfalls:** Integrating ''Lean and Green'' can help to minimise environmental impacts and navigate regulatory and permitting issues that may arise from operational changes during the Lean and Six Sigma project.
- ✓ **New market for environmental idea:** Green management or environmental expertise can share their wealth of environmental resources through connecting with Lean and Six Sigma practitioners who are involved with strategic and fundamental operational changes.

The research conducted by Banawi and Bilec, (2014) into a construction industry found, (size of the firm could not be verified) that implementing Lean, Green and Six Sigma helps to reduce wastage during the pile caps process. Another research conducted by Cherrafi *et al.,* (2016) (nature of the industry and size of the firm could not be verified) found that combining three method, Lean Six Sigma and Green management helps to minimise the resources consumption from 20-40% and reduce the cost of energy by 7-12%.

CONCLUSION AND RECOMMENDATIONS

Conclusively, it would be highly advisable and financially beneficial for SMEs in Bangladeshi leather industry to adopt scientifically proven and internationally recognised quality and environmental management tools that help to improve sub-standard product quality and reduces the carbon footprint from the environment.

The combination of the three methods: Lean, Green and Six Sigma (LG6σ) will provide not only financial benefits but will also reduce negative environmental impact. It is our contention that adopting internationally recognised quality initiative tool Lean Six Sigma and Green management henceforth will be beneficial for this growing industry to improve quality and protect the environment, resulting in the increase of international buyers.

Incorporating green management with Lean Six Sigma has great benefits for Bangladeshi leather manufacturing SMEs. It will assist to reduce non-value-added activities or wastage and in areas where SMEs suffer from resource constraints, it can increase efficiency and productivity as well as promote environmentally friendly business organisational practices. As a result, it will improve employees' health and safety practice, attract more international investors as well as bottom line of the organisations.

This research found that Lean tools 5s (sort, set, shine, standardise and sustain) and Value Stream Map (VSM) are most popular tools to minimise wastage. DMAIC (Define, Measure, Analysis, Improve and Control) process in Six Sigma is a well-known and highly disciplined method to investigate and identify problems within a process. In green management, Life Cycle Assessment (LCA) seems to be the most used and a recommended tool to reduce environmental impact. In order to implement LG6σ successfully, SME owners have to embrace the knowledge sharing strategy among themselves; and local authorities need to provide training and development facilities along with an incentive for manufacturers of the best quality and environmental friendly leather and leather products.

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THE RELATIONSHIP BETWEEN ONLINE SERVICE FAILURE, RECOVERY STRATEGIES AND CUSTOMER RETENTIONS

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ABSTRACT

This paper discusses online service failure-recovery and customer retention as strategies to facilitate satisfactory customer and provider experiences in the banking sector. In particular, the adverse effects of service failures and the positive impact of recovery strategies are examined. A number of observations are made with implications for customer experience in the banking sector. The paper discusses service in the context of online settings since the internet does not allow for the separation of experience from offline forms. This study explores online service failure-recovery in the banking sector from the perspective of social constructivism. Investigating the phenomenon from the perceptions of both providers and customers, it reveals predominant academic perception into a coherent provider-customer interaction and unlocks new perspectives for future academic study.

Keywords: service failure, online service failure, service recovery, customer satisfaction, customer retention.

INTRODUCTION

Service failure can be defined as a breakdown in service consistency (Berry & Parasuraman, 1992). Such breakdowns have been described as *"service performances that fall below customer expectations"* (Hoffman & Bateson, 2010, p.327). It has also been described as any service breakdown which occurs during a customer's experience of a company (Maxham J. , 2001). Some researchers argue that it could be expensive for service providers to ignore and fail to manage service failures. Such avoidance could lead to consumer refusal (Liu et al., 2000; Maxham, 2001; Kotler & Keller, 2011). Earlier studies have suggested that failure severity and critical failure have asubstantial impact on consumer satisfaction. These can lead to adverse word-of-mouth communications and reduced levels of consumer loyalty. Previous studies (Jones et al., 2004; Azemi & Ozuem, 2016) have investigated the effect of service failure severity on trust, loyalty, consumer satisfactionand negative word-to-mouth. Research has found that service failure severity has a substantial effect on consumer trust, loyalty and adverse word-to-mouth. Likewise, Kim and Ulgado (2012) investigated the perspectives of consumers in relation to service failure severity, repurchase behaviour and recovery satisfaction in hospitality services. They concluded that service failure severity has a substantial adverse effect on consumer repurchasing behaviour.

Online service failure can also impact negatively on profitability despite the argument that online and offline service failures are inevitable incidents in the service industry. However, consumers complain about online service failures more than offline failures. This is perhaps because customers have a more powerful platform on the internet to facilitate complaining and the global reach of online narratives is much greater than in offline settings (Holloway & Beatty, 2005). It is easier to switch service providers online compared with offline switching since

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consumers can find alternative providers more quickly and easily. Therefore, managing online service failures efficiently is crucial for success, particularly for those operating online.

CONTEXTUALISATION: ONLINE SERVICE FAILURES

The literature on service failures and recovery strategies is focused for understandings of the perspectives of customers surpassing explanations from the provider's viewpoint (Parasuraman et al., 2005; Zhu et al., 2013). The provider's outlook appears to have been anticipated, being mainly approached as two different performers, in order to enrich the justifications of customers (Grewal et al., 2008; Huang et al., 2013). Consumers have been conceptualised as entirely same experiences through the service failures and recovery strategies with limited exceptions that affects the subjective fact in the occurrence (Maxham & Netemeyer, 2002).

A review of the literature ascribes the experience of service failure-recovery to a five-stage procedure as follows service failure occurs, recovery expectations arise, recovery strategies are provided, and recovery and post-recovery behaviour is evaluated. Conversely, forming an understanding of the consumer is prominently related with particular process, affecting descriptions inherited to the missing stage (Mohr et al., 2006). Accordingly, the consumer experience accounts for particular backgrounds exceeding the possibility of further descriptive aspects (Rio-Lanza et al., 2009; Mattila & Choi, 2008). Much of the literature has been developedusing context-free methos and positivist ontological views and the responses of consumer are typically concentrated and organised. This would suggest that service failure and recovery strategies are related as iterative experiences.. Moreover, the experience of the customer is anticipated during service failure-recovery. Consequently, Miller et al. (2000) illustrated that the literature on service failure and recovery strategies are recognised through the attempts of academics to assign customer perceptions in service failures and recovery to objective facts.

Nevertheless, the literature underscores a number of contrasting and contradictory outcomes. It advises that consumers are heterogeneous and need to be managed subjectively (Diaz-Martin et al., 2008; Wang et al., 2011; Azemi & Ozuem, 2016). The existing literature on service failures and recovery strategies resonate significantly with the perceived advantages of service recovery which have been the subject of research. Though, Rust & Oliver (2000) described the suggestive outcomes affirms that acceptable recoveries might be harmful to the service provider. It indicates how distinctive the consumers are in realism and advises a contextual method of the service failures and recovery strategies phenomena in common and of consumers in specific. The literature in electronic media is highly reinforced by to an espistemological orientation (McCarthy et al., 2011). Electronic media literature appears to have established the underpinnings to research into service failures and recovery strategies while the onset of the internet has exposed offline service failures and recovery strategies as distinct from traditional offline practice traits (Salle et al., 2015; Ozuem, Thomas and Lancaster, 2016). It is suggested that computer-mediated marketing environments (CMMEs) have empowered customers and allows the consumers to develop insights and act on means of incredibly individual orientation (Ellis-Chadwick & Chaffey, 2012). It underlines the subjectivity of insights of consumers and relates the service failures and recovery strategies occurrences to experience with impulsive results. Moreover, observing of consumers by vendors is highlighted, relating the service failures-recovery occurrence to a combined experience between the customer and the provider.

SERVICE RECOVERY IN BANKING SECTOR

It is essential to rectify the problems of service failures that are unique to the banking because the cost of attracting new clients is five times more expensive than retaining existing of ones (Maxham, 2001; Gitomer, 2013). Marketing activities to attract new clients are notably expensive. Furthermore, service providers could harm their chances of long-term success if they are unable to recover service failures properly (Magnini & Ford, 2004). Accordingly, Tschohl (2013) stated that an effective recovery strategy can reduce negative feelings and increase positive sentiments amongst customers.

According to Jan & Younas (2012), service recovery is essential in the banking industry. It has been argued that "*customers may avoid complaining about minor service failures, however, in the financial institutions like banks there are no minor service failures as it is the dealing of money*" (Press et al., 1997, p. 74). Moreover, a study

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in the Australian banking sector found that customers do not tolerate minor service failures such as being charged additional fees on their accounts. The findings of the study advised that banks must make efforts to deliver service appropriately at first attempt to avoid creating unsatisfactory service experiences (Valenzuela et al., 2013).

Consumers are likely to switch banking service providers if their experience of service recovery does not fulfil their expectations (Zeithaml et al., 2012). However, it is argued that customers are likely to publicize more intense negative sentiments if they perceive of poor or insufficient service recovery after experiencing service failure (Neira et al., 2010; Ayertey & Ozuem, 2017). Therefore, service recovery can be viewed as a second opportunity for service providers after the occurrence of a failure for the first time (Bowen & Johnston, 1999). The efficient management of failures impacts positively on the satisfaction of customers and their intentions to switch service providers (Ahmed & Amir, 2011) because service failure recovery is considered a key factor behind decisions to switch service provider. (Keaveney & Parthasarathy, 2001).

CUSTOMER RETENTION

Customer retention is an essential notion in business and indicates the methods that businesses employ to retain and enrich the relationships with the existing customers (Kelley *et al.*, 2003). It acquires more significance in this digital era because of fierce competition among rivals, and retaining the relationships with existing consumers has achieved new strategic dimensions and developed as a crucial competitive advantage. Those customers who experienced service failures which was dealt with speedily and correctly would be more satisfied than those customers who never experienced the service failures at all (Cranage & Mattila, 2005). It signifies that quality of recovery is essential as perceptions of post-recovery purchase would be influenced when a customer receives poor service recovery. Therefore, service recovery is considered a main strategic element of a business's exertions for satisfying and retaining existing customers as well as attracting new customers (Griffis *et al.*, 2011). Conversely, poor service recovery may result in adverse effects such as negative word-of-mouth and customers dropping out, leading to a decline in revenues and profits (Bowen et al., 2009).

MANAGERIAL IMPLICATIONS

Online service failure and service recovery strategies have only recently come into focus in the service management literature. (Boroumand et al., 2008; Fan et al., 2010). Academics have derived research orientations to transfer the complication and conflicts from offline failure recovery literature to online (Ozuem & Lancaster, 2014). Descriptions of service failures and recovery strategies emerge to be apparent as they affect the risks and opportunities accredited to the multifaceted nature of digital background (Piercy & Archer-Brown, 2014). The existing literature on service failure and recovery strategies shows that understanding consumers is important and requires to be further examined by academics and specialists (Netemeyer & Maxham, 2002; Lo & Wu, 2012; Zhu et al, 2013). This indicates that comprehending service failures and recovery experience from an online perspective are essential to positive recovery platforms. The above discussion emphasizes the need to comprehend and relate the service failure-recovery to hypothetical explanations, leading the present study to explore the phenomenon broadly.

Academics have discussed service failures- recovery occurrences mainly from the perspective of the customer (Wirtz & Mattila, 2004; Vazquez-Casielles et al., 2008). Scholars' tendency to approach and observe the consumers as entirely same during the service failure-recovery procedure overlooks the literature (Cheng et al., 2012; Huang et al., 2014). This type of positivist orientation limits explanations to specific antecedents and process phases (Chou & Lai, 2015). Furthermore, it related the phenomenon to an iterative experience and consumer's behaviour and reactions to an expectable. Despite the efforts of academics to access service failures and recovery strategies from various theories like justice theory and appraisal theory, the positivistic approach of consumers appears to have obstructed the clarifications inherited to every theory (Mohr et al., 2006; Zhang et al., 2013). The above-stated developed inconsistent outcomes in the studies, relating the occurrence with complicated issues (Choi & Choi, 2014). It indicates, focus to customer's perspective, the descriptions on how in reality consumers acquire service failures insight and recovery expectation and assessment to construct after-recovery behaviour decisions are confined. Therefore, the present research paper approaches consumers as heterogeneous and it relates the conceptualisation of the customer's perspectives on service failure-recovery to state of their mind.

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SMALL AND MEDIUM-SIZED ENTERPRISE OWNERS' PERSPECTIVE OF THE EFFECT OF FACTORS ON BUSINESS SUCCESS

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ABSTRACT

Worldwide, Small and medium-sized enterprises (SMEs) are considered to be the contributors towards economic growth and provide much needed opportunities for employment which essentially address the societal problems. SMEs are the economic sector making a significant contribution to economic growth prospects and job creation for countries. Data was collected through a cross-sectional design using a structured questionnaire. The data was collected among SME owners in Mpumalanga province. A combination of statistical software packages Epi-Info and Stata version 15 were used to capture and perform analysis. From the findings, it emerged that the majority of respondents were males. It was further found that the majority of participants were from service, followed by retail and manufacturing. It emerged that there were no significant differences between the gender of participants in relation to all items that sought to determine the success of SMEs. The findings indicate that males and females have similar perceptions of the factors that contribute to the success of SMEs. It can however, be concluded that having both strong management attributes and management business insight, the SME owners could succeed in their respective business initiatives.

Keywords: business success, economic growth, small business, SMEs.

INTRODUCTION

Worldwide, Small and medium-sized enterprises (SMEs) are considered to be the contributors towards economic growth and provide much needed opportunities for employment which essentially address the societal problems. SMEs are the economic sector making a significant contribution to economic growth prospects and job creation (Wonglimpiyarat, (2015). SMEs are undoubtedly very important to ensure a strong economic growth; however, how to sustain performance in the long run is a challenge for many enterprises (Ates, Garengo, Cocca & Bititchi, 2013). In South Africa the government recognizes the imperatives of SMEs to such an extent that in 2014 new Ministry was established specifically for the promotion, development of small businesses and facilitation of radical economic transformation (SEDA, 2016a).

It is a well-known fact that small businesses are known by governments globally, for their contribution to the economic stability and growth, employment and new job creation (Hyder & Lussier, 2015). Despite this phenomenon, the failure rate of small businesses is still very high. Contrary to this, governments need successful entrepreneurs as they perceived them as contributors to the economic growth and above all, create sustainable job opportunities. Based on this explanation, it is logical to understand why some entrepreneurs succeed or fail. What is important is to understand contributory factors to these two dimensions (success and failure).

Mabhungu and Van der Poll (2017) explain that part of the failure of small businesses is due to lack of access to markets, lack of marketing skills, lack of access to infrastructure, lack of access to finance, high costs of finance and so forth. Many scholars are of the view that lack of access to finance is the major impediments to business success. This notion is in contradiction to what Frazer, Weaven and Grace (2012) assert that having access to finance will not always result in the success and survival of a business because such finance may result in the business having higher levels of debt if the source of such funding is a loan. Notably, the business might get into

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further financial problems should they not meet its repayment obligations and it is therefore important for the businesses when provided with funding in a form of loan to manage it carefully.

Despite government commitment to develop and support of SMEs, the sector continues to face array of challenges characterized by lack of finance, stringent business regulations and high costs associated with the running of the business (SME Growth Index, 2015) and all these factors contribute to the failure of the businesses. Rankhumise and Masilo (2017) argue that other factors that affect the success of SMEs are access to market and access to finance. These factors have a direct bearing on the success of small businesses as lack of access to finance would limit the prospects of expanding the business and access to market is key in the sense that if there is no market for the service or product, there would be less sales turnover. Many new businesses are started annually and on average 80% of these new start-ups fail during the first three years of inception (Lotriet & Labuschagne, 2016).

Due to the number of business discontinuance, Herrington, Kew and Mwanga, (2016) highlighted various reasons *inter alia* with, (i) lack of business profitability- these could be as a result that they were not generating profit and this could be as a result of lack of business skills. (ii) Access to finance - this could be as a result of lack of finance to sustain business operations. (iii) Lack of access to markets – this might occur as a result of lack of marketing skills and because small businesses are operating under heavy competition, this can threaten the sustainability of their businesses.

LITERATURE REVIEW

There is a plethora of previous studies on determinants of business success, (Aqeel, Awan & Riaz, 2011; Mabhungu & Van der Poll, 2017); Muriithi, 2017; Ayandibu & Houhton, 2017). Aqeel et al (2011) in their study found that whether a business is gigantic or a tiny will not get success if they lack hard work, commitment and devotion. The sentiment depicted is that personal characteristics play an important role in the success of the business.

The external factors also play an important role in the business success for instance customers relations. Commonly business owners focus on profit realization and ignore to satisfy customers. Aqeel et al (2011) believe that customers require good quality products and if they are not satisfied, the business is likely going to lose customers. For the business to sustain its customers, it is important that they take into account the needs and wants of customers so that a quality products or service is provided based on the identified needs of the customers. The other important element is market access. Importantly, a business without market is certainly not going to prosper due to the fact that a business needs market which enables product acquisition.

Business survival is ordinarily seen as the most basic measure of business success (Cowling, 2007). Business success is elusive. Of great note is that SME literature perceives business success as related to the objective measurements such as financial growth which could include among others sales turnover, number of employees and profitability. Similarly, Lewis (2008) and Reijonen (2008) explain that both financial and non-financial criteria can be used to measure business success. Importantly, this includes profits, sales turnover and number of employees employed. Hossain, Ibrahim and Uddin (2016) share the same sentiments; however, they had additional attributes on growth such as number of customers, asset size, business expansions and market and product diversification. It could however, be observed that scholars view business success as a multidimensional and complex as it can be measured through financial and non-financial criteria.

Small, medium, micro enterprises

The definition of small, medium, micro enterprises (SMMEs) is elusive. This paper adopts the definition in accordance with the National Small Business Act of 1996 which defines it as small business as "… a separate and distinct entity, including co-operative enterprises and non-governmental organization, managed by one owner or more which, including branches or subsidiaries, if any, predominantly carried on in any sector of the economy mention in Column I of Schedule 14 …" A full description for SMME as defined by Department of Trade and Industry (DTI, 2014) is presented in Table 1.1. Table 1.1 presents descriptions of SMME (DTI, 2014).

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Table 1.1: Various categories of SMME as per Department of Trade and Industry

Categories of SMME	Description
Survivalist	Operates in the informal sector of the economy. Mainly undertaken by unemployed persons. Income generated below the poverty line, providing minimum means to keep the unemployed and their families alive. Little capital invested, not much assets. Not much training. Opportunities for growing into very small business.
Micro enterprises	Between one to five employees usually the owner and family. Informal – no license, formal business premises, labour legislation. Turnover below the VAT registration level of R 300 000 per year. Basic business skills and training. Potential to make the transition to a viable formal small business.
Very small enterprise	Part of formal economy, use technology. Less than 10 paid employees Include self-employed artisans (electricians, plumbers) and professionals.
Small enterprise	Less than 100 employees. More established than very small enterprises, formal and registered, fixed business premises. Owner managed, but more complex management structure.
Medium enterprise	Up to 200 employees. Still mainly owner managed, but decentralized management structure with division of labour. Operates from fixed premises with all formal requirements.

The state of SMEs in South Africa

Small and medium-sized enterprises play an important role in driving economic growth and enhancement of employment prospects. In other words, the SME sector is widely regarded as the driving force in economic growth and job creation in both developed and developing countries (Sunter, 2000). The success of South African economy is dependent to a large extent on the new and growing businesses in both formal and informal sector. Importantly, SMMEs contributes almost between 52% and 57% of the country's Gross Domestic Product (GDP) (SEDA, 2016b). As a result of this contribution, SEDA is committed to nurture and support the business owners to enable them to build sustainable businesses and create job opportunities. Despite efforts and commitment by SEDA and other agencies to support SMEs, there are still numerous challenges experienced by small business owners. These challenges create a fear of failure in many prospective or nascent entrepreneurs and based on this fear, hence a low level entrepreneurial activity (6.9%) in the country (Herrington, et al, 2016). This is heavy downward turn for South Africa taking into account that in 2015 the country accounted for 9% whilst in 2014 we had 7%. The other challenge is that the South African economy in 2017 has entered into a technical recession as the GDP contracted for the consecutive quarter in the first quarter of 2017 (SEDA, 2017). Accordingly, the decline was as a result of trade and manufacturing sectors that experienced downturn. Though the TEA seems not pleasing, positivity associated with SMMEs in South Africa is that they contribute 65% of employment (SEDA, 2017).

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The importance of SMMEs

SMMEs play an important role in the economic development, poverty reduction and provide employment for majority of the population (Muriithi, 2017). Small businesses have a number of advantages as identified by Ferreira (2007) (i) The SMME sector is more labour-absorptive than other sectors. (ii) The cost of creating a job is lower than in the large enterprises. (iii) SMMEs allow for more competitive markets. (iv) SMMEs can adapt more rapidly and often use local recycled resources. (v) Fewer skills are required in some cases and (vi) SMMEs play an important role in technical and other innovation. As a result of the important roles play by these SMMEs, governments worldwide are prioritising the development of small businesses. These governments are pursuing the development of small businesses with an understanding that they are likely going to contribute positively in the respective economies.

MATERIALS AND METHODS

This cross-sectional study (Salleh, et al, 2017) followed a quantitative research design (Creswell, 2012:21; Collis & Hussey, 2014). The study sample consist of 101 SMEs owners from three districts; namely Nkangala, Gert Sibande and Ehlanzeni districts in Mpumalanga province of South Africa. Small Enterprise Development Agency (SEDA) in Mpumalanga provided a list of SMEs who were supported by the agency. The population consisted of SMEs who were not supported by the government agencies and those who were supported. A structured questionnaire was used for data collection from service, retail and manufacturing sectors. The field workers distributed the questionnaires and remained on sites until participants finished completing the questionnaires (De Vos et al, 2011; Salleh, et al, 2017).

A combination of statistical software packages Epi-Info and Stata V15 were used for data management and analysis. Cronbach's alpha, with a cut-off point of 0.7, was used to test for internal consistency (Tavakol & Dennick, 2011). Pearson's chi-square test was used to test for association.

RESULTS

The result from test for internal consistency was found to be reliable. Also, the result from factor analysis indicates that all items that determine the success of SMEs could be reduced into two factors, as given in Table 1.2. The first and second factors are management attributes and business insight. Thus, the result from factor analysis indicates that the SME owner needs to have management attributes and business insight to realise success of the business.

Table 1.2: Reduced factors that contribute towards the success of SMEs

	Factors		
	Management attributes	Business Insights	Total
Number of items	3	4	7

The study population consisted of 101 SMEs owners (63 [62.38%] males and 38 [37.62%] females. In other words, male participants were marginally more than their female counterparts. The distribution of participants was such that 51 (50.50%), 43 (42.57%) and 7 (6.93%) were from Service, Retail and Manufacturing sectors, respectively. Clearly, most participants were from the service sector. Majority of the SME owners used their personal savings to start their businesses. In particular, 19 (18.81%), 4 (3.96%) and 1 (0.99%) used family investment, bank loans and funding from other sources, respectively. Seventy (69.31%) participants had no prior experience of running the business

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Pearson's chi-square test indicates that there is no significant association between gender of participants and all items that sought to determine the success of SMEs, as presented in Table 1.3.

Table 1.3: Test for association between gender and perceived factors that contribute to Success of SMEs

Item	D1	D2	D4	D5	D6	D7	D8
p-value	0.313	0.229	0.387	0.929	0.279	0.431	0.521
Item	D9	D12	D13	D14	D15	D16	D17
p-value	0.431	0.945	0.431	0.431	0.198	0.43	0.43

DISCUSSIONS AND RECOMMENDATIONS

The majority of the SMEs were under the ownership of males. The findings of this study indicate that males and females have similar perceptions of the factors that contribute to the success of SMEs. The proportions of males to the proportions of females in the categories of all items were not significantly associated. The current act, National Small Business Amendment Act of 2004) supports the establishment and development of SME irrespective gender levels. The provisions within the act advocate small enterprise development support by facilitating the promotion of entrepreneurship, facilitating access by small enterprises to non-financial resources, capacity building services and so forth. This policy could be regarded as "one-size-fit-all" as it ignores the inherent differences within the gender levels. Therefore, the policy that promotes women may be advocated and be implemented to level the playing field.

Two latent constructs proved to be plausible for the success of the business, namely management attributes and business insights. Business owners should have management attributes to create a competitive edge over other businesses. Evidently, these attributes include among others, competitive price determination, the performance of the business owners and managerial competency. It may be suggested that SME owners should possess the management insights in order for their business to prosper in their business respective endeavours. This includes hard work, commitment, having management know-how and managerial skills.

The study offers managerial implications for the practitioners such as business advisors to improve their support through repositioning of their training interventions to meet the aspirations of the SMEs. The government agencies should focus on the outreach programmes to reach those who were not provided with any support so that they could be aware of the support available.

MANAGERIAL IMPLICATIONS

It is evident that the success of SMEs depends on management attributes and business insights. This paper has succeeded in obtaining opinions, perceptions, attitudes and background information regarding the support provided by SEDA. The findings revealed that despite efforts to improve and sustain small businesses, not much has changed in improving the performance of the SMEs in South Africa. Small businesses still lack growth because of lack of funding and the market to serve. This therefore calls for the SME support environment to come with interventions that would ensure the success of SMEs more especially the factors that are deemed critical, namely, management attributes and business insights. These findings could further assist the government support agencies to tailor make the interventions aimed at SMEs sector.

CONCLUSIONS

As the purpose of the study was to determine the effect of factors on business success, the following conclusions can be drawn. From the findings, it can thus be concluded that the majority of the small business owners were dominated by males. It further emerged that the majority of the respondents were from service sector. The reason could be that service business does not need high capital outlay. According to the findings, it emerged that there are critical

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factors that are set to be contributing to the success of the small businesses. These factors are management attributes and business insights.

SCOPE AND DELIMITATION OF THE STUDY

The research is limited to SMEs in 3 districts of Mpumalanga province; wherein a sample of 101 participants (63 male and 38 female owners) voluntarily took part in the study. The collected data was categorical in nature. Only Likert-scaled items were used to assess the perceptions of the participants. Where inference was performed, the interpretation of results from the test for association was performed at 0.05 error rate.

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PLANNING ACTIVITIES, FINANCIAL MONITORING AND MANAGEMENT OPTIMISM: EVIDENCE FROM AUSTRALIAN FIRMS

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ABSTRACT

The purposes of this paper is to assess the implications of concurrent strategic planning and financial management processes on anticipated future revenue growth. We use a secondary dataset, gathered among Australian SMEs, by the Australian Bureau of Statistics. Our analysis adopts a regression approach including a mediated and a non-mediated path to explore the direct and indirect effects of strategic planning and budgetary planning and management on expected future revenues. Our findings suggest that (a) firms that utilise strategic planning and robust budget planning and monitoring processes exhibit higher optimism about future sales growth and (b) firms that effectively configure these planning activities with market development tend to exhibit higher growth and more growth optimism.

Keywords: Strategic Planning, Operational Planning, Growth Expectations, Optimism.

INTRODUCTION

In general, private firms exist to create economic value and to appropriate some of this value for their owners (Tirole, 1986). Firms generally achieve these value creation and appropriation outcomes through the development and execution of plans and strategies – with these plans and strategies spanning the means of value creation (that is, the internal processes of the firm) and the means of making the firm's products and services available to the market profitably (namely, the market-facing and external processes of the firm).

To coordinate the often complex, dynamic, interdependent and disparate activities of production and value creation, firms generally use, to a greater or lesser degree, some forms of financial and strategic planning process (Chenhall, 2003; Henri, 2006). For smaller firms, or firms operating in simple contexts, these arrangements may be quite rudimentary, taking the nature of simple managerial heuristics or rules of thumb. In such contexts, budgetary and strategic planning is often characterised as emergent, informal and opportunistic (Anderson and Nelson, 2009).

For larger organisations, or firms in other and more complex contexts, the strategic planning process may be elaborate, highly formalised and continuously evolving (Grant, 2003). Such processes are often highly rationalised and structured in comparison to the informal and emergent forms employed in smaller firms, or in simpler competitive environments (Covin, Green and Slevin, 2006).

Budgetary Planning

The intensity of the use of budgetary managerial planning is a sign that an organization is seeking to understand its short term position in the market and is seeking internal and external feedback to identify how it can improve performance.

There was a time when organisational planning was essentially an expression of financial and accounting analysis (Cress & Pettijohn, 1985). However, as views of strategy have complexified, so has the view of how

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budgetary accounting systems can influence, and can be influenced by, deeper understandings of the internal and external strategic environment of firms (Frezatti, Aguiar, Guerreiro & Gouvea, 2011).

The distinction between budgetary planning and strategic planning goes back to Anthony (1965). The use of budgets and feedback systems to compare actual financial outcomes with budgetary expectations has found its way into textbooks and SME education and training to the point where it is seen as an activity that is central to organisational managerial control. The research investigating the impact of budgeting on performance has been predominantly undertaken in large organizations (Chenhall, 2003). The findings are mixed, with its usefulness often highly contingent on factors such as environmental uncertainty and organisational structure.

Potentially, strategic and budgetary planning is most beneficial when firms are faced with fundamental uncertainty. Recent research by Dunk (2012) notes that effective budgetary planning and control at the earliest stages of a project's life cycle enhances project profitability and hence organisational performance. This is consistent with earlier work by Hart, Hultink, Tzokas & Commandeur (2003) that noted the importance of budgetary planning in the effective mitigation of the uncertainty associated with new product development.

Despite the considerable discussion of the weaknesses of budgets, and moreso the downsides of slavish adherence to financial controls, there is no doubt that most organizations continue to use some form of budgetary control. While varied, a preponderance of evidence suggests that the valuing of budgets has been linked to organisational performance improvement.

There has been much discussion in the literature regarding the potential performance constraints that slavish attachments to budgetary control may create. An argument exists that SMEs might find budgetary adherence and control reduces innovation and creativity (e.g. Davila, Foster and Oyon, 2009). This tends to be counterbalanced by the potential benefits that are available for budgets and budgetary control in identifying new markets and opportunities (Davila, Foster and Oyon, 2009).

Strategic Planning

Strategic management is based on the notion that sustainable competitive advantage emerges from an optimal alignment of organisational resources and capabilities within environmental opportunities (Grant, 2003). With both the internal and external environments of firms in a constant state of dynamic emergence, achieving this optimal arrangement is often seen as much art as science.

Strategic planning can be seen as a mode of organisational learning, bringing forth assessments of internal and external pressures with a view to making optimal and well informed strategic choices (Oakes, Townley & Cooper, 1998). Choices between and among emergent and informal approaches to planning versus more rigorous and formalised arrangements are often seen as contingent on the market context of firms. Such analyses point to the usefulness of adaptive strategic decision making in highly dynamic environments.

Whichever form and mode of planning is pursued, two fundamental questions remain. How does the planning process add value, and how can this value creation process be optimised? For such a fundamental issue in the strategic planning area, the extant research is surprisingly divergent and occasionally contradictory. In their major meta-analysis of the extant empirical literature, Kürschner and Günther (2012, 31) found in their assessment of the previous literature that explored the relationship between formalised strategic planning and organisational performance six studies that found a positive and significant correlation (at the 5% level of significance) (the cited studies included those by Ansoff, Avner, Brandenburg, Portner and Radosevich, 1970; Thune and House, 1970; Herold, 1972; Wood and LaForge, 1979; Al-Shammari and Hussein, 2007 and Glaister, Dincer, Tatoglu, Demirbag and Zaim, 2008), nine studies that found no significant correlation (including Demming and Lehr, 1972; Fulmer and Rue, 1974; Karger and Malik, 1975; Kudla, 1980; Leontiades and Tezel, 1980; Rhyne, 1986; Powell, 1972; Bartel, 1993; Goll and Rasheed, 1997) and one study that identified a significant negative correlation (by Whitehead and Gup, 1985). For this last study, the authors suggested that it is generally banks (in the sample used for that study)

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with low performance that undertook strategic planning – suggesting a reversal of the standard directional path from planning to performance.

RESEARCH FRAMEWORK

Essentially, in this paper we are exploring the interplay between business and strategic planning (BSP) processes and anticipated increase in sales growth optimism (AIS), mediated and unmediated by effective budgetary planning and control (BPC) arrangements.

Strategic planning processes are aimed at creating and managing internal resource allocations and configurations in an optimum manner to seize opportunities available in the operational environment (De Waal, 2013). The objective of such arrangements is to create sustainable strategic niches that either increase revenues or profitability or both. As such, our first hypothesis (H1) suggests that firms that actively utilise business and strategic planning (BSP) processes will anticipate increased sales (AIS) in future years.

Business and strategic planning is essentially about assessing and making choices available to the firm. When done effectively, the optimum choice sets will emerge from a rational assessment of external opportunities (which are generally exogenous) and internal resources (which are often stubbornly hard to change, although are subject to resource investment decisions over time). As far as strategic and business planning entails the making of resource allocation and investment choices, we would anticipate the formation of these plans will antecede the development of formal budgetary plans, and the monitoring of these budgetary plans. Our second hypothesis (H2) suggests that firms that develop business and strategic plans (BSP) are more likely to also develop and monitor budgetary plans (BPC).

Our third hypothesis (H3) suggests that firms that develop and monitor budgetary plans (BPC) will likely anticipate sales growth (AIS). This hypothesis suggests that active budget development, and the monitoring of variance against these budgets against expectations, are hallmarks of a well-informed firm management that are generally better informed about both internal challenges and opportunities and also opportunities within the firm's marketplace.

Our fourth hypothesis (H4) suggests that the development and monitoring of budgetary plans will mediate the relationship between business and strategic planning (BSC) and anticipated increases in sales (AIC). In essence, we expect that there will be a significant indirect effect of BSP on AIS that would be explained by our understanding that the creation of business and strategic plans, absent the effective resourcing and monitoring of the execution of those plans, will be ineffective. As such, this hypothesis provides a partial counterpoint to H1, although the possibility that there are both direct and indirect effects of BSP on AIS is no excluded a priori of evidence-based analysis.

METHODS

This paper is based on an analysis of a sub-sample of data from the Business Longitudinal Survey (BLS) – a survey undertaken by the Australian Bureau of Statistics (ABS). The BLS has provided important insights into the activities and performance of Australian organisations, especially small to medium businesses. The BLS provides researchers with a four-year data panel (1994-95 to 1997-98 to accord with the Australian financial year). The data collected was remarkably comprehensive, gathering data on financial flows, employment, training activities and the development of managerial capabilities at the firm level. Importantly, all ABS data is gathered under the Census and Statistics Act 1905, coercively if necessary, effectively negating issues of non-response bias. We note that the data is quite old, but the issues we seek to explore here are ones that we anticipate have a timeless quality.

This paper employs data from the latter three years of the BLS (from 1995-96 to 1997-98) for the purposes of statistical analysis. Although the entire sample of the BLS exceeds 9,700 firms, for the purpose of this paper we carefully screened the data to ensure, as best we could, that the data we included in our analysis provided a sample of substantial firms with robust ongoing operations.

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First, we chose firms that were operational in all four years of the survey, with sales in each year of at least AUD100,000. As a longitudinal database, there were also numerous firms that failed during the survey, or were lost to the survey for other reasons. We chose to focus only on firms that persisted in normal business operations for the duration of the survey.

The larger population sample included many micro-firms and sole operators, and we determined that for these very small firms many of the formal planning and monitoring processes of interest in this study would occur innately within the mind of the owner-manager, if at all. Our sales screen removed these micro-firms.

Through these screening processes, we achieved a final sub-sample of 2,290 firms. We note and acknowledge that one result of this screening was to skew the sample. We would describe these 'screened in' firms as atypical within the whole population of Australian SMEs. The firms could be characterised as successful in maintaining a viable business over the period examined. This skewed sample could be considered a problem were we seeking to provide a representative analysis of Australian manufacturing SMEs – which we were not. Empirically, a desirable outcome of the screening process was that we had a strong assurance that the data that we analysed for this paper was robust and an accurate representation of the organisational phenomenon in question.

The following measures were drawn from various data items taken from the BLS confidentialised unit record file (CURF).

Business and Strategic Planning (BSP)

We were interested in the use of formal business and strategic planning (BSP) within our sample. BSP is derived from the questions in the CURF asking 'did this organisation use a formal business or strategic plan'.

The principal data utilised to develop our intensity of use scores for this paper was collected dichotomously in the survey instrument. Such binary data is generally difficult to integrate into exploratory and confirmatory factor analysis due to its non-conformance with the requisite distributional patterns of normality. To address this shortcoming, we rescaled the data into an interval form using data from two years of responses (from years 2 and 3 of the survey, with a view to assessing an outcome in year 4). This approach had the benefit of integrating the notion of accumulative causality into our modelled data. The dataset has the benefit of being longitudinal and not simply cross sectional. The use of temporally consecutive data points to measure the cumulative effects of budgetary and strategic planning processes is a particular strength of the paper.

Budget Planning and Control (BPC)

We were interested in the use of formal budgetary planning and monitoring (which we name Budget Planning and Control – BPC) within small to medium enterprises aimed at improving organisational performance. BPC is derived from questions in the CURF relating to firms' use of 'budget forecasting' and 'regular income and expenditure reports'.

In a similar fashion to that discussed above, we rescaled these items into an interval form. For both BSP and BPC we used SPSS to undertake a Principal Component Analysis to extract a continuous factor score for use in the regression analysis.

Anticipated Increase in Sales (AIS)

Our dependent variable in the study is anticipated increase in sales (AIS). Adopting a growth, rather than profitability, measure for our study marks it apart from many studies that choose to look at some form of relative financial return. We chose to explore the impact of our independent variables on anticipated growth as there is an innate logic to the notion that firms integrate exploratory and exploitative techniques as a means of achieving a more substantial position within a competitive market context.

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Managerial optimism regarding the future of the organisation has a number of direct and indirect affects. Langabeer and Yao (2012) note that a predisposition to optimism among a sample of hospital CEOs has both a direct and positive effect on organisational performance, while also moderating the relationship between a rational assessment of environmental opportunities and threats and organisational performance. Further, Green, Medlin and Whitten (2003), in a sample of small manufacturers, found that employee and managerial optimism positively impacted organisational performance through the development of a culture of commitment and a predisposition to grow organisational resources and market presence.

Again, this marks our paper apart from those with more orthodox approaches to the measurement of organisational financial performance. We are comfortable focusing on optimism as the anticipation of growth predisposes a firm to resource allocations relating to forward looking strategic initiatives including research and development, manufacturing planning and the like. To consider the counterfactual instance – a firm without plans to develop and grow will tend to stagnate at best, or decline.

Control Variables

To better isolate the effect of our focal independent variables, we included five controls in our analysis. These included actual sales increases from Years 1 and 2 (i.e. t-2 and t-1 in relation to the year of the DV's collection) and also anticipated sales increases from these two years also. The persistence of managerial optimism about future revenue growth is the subject of recent research interest (Storey, 2011; Dawson and Henley, 2013). Pertinently, this research suggests that optimism as a personal trait may flow over into business expectations for certain managers. Controlling for prior year sales growth expectations thus tends to reduce the effect of the individual manager's personality.

Likewise, business optimism may also be informed rationally – drawing on recent managerial experience to inform future growth expectations. This is based on the notion that firms do tend to follow growth and decline momentum and managers are aware of these trends, taking them into account when estimating future growth (Davidsson, Achtenhagen and Naldi, 2010).

Finally, we included the ratio of Year 2 R&D expenditure over sales. This was included as R&D is generally seen as an exploratory investment aimed at increasing future revenues (Ehie and Olibe, 2010). Including this variable was intended to remove sales growth effects that could reasonably be attributed to exploratory investments in R&D, rather than those that could be attributed to the planning and control processes focused upon in this study.

HYPOTHESIS TESTS AND RESULTS

Table 1: Means, Standard Deviations and Bivariate Correlations (Two Tailed)

	Mean	SD	1	2	3	4	5	6	7
(1) AIS Year 3	2.07	21.35							
(2) BPC Year 1 and 2	1.83	1.22	.072 ***						
(3) BSP Year 1 and 2	1.06	1.16	.054**	.549***					
(4) Actual Sales Growth Year 1	1.10	.85	-.011	0.034 †	.020				
(5) Actual Sales Growth Year 2	1.12	1.87	.003	.011	.031	-.033			
(6) Expected Sales Growth Year 1	7.44	34.19	.036 †	.037 †	.034 †	.020	.096 ***		
(7) Expected Sales Growth Year 2	5.96	20.93	.143 ***	.110 ***	.125 ***	.019	.019	.115 ***	
(8) R&D/Sales Year 2	.0035	.035	.033	.035 †	.047*	-.008	.002	.067 **	.031

† Correlation is significant at .1, * < .05, ** < .01, *** < .001

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Table 2: Regression Analyses for BPC and AIS

DV		BPC	*H2*		AIS	*H3*
Variables	Coef.	Std. Err.		Coef.	Std. Err.	
Constant	0.4673	0.0308	***	2.7097	0.6084	***
BPC Year 1 and 2				1.8106	0.3937	***
BSP Year 1 and 2	0.4046	0.0138	***	0.4429	0.3042	
Actual Sales Growth Year 1	0.0006	0.0005		0.0079	0.0086	
Actual Sales Growth Year 2	0.0022	0.0007	***	0.1189	0.0141	***
Expected Sales Growth Year 1	0.0258	0.0182		-0.2328	0.3427	
Expected Sales Growth Year 2	-0.0039	0.0083		-0.1091	0.1561	
R&D/Sales Year 2	0.1721	0.442		19.5015	8.3143	
N		2290			2290	
R^2	0.2873 ***			0.0588 ***		

*** Correlation is significant at < .001

Table 3: Significance tests for total, direct and indirect effects

	Coefficient	SE	t Direct Z Indirect	p	LLCI	ULCI	
Total Effect	1.1754	.2603	4.5159	0.0000	0.6650	1.6859	
Direct Effect	0.4429	.3042	1.4560	0.1455	-0.1536	1.0394	*H1*
Indirect Effect	0.7326	.1613	4.5415	0.0000	.5562	.9647	*H4*

In assessing Hypotheses 1 and 2, this study examines the possible direct and indirect effects on AIS from BSP and BPC. The test statistics of both hypothetical paths (BSP→BPC and BPC→AIS) are strongly significant, with positive directionality. The standardized path coefficient of BSP→BPC is 0.4046 ($p < 0.001$), indicating that Budgetary Planning and Control is directly and positively influenced by the variance in the use of Business and Strategic Planning. Hypothesis 1 is hence supported by the sample.

For Hypothesis 2, the mediating BPC factor correlates significantly, directly and positively with AIS (path coefficient = 1.8106 with $p < 0.001$). This suggests that, even in isolation of primary business and strategic planning processes, budgetary planning and control arrangements significantly increase the anticipate level of future sales.

Taken together, these hypotheses predict that a chain-link of activities exists in relation to (a) business and strategic planning, (b) budgetary planning and control and (c) anticipated increases in sales. This suggests that firms involved in formal strategic and business planning activities are more likely to undertake the development of formal budgets and to monitor those budgets. The chain is completed in that firms undertaking budgetary planning and control tasks are more optimistic about future sales growth than firms that do not.

For Hypothesis 3, we investigated the presence of a direct and unmediated relationship between BSP and AIC. The unmediated path between BSP and AIC is not statistically evident ($p > 0.10$). Hence, Hypothesis 3 is not supported within our sample. This presents a scenario of strategic and business planning without adequate resourcing and monitoring. As a proponent of effective business controls would suggest, such a scenario will lead to little optimism for future sales growth.

In total, there is evidence of a positive mediated configurational arrangement between formal business and strategic planning, budget planning and control and anticipated sales growth. The strength of such indirect effects is 1.174 ($p < 0.001$). Since only the indirect effects of BSP that are mediated by BPC on firm performance are shown to be significant, Hypothesis 4 gains support from the sample.

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DISCUSSION

Our analysis suggests that formal budgetary and strategic planning is an important part of any well run business. Our findings support the notion that an effective budgetary and strategic planning processes will increase the optimism held by firms' management in relation to future sales growth.

A key emphasis of our paper, and its main empirical contribution, is that we go some way in explaining how managers predict future changes in sales. In our sample, our unmediated model linking business and strategic planning to performance is not significant ($p > 0.10$), while our mediated model is highly significant in explaining the interplay between these formalised planning arrangements, budgetary planning and monitoring and growth optimism ($p < 0.001$).

As much as a dispassionate group of researchers should, we take heart in these findings. Appropriate planning and control systems are a counterpoint to organisational disarray and managerial capriciousness. As management scholars, it would be hoped that the presence of such systems would lead to improvements in the confidence managers have on future revenue changes – and this is the outcome we find.

Also, our research emphasises the importance of effective configuration. Strategic and business planning must be supportive of the generation and monitoring of resources and budgets by firms (Zott & Amit, 2008).

Business optimism is an important and under-explored phenomenon. Much of the extant research suggests that optimism about future growth is misplaced and misguided, driven as much by managerial personality traits than rational analysis of internal and external factors. The weak but significant effect of prior year optimism in our models does suggest some persistence effect in relation to managerial attitudes, although much more is explained through the mediated arrangement presented in our conceptual model.

We interpret this to mean that managers who are influenced by rational planning, with concomitant development of formal budgets and the monitoring of those budgets will generally be more optimistic and secure about future growth prospects.

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BICYCLE TOURING IN VIA LA COSTA OF ECUADOR, AN ANALYSIS OF THE TOURISM POTENTIAL

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ABSTRACT

This research values the characteristics of the bikeway Route Puerto Azul linked to diverse tourism resources in the environment. The mixed method approach was applied and the sample studied was 147 cyclists who gave references about the actual situation of the infrastructure, the road signs and the importance of driver education that compromises safety for bikers. In addition, the little use of bicycles as an alternative means that the mobilization was also evidenced. Despite setbacks, the results demonstrated the feasibility of implementing tourist routes that take advantage of the great potential that owns the bike path for cycle touring. Also, the results showed the awareness alternative that seeks a more liveable world through activities that do not degrade the environment and improve quality of life citizens, keep them away from stress, routine and sedentary lifestyle with exercise while having fun and get to know the main port city, Guayaquil.

Keywords: Bikeway, potential tourism, cycling, tourist routes, bicycle touring.

INTRODUCTION

Nowadays a spreading use of bicycles in various countries has been developed. Cities such as Amsterdam are recognized worldwide, for the massive use of bicycles, where since 1968 the use of them was promoted through the movement *provo*, who protested and proposed solutions to live in a more livable city. Also, all the citizens were offered a large number of bicycles, which could be picked up where their circulation began and delivered at the end of their journey because they were anywhere in the city. However, as there was no control over this mechanism and everyone could use this service, theft, and vandalism greatly reduced the number of bicycles producing the failure of the system called "open". (IDAE Institute for the Diversification and Saving of Energy, 2007). In 2001, the mass use of these bicycles was consolidated as an individual transport, regulated by the delivery of data when renting was required. In this way, many cities in Europe have benefited from the replication of the use of bicycles (AA. VV. 2009, 2012; ADFC 2017).

Currently, many cities of our country are incorporating independent bikeways of the roads that allow fluidity while driving a bicycle. Quito, the main city of Ecuador showed significant advances in the insertion of the bicycle as a type of transportation 12 years ago as a mechanism of solution to the traffic problem of the city. Furthermore, the first bikeways arise in 2003 and in 2008 when a cycle path was implemented in the urban part of the city with the Q cycle project (El Telégrafo, 2014). In a few words, the cyclist movement was first shown in Quito and with the time they were presented in other cities of the country.

The coast of Ecuador observes the increase of bicycles as an alternative to vehicular congestion. For instance, to reach a destination by car in Guayaquil it has become increasingly complicated which is why some of the citizens are going for a healthy and beneficial option as it is the bicycle. However, the city of Guayaquil has no roads or exclusive lanes for cyclists having mostly integrated lanes, that is to say, that cyclists share the highway with cars or the segregated ones that are in the same streets but separated by a painting. Thus, the bicycle is taking spaces in this city despite the limitations of the roads, however, new routes continue to be developed on the Ecuadorian coast.

Currently, a bike path is included on the left side of the Puerto Azul Route and although it is independent of the highway, it is not used massively, and even some cyclists prefer to use the highway because there is a huge problem between cyclists and drivers causing incidents due to the laws are that are not fully complied and there

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is scarce control over the bike path of the Puerto Azul route until the Cerecita cycleway where the three agents responsible for providing security and continuous control are pedaling along it, which causes that the proper use of the space in question is not given.

There are several factors that have not allowed the complete development of bikeways. One of them has to do with the lack of interest on the part of the government, which motivates other users not to give the importance that is required. Also, the lack of exploitation in a tourism way due to the poor planning and the lack of promotion of this healthy activity with the bi-routes. In addition, the cyclist has the right to feel safe without forgetting the benefit that this represents for those who use the bikeway as an athlete, tourist, or for those indirectly involved. Despite everything, the potential offered by the development of the bikeway is promising.

The bikeway idea is significantly increased in people's mind and the project idea is slowly taking shape. In another hand, it should be noted that this cycleway allows quick and easy access to the vast beaches of Ecuador. Also, it can be encouraging the tourism through these routes, just for the enjoyment of all those who love pedaling and combining sports with fun, avoiding polluting the environment that surrounds us as an option of multiple benefits. In other words, the cycle route from the Puerto Azul Route presents a great tourist potential for all the varieties found along the route, for example, the access to the beaches of the Provinces of Guayas and Santa Elena.

THEORETICAL FRAMEWORK

A tourism resource includes those elements that are the main source of motivation in the demand and choice of a specific destination selected by the tourist. The attractions are the core and the reason why a sector is striking and of interest to citizens, combining natural, cultural and mixed sites, in addition of the charisma of the receptors that allow the practice of tourist activities for the satisfaction of visitors. (Olmos & García, 2011).

With the implementation of tourist routes, various services are integrated creating a product of economic activity that enhances the capacities of the community or citizenship (Flores, 2012). Through the tour of a tourist route, you can observe the nature that surrounds the panorama, also the enjoyment of the necessary complements that are offered in the activity.

Tourism potential

The tourism potential is measured by the level of accessibility that a specific place has, the tourist attractions, the basic services that are part of the infrastructure and the offer of accommodations, entertainment, among others (López, 2005).

The tourist potential is the sum of the territorial resources of a community or city, as well as the facilities to access the place and the equipment and infrastructure necessary to receive the visitor and this one is comfortable (Antón & González, 2011). Also, the tourist potential of a certain place is measured by the existing tourist situation, that is to say, that it has sufficient infrastructure and furniture to receive tourists without inconveniences. In addition, is necessary to contained access roads for the visitor to move to the different scenarios or simply that it can reach the desired destination. Among other things, undoubtedly indispensable is the landscape that surrounds them, taking into consideration the flora and fauna according to the sector where they are located together with the climatic conditions that are conducive to tourism activity; and the tourist resource of the area which is the whole and the complement of the natural and cultural attractions, the people who live there and other adaptations as a base for the practice of the different tourist activities (Vela, 2012)

Bikeway

A bikeway is a route destined only for the circulation of bicycles, with all the binding components for the realization of the pedaling, having as main objective the mobilization and the transfer from one place to another (Estrada, Sarmiento, & Jacoby, 2009).

The bikeways have to be safe and comfortable, linking specific points, that is to say, to be direct. In the case of the cycle-inclusive, known as that because it is adjacent to the road, sharing the vehicular and motorized space, but with painted lines that indicate the single pass for bicycles (Metropolitan Regional Government of Santiago, 2012); the cycle-inclusive must be measure to reduce the speed of cars, the bikeway must be on the

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highway and not on the sidewalk, traffic must be reduced by where the shared road is located, establish precise areas for pedestrians and in such a way that they avoid accidents caused by the imprudence of those who travel on the road.

For the good use of bikeways, it cannot do without the laws, because they are the rules to abide and delimit according to each sector and user. Also, within the cycle facilities, parking must be established for bicycles, whether vertical or horizontals according to the place and these must always be near the buildings or parks so that the cyclist does not feel any doubt to leave his mobilization instrument with the padlock or object that allows leaving the bicycle safe.

In the creation of bikeways it is necessary to analyze specific stages for the execution of the implementation project of bi-routes, such as, the study of the defined points that is essential for connectivity from one place to another, the methods that will be used during the project and the analysis of the demand regarding the preferences of cyclists and tourists so that they can become potential bicycle lovers and obtain positive results (Metropolitan Regional Government of Santiago, 2012).

The exclusive route of cyclists must have recreational stretches for the enjoyment during the journey, which must have tourist attractions along this route and in this way be striking for continuous use, as a means of mobilization through the city, knowing and interacting between different cultures through tourist routes.

The tourist bikeways are a new way of doing tourism, becoming recreational walks, sharing days or an afternoons with family and friends; but for its proper use it is essential to abide by rules and carry with it necessary and indispensable safety objects for the activity, avoiding accidents or inconveniences that may affect the cyclist, being one of the reasons why users do not decide to take this option as a recreation or simply as a means of transportation as required. (Averos, 2010).

Cycle tourism

Conceptualize cycle tourism involves the transfer from the definition of the user of a bikeway to the cycle activity as recreation. A cyclist is a person who moves on a bicycle as an individual means of transport driven by his own strength and with two or more wheels aligned as well as containing a cushion for the person to take a seat on it (Ministerio de Vivienda y Urbanismo, 2009). The available space where cyclists exercises are the cycle path, where tourism could be developed. Moscarelli, Pileri and Giacomel (2017) refers a cycle tourism path as a great cycling network covering one or more regions and reaching a distance around 100-150 km, where bicycles and pedestrians are the priority. Those expresions match with Roberts' (2010) who mentions cycle tourism as a way to make bicycle tourism through cycle paths, without worrying about time, duration or skills, because the only purpose is to enjoy pedaling with friends (Roberts, 2010).

Bicycle touring is a bicycle tourism, varying in its activities and attracting the attention of many tourists who love nature and the outdoors; combining exercise and knowledge of beautiful places (Hidrovo & Estrella, 2012). In the practice of bicycle tourism, it is encouraged the care of the environment that surrounds them with an ecological and alternative instrument, in addition to exercises to combat sedentary lifestyle (Medina Aguerrebere, 2012). In consequence as Moscarelli et al (2017) mention cycle tourism does not only try to motivate athletes, but provides a cultural and enjoyable experience for everyone.

Cycle routes

The implementation of bicycle lanes brings profits with them such as the promotion of the massive use of them, pollution reduction to the environment, decongestion of traffic and the generation of new jobs. As Vanwolleghem et al (2014) states "when cycling along the routes, a different perspective is obtained compared to walking or being in a car"; so, if there is a highway for the mobilization of vehicles and footpaths for pedestrians, why they do not create roads that are exclusively for cyclists, in such a way the cycling and citizenship sector would be favored because they would be encouraged to use bicycle routes more frequently and as means of transport that expedites the transfer from one place to another. In other hand, users feel dissatisfied because of the existence of a network of streets and highways for buses, cars and motorized; and footpaths for pedestrians so, it should also exist a network of travel for bicycle lovers stimulating young people, children, and adults, helping to avoid pollution of the environment and decongestion of traffic, promoting a sustainable tourism and awareness of the resources what the city has and counts. In synthesis, is necessary bike paths, what it entails a passage or alternate

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corridor that allows the use of the bicycle daily as a new option of mobility in the city. (CIUDAD Research Center, 2013).

Among the benefits of having established tourist routes by bicycle lanes is to give a new alternative to the inhabitants to exercise an activity in free time outside of routine and daily life, opening the way to a healthy tourism practice, fighting the overweight and sedentary lifestyle, being the latter one of the greatest challenges for people, so that they are used for recreational, cultural and tourist purposes. It is essential to observe the positive and negative aspects in the moment of choosing to pedal a bicycle because of the climate and the risk of accidents, being the latter the biggest adversary at the time of choosing this option. However, benefits like improving health, entertaining, enjoying with friends, in addition to save on fuel and contributing to the environment, makes the use of bikeways preferable in the first instance.

Physical infrastructure is one of the relevant condition for enable a bikeway, and in this topic Lukas and Tim (2018) mention studies made by Pucher and Buehler (2008); Pucher et al. (2010); Buehler and Dill (2015) about which aspects are important to improve those conditions. The infrastructure of the bikeway must be in perfect condition, with the flat floor to avoid accidents, in addition, there must be alternate routes of free choice without interruption or separation so that the cyclist can choose the route he or she wishes to take according to the destination or the attraction of desire. Furthermore, the lane must be differentiated by clearly recognizable painted lines and with the respective signage that indicates the exclusive use of bicycles. Also, it must not have obstacles to its circulation and have services that provide facilities to the cyclist in case of an incident, either to the person or to the bicycle. Besides, it needs to have a service of stops that previously indicated by means of signs such situation and services of parking indispensable for the tourist activity on a bicycle and finally, offer a center of children's fun, because not only will be offering a tourist medium, but also a recreational medium, through green zones and tempting places in sight.

The bike routes are essentially necessary for the practice of cycling activities, being able to become a tourist attraction, combining recreation, entertainment, and sports. This should benefit the receiving community that is directly or indirectly involved when they are used (Boullón, 2006). Among other essential things is the lighting both on the bike path and on the bicycles, so that those who like to pedal at night, can be seen by others on the road and be easily guided. There must be strategic points where policemen and metropolitans are installed so that the cyclist can feel more confident or can be helped, in addition, the cyclist must know where these help points are so he or she can be helped immediately.

The first promoter of a tourism system is the tourist because it is who activates all the elements that compose it and where the infrastructure is essential for the reception and offering of services that have access to different destinations and it that communicates between others. That is to say, that the infrastructure determines the tourist role of the visitors because through it the tourism production takes place (Castro, 2010).

Tourism activities are considered as the set of actions carried out by the tourist to satisfy the preferences according to their own tastes, being the cause of the tourist existence and the varieties that include (Torres, Estevel, Fuentes, & Martín, 2006). It is important to emphasize that the main points for the increase in the use of bicycle paths are the safety that the cyclist must feel, the built-in signaling and the constant control that the laws created for the cyclist's enjoyment with freedom are enforced (El Universo, 2014).

METHODOLOGY

The scope of this research was to evaluate the use of the bikeway as a tourist resource on the Puerto Azul Route to implement tourist routes.

The mixed approach was applied due to the qualitative information that was gathered about the good use of bicycle lanes as a tourist potential. On the other hand, in the quantitative field, surveys were carried out to cyclists on the Puerto Azul Route, and it was supplemented by an interview with the club president "Ciclistas sin Fronteras".

The direct observation technique allowed the description of all the aspects observed in the cycle path of the Puerto Azul Route, in a lapse of 4 hours, on the 25th October of 2014. In summary, it was possible to detail what was appreciated by the researcher and to record the comments of the empirical criterion in a summary, which explains all the events raised about the use of the bikeway in the preliminary analysis observations.

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Another significant technique used in this research was the survey aimed at a defined population of cyclists who travel along the Route of Puerto Azul cycle path, which allows determining specific situations according to the results sought; being the tool the questionnaire that contains a bank of standardized closed-ended questions, as rating scale questions of the Likert-type, applied directly to the surveyed people.

Analysis of the validity and reliability of the scales was done by SPSS program. The final measurement model for reliability in the Cronbach's Alpha was of 0,949 in 10 items. Factor analysis by KMO and Bartlett's Test was used to test the validity of the scales used, obtaining 0,894 with a significance of 0,000.

The population of cyclists using cycle paths, mainly those who choose to use the Puerto Azul Route, was considered as the universe to be investigated, taking the number of cyclists registered as club members of the locality, to whom they have requested information, providing the information of table 1.

Table 1: Club of cyclists in Guayaquil

Name of the group	Number of members
Ciclistas sin Fronteras:	60 cyclist. (Game, 2015)
Monobikers Guayas:	100 cyclist. (Calderón & Arias, 2015)
Ciclistas de la Calle:	80 cyclist. (Martillo, 2015)
Total	240 cyclist

As consequence, the sample to survey was 147 cyclist, assuming an error of 5%, a reliability of 95%, of a universe population of 240 cyclists.

RESULTS

The confidence that bikers feel with the bikeway is one of the relevant aspects of concern. In the surveys made to the cyclists the 39% report that the bike path is correctly located, 42% indicate that in part yes, because there are stretches that are lost and 75% of cyclists think that definitely need to adapt signage for the bike path, so there are no signs that indicate where the path begins on the route of Puerto Azul, and cyclists who travel for the first time said that the route does not have guidance by this means.

Respect to the exclusive use of the cycle paths were also consulted. There are inconveniences in the cycle route of the Puerto Azul Route by drivers and pedestrians, and there is a nonconformity of 58%, so cyclists cannot pedal freely because passersby use the bikeway as a means of mobilization and they move in the company of family and friends.

Freedom for the human being goes close to security. 47% of the cycling population indicated that bicycle lanes are a safe mobility option for those who wish to go to different places, always taking the necessary considerations; while 34% said that they are partially safe, because if they respect and abide by the laws established for the proper use of bicycle lanes, these would be the best way to travel at work, and also for recreational and tourist purposes, strengthening their massive use by the confidence emitted when pedaling through the roads.

The fervent need for road safety education is very noticeable, so that all the inconveniences that arise in bicycle lanes can be avoided. The 77% of the cyclist population strongly agrees, being a great step that avoids accidents by the road for respect to each sector, knowing what the laws and fines, in case of infringing them, also, the awareness of the free and exclusive passage of cyclists and that security and confidence is given when carrying out the activity in the bi-routes.

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Control and management in a bikeway attempt to get the welfare of visitors. 73% of the cyclists evidence that it is essential the presence of traffic agents to control that the bike path is respected and not usurped by pedestrians and drivers who deliver a bad image. However, the bike path of the Puerto Azul Route has with 3 agents on charged in the Cerecita road, due to the extent they cover, these are not permanently found and, while pedaling, agents are not visualized. Therefore, it is essential that agents be on the spots the whole journey to monitor and quote those who they do not respect or the bi-routes being the law the ones who can take measures in case it is required.

The characteristic of the bikeway on the Road Puerto Azul were evaluated through direct observation sheet and are described in Table 2.

Table 2: Characteristics of the bikeway

Description	Details
Infrastructure	Generalities: The bike path from Puerto Azul to Puerto Hondo is made of asphalt pavement, while from Puerto Hondo to Cerecita it is made of concrete.
	Condition: In general, it is in good condition and does not contain potholes, but it shows the residues of the landslides on the sides, hindering the cyclist's traffic.
	Length: The total extension is from 57 Km, 3 Meters wide, double sense, which is 1.5 meters per step.
	Services: There are no nearby health centers that provide first aid services and during the journey, there are no facilities for cyclists to rest and enjoy the panorama or bicycle parking, only certain sections have signals on the road.
	Recklessness of the drivers: The motorized ones do not respect the law of the use of the bikeway, being exclusive for cyclists, but make use of this to the transit of fast way avoiding the traffic and the congestion
	Security: Three transit agents are designated for the circular control of the bike path
	Problems: In journeys, pedestrians move along the bike path, impeding the normal transit of bicycles.
	There is no local soft drink sales service, only the Costalmar shopping center with shops and restaurants, the Chongón parish has a gastronomic location.
Tourist Attraction	Cerro Blanco, site for ecotourism, flora and fauna.
	Puerto Hondo, recreational spa with children's aquatic games, viewpoint, mangroves of the ecological reserve and salty estuary. Carolina Mishell protective forest, where you can observe flora.
	El Lago Park, a nature reserve with green spaces for picnic and ecotourism

In the question if the bikeways can be used for tourism and recreational purposes the majority of the cycling sector considers that the bike path has a great tourist potential being 67%, so it can not only be used for sport reasons but also those who love nature and love to know new cultures can also perform tourism and visit each attraction of the route.

In another question about whether tourist routes were implemented for bicycle lanes, would you do bicycle tourism, the 71% of the respondents are in complete agreement and shows an opportunity of tourism, because with the existence of routes that indicates the specific points of stops and attractions, cyclists would carry out the cycle touring continuously calling the attention to the potential participants for the practice of tourist activities in the bikeway.

The 77% of the cycling population would recommend the use of tourist routes in bike lanes to visit the attractions and be able to know the natural and mixed sites through the bi-route of Puerto Azul. Also, word of mouth advertising would be used, which would help to be known all services offered on the routes through the satisfactory experiences of those who have practiced them and made use of them.

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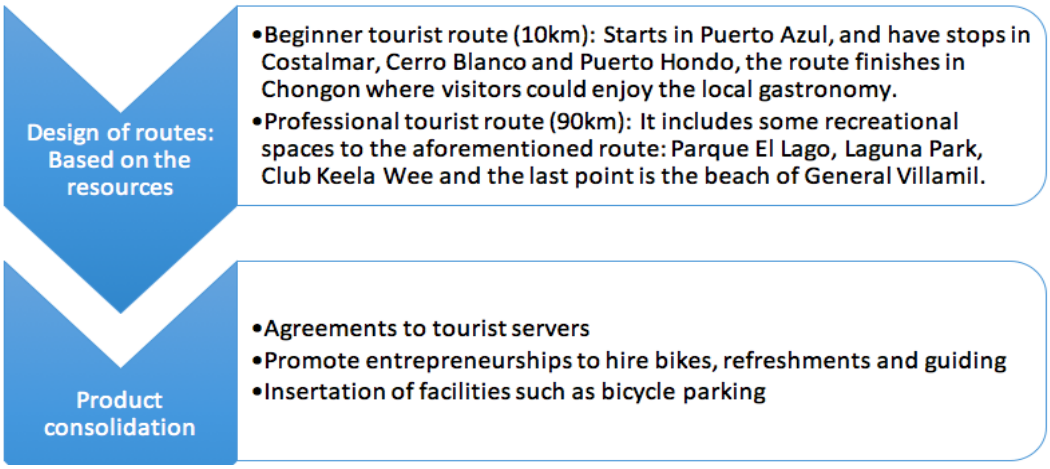
PRACTICAL IMPLICATIONS

Nowadays there are cyclists of different ages who are dedicated to the practice of sport as a discipline, and others who use their bicycle to move from one place to another for recreational purposes and leisure. In consequence, those people constitute a market niche for fresh tourist product and tourist resources involved in the Via a La Costa could get extra profit of the actual bike path.

There were two user sectors identified. The first one are the actual cyclists who continuously look for new ways to practice these activities, in a safe way, whereby living with nature and enjoying other attraction are significant for them. The potential market are people who get motivated to participate in the different activities that will take place through the cycling circuit; taking into consideration people who are not regular cyclist and maybe even have a bicycle and would like to hire one.

Based in the previous data, the practical implication of this research refers to the phases that the design of cycle routes for tourism requires: Establish the routes for beginners and professionals, and the consolidation of the product, which transform a current activity in a new market with created value. Figure 1 summarizes the proposal for the bicycle touring in Via La Costa of Ecuador.

Figure 1: Proposal for the bicycle touring in Via La Costa of Ecuador.



CONCLUSION

The infrastructure is a fundamental part of the development of a country and connections with the population because thanks to it, the access in different parts is possible. The sceneries and tourist resources that include the bikeways in Via La Costa allow developing cycle touring, nevertheless, it is necessary to potentiate those tourist spaces to provide facilities to tourists, such as bike parking, accessibility to sites, restoration services and culminate with the promotion of the routes.

The design of a project which links cyclist and citizens as potential customers, support the development of tourism inside the sport and recreational activities, topics that have not been studied before in the Ecuadorian Coastal region, and only cities from the Inter Andean valleys has been highlighted. The use of the bicycle is necessary to promote and potentiate as a mean for the tourist activity in natural environments, thus the bikeways can be used, where the private enterprises and the public government could work together, so regular activities could be profited for new market.

Finally, this research involved the analysis of qualitative components for cycle touring development, other aspects such as profitability, social and economic impacts, tourism marketing and quantitative analysis could be approached in further studies.

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POLITICAL MARKETING AND PERFORMANCE: AT IT AGAIN: WHERE AND HOW A NEW POLITICAL PARTY WON GENERAL ELECTIONS IN 2009 AND 2014; THE MARKETING OF THE DEMOCRATIC PROGRESSIVE PARTY IN MALAWI

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ABSTRACT

Remarkable things do happen in rather unremarkable settings. The case of the Democratic Progressive Party of Malawi, a new political party on the political scene which won elections in 2009 and 2014 renders credibility to this saying.

Voting has been along tribal and regional lines in the subsequent elections of previous years, therefore for this new party to achieve this feat, something more than a good campaign is the explanation. The research paper shows that marketing has gradually taken centre stage in politics in Malawi. Through interviews with politicians, media managers and focus groups discussions with engaged voters, it was acknowledged that the strategic use of marketing was responsible for the party' winning elections in 2009 and 2014.

In a country with a large number of political parties showing ideological convergence, it is very difficult for voters to decide which party to vote for based purely on electoral issues and cognitive messages. Therefore marketing will help in sifting the winning party from the rest of the pack.

Keywords: Election; Marketing; market orientation; ideological convergence; first past the post; political communication; unique selling proposition.

INTRODUCTION

The words of Nord and Stromback (2009) that remarkable things sometimes happen in rather unremarkable settings render themselves valid considering what happened in Malawi. In the general elections campaign of 2009 in Malawi, almost all the old and established political parties were taken by surprise by the new party on the 'political block', the Democratic Progressive Party (DPP). In what can only be described as a 'let us wait and see attitude', the old parties were taken by shock and surprise by the intensity of the campaign that the new party launched such that they failed to recover and catch up, and when they tried to, it was rather too late and in some respects unmatched. The party, although out of government for two years following the sudden death of its leader and president in 2012, repeated the feat in 2014 general elections and wrestled the mantle of power from the caretaker People's Party (PP) government.

Voter turnout was comparably higher in 2009 and 2014 than was in 2004 general election. In 2009, the presidential vote was 66 percent, the highest the country has ever experienced since the restoration of multiparty democracy in 1994. This made the president elect, Bingu wa Mutharika, the most popular president to have ever been voted into office in the country by such a share of vote. In 2014, the presidential vote slumped to 36.4 percent against the backdrop of rumours of rigging and also due to a split vote as there were 12 candidates vying for the office of president. Table 1 shows registered voters, voter turnout and presidential vote figures.

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Table 1: Malawi General Election showing registered voters, voter turnout and presidential vote

General Election Year	Registered Voters	Voter turnout (%)	Presidential Vote (%)
1994	3.8 million	80.4	47.0
1999	5.0 million	93.8	52.0
2004	5.7 million	59.3	35.9
2009	5.8 million	78.3	66.0
2014	7.5 million	70.7	36.4

Adapted from MEC (2009, 2014)

When the voting finally took place on May 19, 2009 the end result was a landslide victory for the Democratic Progressive Party, a new party that was competing in its first ever election since its formation in February 2005. After two years in opposition following the death of its leader, the party also won a majority in 2014. Table 2 shows the distribution of seats after the polls.

Table 2: Distribution of seats won by political parties in Malawi since democratisation in 1994

Election Year	Voting outcome (seats won) by political parties in Elections									
	AFORD	CCP	DPP	INDEPENDENTS	MCP	MAFUNDE	MPP	MGWIRIZANO	PP	UDF
1994	36	-	-	-	55	-	-	-	-	84
1999	29	-	-	-	66	-	-	-	-	93
2004	6	-	-	40	57	-	-	25+9 NDA	-	49
2009	1	-	113	34	27	1	1	-	-	17
2014	1	1	51	52	48	-	-	-	26	14

Adapted from MEC (2009, 2014)

The new party won close to 60 percent of the total seats (113 seats out of 193 seats) in the National Assembly in 2009 making it the first ever party to go past the 100 seats mark. This was the first time in contemporary Malawian politics for a new party to register such kind of success for itself and its candidate. In 2014, the DPP won again more seats but by a slight majority. More independents also won seats, possibly a sign of lack of intraparty democracy where losing candidates during the parties' primaries choose to stand as independents.

Thus, there are many reasons as to why the new party, the Democratic Progressive Party (DPP) did so well in the 2009 general election and 2014 general elections in Malawi and it is the intention of this paper to explore those key factors. More specifically, and within the context of this study, it is important to explore the role marketing played in ensuring the success of the Democratic Progressive Party of Malawi.

RESEARCH QUESTIONS

The aim of this paper therefore is to examine factors which contributed to the success of the Democratic Progressive Party (DPP) of Malawi in the general elections of 2009 and 2014. More specifically, the paper seeks to answer the following questions:

- Should the DPP be classified as a market –oriented party?
- To what extent did the party implement political marketing and professionalized campaigning in its advertising?
- How can the electoral success of the DPP be explained in the context of the development of political communication by political parties in Malawi?

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METHODOLOGY

In terms of methodology, the paper adopted a mixed-methods approach. These included semi-structured interviews with three (3) senior politicians (namely campaign director, research director and communication director) for the Democratic Progressive Party and seventeen (17) media managers from both electronic and print (private and public) media houses in Malawi. Focus groups were also conducted with media practitioners and voters on the political campaign practices employed by the new political party. Content analysis was also conducted on the party's manifesto to check on its programmes and promises. These approaches were considered appropriate so as to be able to answer the "why" and "what" questions thereby enhance triangulation of ideas.

This paper has five sections. Firstly, there is a briefly description of Malawi and its multiparty system. Thereafter, the paper makes a commentary about the new party, the DPP of Malawi and its roots. This leads into the review of literature about political marketing and market orientation within the context of Malawian political communication system. The fourth section presents results of the study before drawing some conclusions, in the final section, on the importance of country and electoral context factors in understanding political marketing practices.

POLITICAL MARKETING IN THE MALAWIAN MULTI-PARTY SYSTEM

Malawi is a democratic state in Southern Africa. It became a republic in 1966 after attaining independence in 1964 from British rule. During the general elections of 1961, after the electoral defeat of the United Federal Party (UFP), Christian Liberation party (CLP) and independents, only two political parties namely the Malawi Congress Party (MCP) and Nyasaland Constitutional Party (NCP), were represented in the Legislative Council in Nyasaland (old Malawi). Soon after these elections, the other party was disbanded leaving the Malawi Congress Party (MCP) as the only party in 1966. This is how Malawi became a single party at the attainment of republican status. The lack of competition resulted in Doctor Hastings Kamuzu Banda, the leader of the MCP amassing too much power and becoming autocratic. For years, Malawi had been a single party state (Chirwa et al., 2000).

As a result of pressure from donor nations and internal dissatisfaction by the general populace, there was civil disobedience and industrial unrests by workers who were demanding workers' rights. The Public Affairs Committee (PAC), a quasi-religious body engaged the MCP government pressing for more political reforms in the country. The Catholic Church also issued a pastoral letter calling for more reforms and respect for human rights. This political climate resulted in the birth of pressure groups which later became political parties, namely the Alliance for Democracy (AFORD) and United Democratic Front (UDF) in Malawi.

Following this pressure, Hastings Kamuzu Banda, leader for the MCP called for a referendum in June 1993 to decide whether the country should continue as a single party state or adopt multiparty politics. The resultant vote was won by the proponents of multiparty democracy. Therefore in May 1994, the first democratic elections were held and were won by the United Democratic Front (UDF) under Bakili Muluzi, a former Secretary General of the Malawi Congress Party (MCP) who had fallen out with Hastings Kamuzu Banda of MCP. Subsequent elections were held in 1999 and 2004 and these were won by the United Democratic Front with MCP as the official opposition.

Malawian democracy is based on an abridged version of multiparty parliamentary and presidential system in which voters vote for a president and a member of the National Assembly in the same election. In the 2014 general elections, the voter had three choices namely for the president, Member of Parliament and local councillor (MEC, 2012). The electoral system is First-Past-The-Post (FPTP) which means that in each election the winner takes it all. All elections, presidential, parliamentary and local assembly (in the case of 2014) were held on the same day, which means that there are rather few elections in which campaign strategies can be developed and tested for improvement, with the only exception being by-elections which are held as soon as seats become vacant for

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members of parliament or counsellors with the exception of the president who is constitutionally replaced by his/her vice for the remainder of the term.

Malawi has over 46 registered political parties (Kaisi, 2012) and six political parties represented in the National Assembly. Theoretically this is important, because it means that the political landscape is very crowded and it is these crowded political environments which deny political parties the right space to create their unique selling propositions. The resultant effect has been the lack of ideological distinction between political parties. On the other hand though, this resultant competition has been fertile ground for the use of marketing in politics.

THE CASE FOR THE DEMOCRATIC PROGRESSIVE PARTY (DPP)

Bakili Muluzi won the polls in 1994 and 1999 as president of democratic Malawi on the UDF party ticket. The constitution of Malawi allows for incumbents to run for a maximum of two consecutive terms of 5 years each. There were attempts however by the ruling UDF to change the constitution to allow Bakili Muluzi to run for office for more than what was stipulated in the constitution through a bill called the "Open terms Bill" which was defeated in a parliamentary vote by three votes. When that failed, the party came up with another attempt to change the constitution to allow for the incumbent Bakili Muluzi to run for a third term arguing that he had unfinished business and would leave office at the end of his third term.

Amid fierce opposition from Civil Society organisations (CSOs), opposition political parties and anti-third term protesters, the bill was withdrawn from parliament (BBC News, 2003). When both attempts failed, Bakili Muluzi imposed on the party, his friend, Bingu wa Mutharika to run as a presidential candidate for the UDF party. Opposition and civil society leaders felt that as Muluzi was unable to run for a third term himself, he had settled for Mutharika, a perceived political lightweight who he could easily manipulate. This did not please the party's faithfuls.

Senior UDF party officials protested the move by Bakili Muluzi to nominate Mutharika as his successor as he was perceived to be an outsider to UDF politics at their expense. Most of them quit the party in protest to form their own parties or join opposition ranks. The vice president of the party, Aleke Banda, who would have succeeded Muluzi under normal circumstances left to form his own party, the Progressive People's Movement (PPM) while a founding member of the party, Brown Mpinganjira left to form the National Democratic Alliance (NDA). Justin Malewezi, who had been Bakili Muluzi's running mate in previous elections and was serving as the country's vice president in government, but a senior member in the UDF party, declared that he was contesting the forthcoming election as an independent candidate in alliance pact with other disfranchised party members and opposition members. Following this imposition, it was obvious that the UDF was no longer a united party.

That notwithstanding these challenges, Bingu campaigned for the 2004 general election as a candidate for the UDF but soon after winning the vote, which was a third win for the UDF party, serious cracks emerged and the relationship between Muluzi and Mutharika, heir apparent degenerated very rapidly to the point that the president elect resigned from the party and formed his own party, the Democratic Progressive Party (DPP) of Malawi in February 2005. The new party did not have any representation in the National Assembly except for those members of parliament who had defected with the president to the new party; hence the new minority party had to govern by way of populist policies.

The UDF feeling betrayed ganged up with the MCP to form a majority opposition block in the National Assembly and opposed key initiatives by the minority government including refusing to pass the budget. BBC News (2005) reports that an impeachment motion was lodged by the United Democratic Front (UDF) which had accused the president of violating the constitution and misuse of public funds. Using this numerical advantage the opposition started impeachment proceedings against the incumbent president and the resultant political climate was tense. The president engaged the services and support of Civil Society Organisations and traditional leaders (chiefs) to help him explain his vision to the country. Traditional leaders communicated with their subjects to demand of

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their political representatives (MPs) in the National Assembly to pass the budget and that if they did not adhere to that plea, they should vote them out at the next election of 2009.

The opposition had also insisted on petitioning the Speaker of the National Assembly to invoke Section 65 of the Malawi Constitution. This section empowers the speaker of the National Assembly to declare vacant a seat of a member of parliament who has abandoned a party which sponsored his/her candidature and has joined another political party represented in the National Assembly. The speaker of the National Assembly did not grant the petition because the DPP did not have any elected member representing it in the Assembly save for those who had chosen to associate with the party and were sitting on the government side in the National Assembly to help move government agenda since the party had been formed after the general election of 2004. The matter however resurfaced after the new party, the Democratic Progressive Party (DPP) gained several seats through by-elections. Every meeting of Parliament was a tense session.

On Thursday 23rd June, 2005, the Speaker of the National Assembly (Rodwell Munyenyembe) collapsed during angry exchanges in parliament after he had ruled a motion to impeach Malawian president Bingu wa Mutharika should not be heard (BBC News, 2005). As the 69 year old rose to bang his gavel, he lost balance and fell down. It was learnt thereafter that he had suffered a severe stroke and then cardiac arrest. On Monday (June 27, 2005), 4 days after the collapse and subsequent death of the speaker of the National Assembly, hundreds of students and civil society activists took to the streets of the country's major cities and towns to protest at parliament's moves to start impeachment proceedings against president Mutharika. As a consequence parliament went into indefinite recess after the speaker's collapse and death delaying a crucial budget vote which would have allowed aid money to flow into the country.

The political climate that followed the general election of 2004 was tense. The elections of 2009 were therefore a real test for the DPP as to whether the party had developed its structures and support base throughout the country on which to contest the elections in 2009.

Now that it is a known fact that the new party, Democratic Progressive Party (DPP) won the 2009 general election by a wide margin, the key question being asked is, how did the party secure such success? To understand what happened an exploratory study was undertaken to examine what sort of strategies the party employed which helped it register success at the polls being a new player on the political scene

Harris and Lock (1996) have argued that political marketing is different from commercial marketing because the possibility of introducing a new brand in the form of a new political party which would go on to win elections is relatively remote. This view has been challenged because there are now examples of political parties which were formed close to elections and have ended up doing well in the electoral race. The case in point is the Junilistan Party of Sweden which was formed in February 2004, just four months before the election and ended up on second position in the European Parliamentary Elections (Nord and Stromback, 2009). The other example is the Democratic Progressive Party (DPP) of Malawi which was formed in February 2005 and won by two-thirds majority beating old and established parties like, the Alliance for Democracy (AFORD) of Chakufwa Chihana, the Malawi Congress Party (MCP) of Kamuzu Banda and United Democratic Front (UDF) of Bakili Muluzi (Matchaya, 2010 and Hussein, 2009) which were established brands on the Malawian political market.

RESULTS

Results show that the DPP which in essence was an offshoot of the UDF, was formed as a result of failure to observe intra-party democracy in the then ruling UDF Party. The decision by the outgoing president Bakili Muluzi to impose Bingu wa Mutharika, perceived to be a political lightweight and an outsider to UDF party politics, as a torch bearer for the party in the 2004 general election was seen as an attempt by the former president to still be pulling the strings from behind after his failed bids for an open term and third term respectively at the presidency. This move to get an outsider was protested by some senior party officials who felt short changed and others left the party to form their own.

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The general election in 2009 was one of firsts. It was the first of its kind to have seven (7) presidential candidates competing for office which increased competition on the political market. It was the first to have a female presidential candidate. Due to ideological convergence among political parties, the only factor that separated the parties was how well they were able to market and position themselves. This created fertile ground for political marketing. The political party which conducted its market research on voters' needs; segmented the market based on those needs, developed policies and strategies that addressed those needs and designed messages that effectively communicated those promises to voters, won the elections. The 2014, general elections had 12 presidential candidates, two of which were women. The DPP was contesting these elections as an opposition party following the death of its president in office in 2012 and the subsequent takeover of power by the Vice President, Joyce Banda who later left the DPP and formed her own party, the People's Party (PP).

Interviews with party officials, media managers and focus groups discussants showed that the party had through its structures consulted voters when compiling its list of programme priorities. Key among the list were issues of food security, unemployment, peace, justice and development. Food security has been a dominant issue in Malawian politics as can been in the advertisement by the UDF campaign in 2004 in Figure 1 of which Bingu of DPP was a candidate.

Figure 1: Campaign poster used by the UDF in 2004 General Election

Adapted from MEC (2004) Election posters for presidential candidates.

The DPP developed different programmes to address the country's needs. For example, the party introduced the fertiliser and farm inputs subsidy programme (Fisp). Through this programme subsistence farmers were acquiring fertiliser and farm inputs at a subsidised rate to help them with their agricultural activities. The result was the country becoming a regional food basket in just two years. This transformed the country from a net food importer to a net food exporter in just two years of introducing the fertiliser and farm inputs subsidy programme (Fisp). The DPP led government also invested heavily in infrastructural development like building of roads which apart from improving the road network in the country, opened up farming districts to local as well as international markets for their products. Projects like buildings changed the skyline of the country, hence assisted in creating employment for most of the youth in the construction and agricultural industries. The party positioned itself as a party of food security and development. As a consequence it was popular with voters across the country.

The DPP party engaged the services of marketing professionals who managed and coordinated their campaign advertising. The party hired 2 campaign fighting buses which were painted in blue party colours. One bus was for the exclusive use of their presidential candidate while the other carried campaign staff and other party officials. The party bought over 100 pick-up cars in blue party colours to increase its visibility. It also hired bicycles which were painted in party colours as part of the advertising campaign.

The campaign and communication teams were responsible for the production of DPP branded water, plates and t-shirts, flyers, posters, calendars and party cloths which were distributed for free to electorate as part of the communication strategy to gain share of the mind (top of the mind awareness). The party erected bill boards on roundabouts and at strategic sites like in town centres or city centres across the country. These bill boards had a simple message: "Vote for the man in the picture for president". This was exemplified by showing how to tick in the

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box next to candidate's name on the sample ballot paper. One media manager claims that with high illiteracy rates in Malawi, the majority of the electorate were not able to synthesise campaign messages for themselves but simply followed advice from politicians to mark on their ballot papers as they were being advised by these billboards (Figure 2) hence voted for Bingu wa Mutharika hence the landslide victory in the 2009 general election. Figure 2.0 further shows that the approach was similar to what the UDF used in the 2004 general election, a sign that literacy levels did not improve much between 2004-2009 electoral cycles.

Figure 2: Showing a billboard for the DPP presidential candidate – Bingu wa Mutharika

Adapted from MEC (2009) Campaign materials for Presidential candidates.

It is important to note that the DPP monopolised these billboards as they were the only party allowed by municipal and city officials to use them during the campaign period. In Africa, for example Malawi and most of the emerging democracies, ruling parties exert enormous pressure on public institutions and their officials, and at times they are given favours for fear of reprisals. No any other party was allowed to use these billboards. The closest other parties came to was to erect posters on lampposts and building walls.

Apart from these new tactics, the party organised public meetings at which party women and youth were allowed to perform their traditional dances and songs as a way of drumming up party support amongst the electorate. At other public meetings the presidential candidate was joined by local celebrities as a way of endorsing the campaign. These fora attracted many people some of whom were youth who were first time voters. The presidential candidate for the DPP was touted as an economic engineer because of his former work experience as a former employee of the World Bank and the COMESA Bank, formerly the Preferential Trade Area (PTA) Bank.

Using content analysis of the party's manifesto and interviews with politicians and media managers, results showed that that the DPP was a market-oriented party. The party carried out a needs assessment before coming up with a political product (policies, leader image and party image). It had a vibrant communication team, came up with aggressive communication techniques as a way of persuading the electorate to vote for them.

Figure 3: Example of an advertisement used in 2014 General Elections

In 2014, the DPP used similar advertisements for its candidate Peter Mutharika who is brother to the former late president, Bingu wa Mutharika.

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Instead of simply urging the voters to vote for the DPP, the poster in Figure 3 is asking voters to engage with what the party is offering in response to their identified needs.

The DPP and its presidential candidate received overwhelming support in the 2009 elections from across the country. In a country where voting in the previous three elections had been along regional and tribal lines, this was a breakthrough to have a candidate being voted for by the entire country. There were two or three possible explanations as to why this had happened. Firstly, it was due to the fractious political landscape as a consequence of failure of intraparty democracy which resulted in the erosion of party bases and increased electoral volatility. Secondly, it could be as a result of the DPP led government adopting policies which helped in positioning the party in the minds of the voters as a listening and a caring government. Therefore the attempts by the opposition to frustrate government through denials to approve the budget and the commencement of impeachment proceedings resulted in a protest vote against the opposition hence a landslide victory to what was initially a minority government. Lastly, as can be seen in the preceding discussion, the DPP stole the show because they had a formidable plan to market the party, its leader and programmes to prospective voters evidenced by the numerous communication activities the party engaged in during the campaign period.

ANALYSIS AND DISCUSSION

While it has been acknowledged in literature that political marketing is a new area of academic enquiry, there have been developments in the area as result of studies that have been undertaken to date. While the concept of market orientation was conceived in the context of commercial activity (Kohli and Jaworski, 1990), recent studies by Lees-Marshment (2001) and Ormrod (2005) have demonstrated that the concept has wide application even to the marketing of political parties. Lees-Marshment (2001) model proposes three basic behaviours a political party can adopt namely, the product-oriented party (POP), Sales-oriented Party (SOP) and Market-oriented Party (MOP) as shown in Table 3.

Lees-Marshment's (2001b) model shows the process the market-oriented party passes through during the election cycle. The first stage, market intelligence, refers to the activities carried out by party professionals and volunteer members that generate information from formal (analysis of opinion polls, questionnaires, focus groups) and informal (social interaction with individual's network) sources.

Table 3: The Marketing process for the POP, SOP and MOP process models

Stage	POP	SOP	MOP
1	Product design	Product design	Market intelligence
2	Communication	Market intelligence	Product design
3	Campaign	Communication	Product adjustment
4	Election	Campaign	Implementation
5	Delivery	Election	Communication
6		Delivery	Campaign
7			Election
8			Delivery

Adapted from Lees-Marshment 2001b. pp. 28-31

Volunteer party members are important, as stage two and three, product design and product adjustment, require their input for the product to the acceptable to the party faithful. As many volunteer members as possible should be included in the formulation of policies, as this will increase cooperation and understanding between them and help to reduce the chances of an "outsider/insider" (professional /party member) distinction arising (Lees-Marshment, 2001 p.33). Stages four and five, implementation and communication of party policy out to the electorate is done continuously, and if successful, stage six, the campaign, is then superfluous to the requirements but provides the last chance to convey to the voters what is on offer. If the party is the most market-oriented of its

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main competitors, it wins the election. Finally, if the party wins the election in stage seven, it must then deliver on its election pledges in stage eight, delivery, which is crucial to the ultimate success of marketing and therefore political marketing.

The defining characteristic of a market-oriented party as shown in Table 4 is that it uses market intelligence to identify voter needs and demands/wants and designs a product that satisfies the voter which is the essence of marketing in the commercial sector – meeting customers' needs, satisfactorily but at a profit.

Table 4: Defining characteristics of Product- Sales-, and Market-oriented Parties

	Product- oriented party	Sales-oriented party	Market-oriented party
Defining characteristics	Argues for its own ideas and policies; assumes the voters will realise that its ideas are the best and therefore vote for it.	Believes in its own ideas and policies but realises that they must be "sold" to the public; does not change its behaviour or policies to give people what they want but tries to make people want what the party offers	Uses market intelligence to identify voter needs and demands and designs its policies, candidates, and behaviour to provide voter satisfaction; does not try to change what people want but gives people what they want
If the party does not succeed in the elections	Believes that the voters realised that the party's policies are the best ones compared to other parties' policies.	Believes that the voters were convinced by the party's professional campaign and by the selling and packaging of the political message.	Believes the voters realised that the party was in touch with the wants and needs of the targeted people.

Adapted from Lees-Marshment 2001, Henneberg 2002, Nord and Stromback, 2003; Wring 2005.

Ormrod's (2005) model however looks at market orientation as an attitudinal construct. He identifies four orientations namely voter orientation, competitor orientation, internal orientation and external orientation. Ormrod (2005) therefore argues that a market-oriented party exists when "its members are sensitive to the attitudes, needs, wants of both external and internal stakeholders, and uses this information within limits imposed by all stakeholder groups in order to develop policies and programmes that enable the party to reach its aims. This description, he adds, includes the whole political market exchange cycle, including policy implementation issues.

While there are distinctions in terms of definitions of product-, sales-, and market-oriented parties and campaigns between Lees-Marshment (2001) and Ormrod (2005), it has mainly to do with what Wring (2005:2) calls "a philosophy, attitude and a perspective", the use of marketing techniques and tools is connected with the degree of professionalisation when planning and running campaigns. More specifically, it has to do with the use of, for example, opinion polling, focus groups, voter segmentation as well as use of in-house expertise and/or outside consultants when making use of these marketing techniques (Nord and Stromback, 2003).

In terms of its political communication, the party employed a very elaborate communication strategy in which it used modern as well as traditional means of communication. The party had campaign fighting buses, cars and bicycles in party colours to increase its visibility. It produced branded products including the party cloth which had the face of their presidential candidate for free distribution to the electorate. The party advertised their messages on television and radios. The party erected billboards which showed the electorate how to vote for the party's candidate and posters were mounted in all strategic places. The most advantage of political posters are their visibility along or near main routes (Maarek, 1995:107-1008) and in the case of Malawi, also their accessibility to those rural communities not served by other media (De Beer 2006). Furthermore, with posters the message can be digested at the voter's own pace and is more durable than that of a radio (De Beer, 2006). Although the direct impact of political posters has not been determined and is probably very small, political parties in Malawi certainly regard it as an important part of their campaign. The African Election report (2009), comments about the willingness of

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political parties in Malawi to pay 500 Malawi Kwacha just to have space on some strategic sites to mount their posters. This truly bears testimony that parties perceive them to be important.

In the Malawian context, for example, with ideological convergence, it would be very difficult for a voter to decide who to vote for, purely based on electoral issues or cognitive messages. Fourie (2008) therefore proffers that there is consensus in literature that voters who are exposed to political communication (including image message) seem to be more knowledgeable than their counterparts, albeit in varying degrees. It is therefore argued that image message should be more widely defined than merely the image of the candidate (or party) but should include all emotional messages or persuasive strategies. That will possibly be the future prospect for Malawian political posters as they are currently in their simplistic form used for recognition of the party and candidate and contribute to the general image of the party (Maarek, 1995:105).

CONCLUSION AND RECOMMENDATIONS

The political market in Malawi is saturated judged by the number of registered political parties in the country who do not offer different political ideologies. As a consequence, parties find it difficult to develop unique selling propositions. This results in competition among the political parties and the most finance-resourced party will carry out marketing activities which in turn offers an advantage to the party during election. In this case, there is intent to use marketing at the strategic level in Malawian politics to either be a leader or a follower or a niche party.

The DPP exhibited behaviour of a market oriented party by engaging in market intelligence, product design, product adjustment, implementation, communication, campaign, election and delivery using the model as proposed by Lees-Marshment (2001). Its campaign was professionalised and because it had a good political communication strategy, it won the elections in 2009 and 2014.

These results provide useful knowledge and insight to the adoption and utilisation of political marketing in emerging democracies in Africa. Further research ideas stemming from this research work include the study in detail of other winning political parties in the Southern African region so as to make the findings of uniform application to the region and the continent.

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CORPORATE SOCIAL RESPONSIBILITY AND CONSUMER BUYING BEHAVIOUR IN DEVELOPING COUNTRIES: A SIGNALLING THEORY PERSPECTIVE

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ABSTRACT

The globalised nature of the world is characterised by growing competition whereby corporate actions are used to complement marketing activities to achieve sustainable competitive advantage. Within this context, this research contributes to knowledge about the impact that Corporate Social Responsibility (CSR) has on consumer buying behaviour in Nepal, as a case examples of a developing nation. While existing studies have highlighted that a positive relationship exists between CSR and consumer buying behaviour, most of these have been carried out in developed countries. Only a few studies have investigated these impacts in developing countries such as Nepal. Similarly, none of the studies conducted has investigated instances of specific CSR activities that consumers prefer and which influence buying decisions. Thus, this study addresses a specific gap in literature relating to these observations by investigating the relationship between CSR and consumer buying behaviour in the Nepalese dairy industry. It proposes that by adopting specific CSR activities, companies in Nepal can effectively utilise their resources to positively influence buying behaviour.

Keywords: Corporate Social Responsibility, Consumer Buying Behaviour, Developing Country, Signalling Theory.

INTRODUCTION

The past few decades have seen growing global interest develop around the role of organisations and their relationship towards society. Globalisation with the apparent social inequalities and ethical and environmental consumerism dilemmas that it brings has placed Corporate Social Responsibility (CSR) at the forefront of the international agenda. (Dahlsrud, 2008; Brammer et al., 2012) Organisations are increasingly being asked to adopt strategies that take into consideration the impacts that their operations have on society and the environment. This debate has resulted in a unanimity of opinion that organisations should be responsible, accountable and proactive towards society. As a result, various organisations have revised their strategies and introduced plans and policies to engage more in CSR activities. (Jamali & Mirshak, 2007; Carroll & Shabana, 2010)

Many organisations operate in an environment where activities such as ethical practices, corporate social performance, behaviour and responsibility towards stakeholders are regarded as a duty (Muthuri & Gilbert, 2011). Carroll and Shabana (2010) highlight that by adopting CSR practices, organisations act responsibly and are proactive towards different social issues. Such practices help organisations to appear dutiful and loyal towards their stakeholders while at the same time achieve competitive advantage. (Carroll & Shabana, 2010; Carroll, 2015) The notion of CSR is based on the institutional characteristics of companies in developed western countries (Muthuri & Gilbert, 2011). While it has been noted that CSR applies to both private and public organisations, most theoretical and empirical studies on this topic have been restricted to the context of developed countries (Visser, 2008; Jamali & Sidani, 2011). Various studies have demonstrated that CSR models, standards and reports have all been formulated

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in developed countries either for organisations that operate in these countries or for western multinational companies operate in developing countries (Jamali, 2010; Lund-Thomsen & Lindgreen , 2013).

Comparatively, research addressing CSR activities in developing countries has, to date, been scant (Gugler & Shi, 2009; Muthuri & Gilbert, 2011). While interest in CSR in developing countries has been progressive, existing studies that have taken place have mainly focused on how MNCs have adopted CSR activities (Jamali, 2010). Similarly, much of these researches have neglected to consider the salient reasons and ways in which local organisations adopt CSR activities in their respective environments (Muthuri & Gilbert, 2011). However, in countries like Lebanon, Brazil and India researchers have expanded upon the CSR literature in recent times (Jamali & Mirshak, 2010). However, in comparison to studies that have been undertaken in the developed world, empirical studies on the role of organisations and society in most developing countries are limited and underdeveloped (Jamali, 2010). To address this knowledge gap, this work sets out to execute a critical examination of CSR and perceptions of this phenomenon in a developing-country context. The research is conducted with a particular focus on the CSR of dairy companies operating in Nepal.

CONCEPTUALISATION

The concept of CSR has been identified as evasive, expansive and complicated, accommodating, and blurry and indistinct (Devinney, 2009). The general idea is simple; i.e. the responsibilities of organisations should reach beyond simply making profit. However, achieving a common and unambiguous understanding of these responsibilities has proven to be challenging (Sabadoz, 2011). Various academics over the past 60 years have tried to define, reconstruct and reassemble the CSR concept, but a unified definition remains elusive. One of the main reasons for this might be the homogeneity of the term and the fact it shares overlapping characteristics with other terms like corporate citizenship, ethical corporation, corporate governance, corporate sustainability, social responsible investment, and corporate accountability (Dahlsrud, 2008; Carroll & Shabana, 2010). All of these various definitions however carry the basic concept of CSR which is that organisations and society are interrelated, rather than separate bodies (Du et al, 2010; Carroll, 2016).

Even though, until now, there has been no single universally accepted definition of CSR, Carroll's CSR perspective stands out as one of the most leading and notable efforts to reduce this definitional vagueness (Lee et al., 2013). In Carroll's (1999) research, a descriptive account of the development of the CSR concept from the 1950s to the 1990s is offered along with details of the particular characteristics of each decade in terms of the development of the concept. After the completion of the study, Carroll forwarded his own definition of CSR where the scholar defined it as a social responsibility of an organisation incorporating the economic, legal, ethical and voluntary expectations that society places on it at any given period of time. This definition suggests that organisations carry out four aspects of social responsibility which are economic, legal, ethical and voluntary in nature. It is proposed that these four aspects are the key behaviours that are expected from organisations in terms of how they behave towards society. (Carroll, 1999; Carroll, 2016)

Carroll simplified his definition in the form of a pyramid now famously known as the CSR pyramid. The pyramid made the CSR concept easy to understand by clearly distinguishing the economic, legal, ethical and philanthropic aspects of responsibility. This helps in a distinct and comprehensive study of various business operations on the basis of the four aspects of CSR, and creates an inclusive umbrella concept that facilitates an examination and understanding of the responsibilities of organisations in a society, a view highlighted by Carroll and supported by various scholars (Carroll, 1999; Jamali & Mirshak, 2007; Carroll, 2016). Another noteworthy reason to adopt Carroll's model is because of the possibilities it creates to integrate various competing subjects. For instance, Carroll himself assimilated stakeholder theory and corporate citizenship theory using the model. Likewise, scholars in their studies have reorganised and attempted to use this model in their studies of developing countries highlighting the theoretical and conceptual flexibility of the model (Visser, 2006; Jamali & Mirshak, 2007). As a result of its longevity and flexible application in CSR research, Carroll's CSR pyramid will be used for this study aiming to exploit the key benefits of the model to incorporate various themes and theories within it.

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CSR and Consumer Buying Behaviour

Various studies into CSR and consumer behaviour have indicated a significant relationship between CSR operations and consumer attitudes towards these organisations and their products (Marquina & Morales, 2012; Kaur, 2013). Harris et al. (2001) conducted a study examining the impact of CSR on consumer attitudes and purchase decisions. Their study suggested that CSR exerts considerable influence over consumer behaviour. (Lindgreen et al., 2012) Sen and Bhattacharya (2001), in their research on the impact of CSR on consumer responses also found that CSR has a direct influence on consumers' buying intentions (Sen & Bhattacharya, 2001).

Studies in various parts of the world have highlighted that a positive relationship exists between CSR and consumer buying behaviour (Lii & Lee, 2012; Kaur, 2013). In a survey conducted by Pomering and Dolnicar (2006) in Australia it was established that consumers favoured organisations that practised CSR activities (McDonald & Lai, 2011). Similarly, in another marketplace poll carried out in the US, some 86% of participants indicated that organisations should provide information about their support for social affairs, and this in turn was found to play a significant role when participants buy products (Pomering & Dolnicar, 2009).

In a similar study conducted by Becker-Olsen (2006), it was identified that CSR has a positive impact on consumer behaviour (Becker-Olsen et al, 2006). Likewise, Maignan (2001) examined consumer responses in Germany and France, and found that respondents in these locations considered the level of CSR activities that companies engage in to be an important factor when buying products (Maignan, 2001). As consumers are becoming increasingly aware of the impacts that organisations can have on society, they are becoming more sensitive towards the ways in which organisations carry out their operations. This in turn, according to scholars influences their buying behaviour. (Tian et al., 2011; Öberseder et al., 2013; Feldman & Vasquez-Parraga, 2013)

On the basis of the notion that consumers favour organisations that are socially responsible, many businesses have adopted CSR extensively (Lee & Shin, 2010; Öberseder et al., 2013). However various researchers have pointed out that the chances of consumers naively accepting an organisation's social activities as sincere actions are very unlikely. Similarly, the same researchers have also highlighted that if consumers perceive that an organisation's social activities are vague and dishonest, it is likely that they will boycott that organisation. (Sen & Bhattacharya, 2001; Becker-Olsen et al., 2006; Öberseder et al., 2011) Despite the adverse impacts, there is ample evidence suggesting that when organisations adopt CSR activities and ensure that consumers are aware of the CSR activities and the benefits these activities are providing, organisations can influence consumer buying behaviour positively (Du et al., 2010; Lii & Lee, 2012)

CSR and Developing Countries

Before offering a detailed discussion of salient literature in relation to CSR and developing countries, it is useful to define the term 'developing countries'. In accordance with the World Bank, United Nations Developments Program and International Monetary Fund classifications, the term 'developing countries' in this study has been used to classify countries that have low per capita income and are comparatively less industrialised (Visser, 2008). To understand CSR in developing countries, it is necessary to recall that the significant development of CSR more broadly in western, developed countries (Visser, 2008). Western stakeholders are responsible for creating the CSR topic and its activities. In terms of both theory and practice, the majority of activities that count as CSR resulted from the interests and involvement of shareholders, consumers, pressure groups and academics from western developed countries (Jamali, 2010; Lund-Thomsen & Lindgreen , 2013).

Along with these prevailing CSR activities, various other CSR activities have been initiated recently in developed countries. However, developing countries have not received the same level of attention (Jamali & Neville, 2011**;** Ozuem & Lancaster, 2014). In addition, the distinctive context of developing nations makes it more difficult for such countries to adopt CSR policies. The contextual realities of developing countries are significantly different to those of developed countries and they therefore merit a detailed analysis. The existing literature on CSR in developing countries is comparatively limited and under developed. (Visser, 2008; Jamali & Neville, 2011)

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However, recent interest amongst scholars has been growing and has resulted in the significant expansion of CSR literature in various parts of the developing world, and notably in Africa (Ite, 2004; Ozuem et al., 2014), Latin America (Muller & Kolk, 2009) and Asia (Jamali & Mirshak, 2007; Jamali & Sidani, 2011). While such researches have been helpful in adding to knowledge, most of it is descriptive in nature. Therefore, a specific focus on CSR in developing countries is essential as various other unexplored and debatable CSR issues remain insufficiently addressed (Karam & Jamali, 2017).

CSR and Signalling Theory

Signalling theory deals with reducing information asymmetry between two parties (Spence, 2002; Connelly et al., 2011). The concept of signalling theory has been documented in most academic and practitioner studies as a way of influencing information asymmetry around various matters (Connelly et al., 2011). The theory is highly applicable to companies that compete for resources, as it helps them to differentiate themselves from the competition (Mahoney et al., 2014). Studies undertaken in developed countries highlight that consumers are well aware of CSR and the positive and negative impacts that companies can have on the society (Vanhamme & Grobben, 2009). Therefore, companies that use CSR as a signalling means to differentiate themselves in the marketplace have found it to be beneficial (Omran, 2015). Companies in these countries have used CSR as an effective means to signal their intentions in respect of sustainable development. In doing so, companies have used various means to disclose and inform their socially responsible activities in order to avoid any customer information gaps where consumers have perceived the intentions of companies that practice CSR as genuine, and in most cases have rewarded them by choosing their products and services (Lii & Lee, 2012)

Research carried out in developing countries has concluded that companies that adopt CSR signalled stakeholders that their companies considered the wellbeing of the society and had superior capabilities for filling institutional voids (Su et al., 2014). These unobservable qualities exhibit the organisation's dedication towards the social issues and its capability to fulfill the institutional voids (Tao et al., 2017). When stakeholders receive these signals, scholars suggest that they will favour the organisation that practices CSR over organisations that do not practice CSR (Su et al., 2014; Tao et al., 2017). In order to convey their capabilities, companies have communicated and informed society about their CSR activities. This in turn has helped companies in developing countries to develop a positive brand image (Chan et al, 2014). However, this study was carried out in countries where literacy rates are higher, and in markets that are more developed than most other developing countries.

Meanwhile, various studies in developing countries have found that consumer awareness regarding CSR was low, and consumers there were sceptical about corporate CSR activities (Jamali, 2010; Wu & Wang, 2014). Similarly, in these same studies, it was found that consumers were unaware of the CSR activities that companies were practicing and had assumed that CSR was a way of promoting a brand's name and image with little benefit to the society (Wu & Wang, 2014). Scholars have highlighted that companies failing to disclose their CSR activities inadvertently send signals that they are irresponsible and this negatively affects their image (Su et al., 2014). However, all these studies were carried out in countries where literacy rates are higher, and in markets that are more developed than most other developing countries like Nepal. Similarly, these studies also assumed that perfect information existed between organisations and consumers but scholars posit that even in developed markets there is presence of information asymmetry (Connelly et al., 2011) Therefore, this study will investigate the current CSR activities of Nepalese dairy companies by examining CSR signalling and by developing an understanding of how the signals are perceived by consumers.

MANAGERIAL IMPLICATIONS AND CONCLUSION

There is abundance of evidence from studies undertaken in developed countries suggesting that organisations that invest in CSR will gain various benefits (Torugsa et al., 2012). This study aims to contribute significantly to the current research on local organisations' CSR activities in Nepal by highlighting a better understanding of how and why organisations invest in CSR activities. It suggests that organisations in Nepal can maximise the benefits of CSR and can positively influence consumer buying behaviour. However, there are numerous CSR activities, and investing in each of them is not possible. In an economically limited market where excessive expenditure might risk

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a company's survival, Nepalese companies cannot afford to practise various CSR activities. With minimal studies undertaken in the context of developing nations, organisations in such countries have limited information about the types of CSR activities that will yield the most benefits. This research tries to provide that information.

This study will contribute to the literature by highlighting how CSR activities are viewed by Nepalese dairy companies and consumers. It will also analyse the impacts on both parties and identify specific types of CSR activity that consumers prefer over other CSR activities. In addition, the research will be equally helpful from a practical perspective as it will give a clear view of specific CSR activities that will help contribute to managers and various companies in the Nepalese marketplace to successfully utilise CSR as a marketing tool to gain positive impacts on consumer buying behaviour. It may help organisations achieve competitive advantage in the future. Through this research, companies will be able to determine particular activities that affect consumer buying behaviour. This will assist managers to focus on specific CSR activities while at the same time it will help companies to effectively utilise their resources.

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THE ROLE OF HOUSEHOLDS FINANCE IN THE ECONOMY OF RUSSIA

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ABSTRACT

Households finance are one of the main elements of the country's financial system. They are one of the elements of the financial system of the state, on the basis of which the welfare of the entire people depends. Any kind of activity can be carried out in the households, as a result of which create and use financial resources. In the article "The role of households of finance in the economy of Russia" review the current issues of households finance in the Russian economy as one of the important subjects of economic activity. Being a link in the financial system at the level of a single family, households finance are the primary element of the social and economic structure of society. Unlike the finance of commercial enterprises and organizations that are main in the creation, primary distribution and use of the value of gross domestic product and national income, households finance have not become a priority link in the financial system and play a subordinate, but important role in the total complex of financial relations.

Keywords: The households finance, financial relations, cash incomes, incomes and costs.

INTRODUCTION

The recent crisis in the world economy make it necessary to significantly change views on the content and structure of the main economic categories. Today, one of the most prospective source of the Russian economy's growth can be the activation of the formation and use the country's domestic investment potential, exactly the household finances. In economically developed countries households are one of the main subjects of economic relations and a component of the financial system.

Their involvement in the national economy can serve as a push in the innovative development and modernization of the Russian economy.

THE RELEVANCE OF RESEARCH

The problem of investment resources in the country is mainly solved by attracting foreign capital, but external loans are not able to fill the need of the Russian economy for investments.

In the people's hands concentrated significant funds, excluded from the process of extended reproduction. But the state, as the main regulator of the private investment market, not pay enough attention to organization of the mechanism of investing the people's funds in the economy.

Consequently, the transformation of household resources into investments and the development of methodological principles and provisions for the application of effective forms and methods of managing this process are actual in the current Russian economy.

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PROBLEM STATEMENT

In order to strengthen the role of households finance in the economy of the country, it is necessary for the people of the Russian Federation to have access to a wide range of financial products and services as a tool for raising the level and quality of life, which effectively redistributes financial resources and manages risks.

Specificity of household finance is that this sphere of financial relations is least regulated by the state. Creation and spending of enterprises' funds, the state budget, extra-budgetary funds are under the control of the state, households absolutely decide on sources of income, on the need for and method of formation of monetary funds, on their size and purpose, usage time of the created funds.

However, the state can influence in these relations, using various methods, such as the country's tax system, the social policy of the government, the policy of small business development, the system of national accounts. For example, an increase the tax rates paid by individuals means loss of income. The social policy of the government is directly connected with the tax system. Financial resources mobilized through tax collection are channeled through the budget to education, health care, social security, and as a result, households incomes levels increase. The next monitoring tool is the system of national accounts. This system of interrelated statistical indicators is presented in the form of tables and it reflects the main indicators of macroeconomic activities related to GDP.

The state financial control of households should be carried out regularly and find tools for direct control over the distribution of households finance.

Formation of financial relations within households involves a wide range of issues when discussing and distributing the participation of all its members in the formation of the financial well-being of the family, since the main financial relations go inside households and require self-control by households as subjects of the economic process.

Therefore, internal financial control of households plays an important role. Under such control, members of households independently lead their financial relations on the basis of drawing up and maintaining a personal financial plan.

Households finance is the complex of economic monetary relations associated with the formation and use of funds created as a result of individual labor activity.

The functions of the households finance determine their significant role in the system of social reproduction. This role consists in the fact that the finances of the households, ensuring the continuity of the reproduction of the labor force, being the source of investment resources, create one of the foundations for the progressive development of national economic systems.

The main functions of households finance are distribution and the function of providing people with material and socio-cultural goods and services. Household finances are an objectively conditioned instrument of cost distribution, as they provide for further distribution of the value of the gross domestic product and the created national income, expressed in monetary form, among all household participants. Another function of households finance is the control function, which manifests in the control over the distribution of the income received by the funds and their intended use. Regulatory function - to achieve certain goals, it is necessary to make joint economic decisions within individual households. An important function of households finance is the investment. It consists in the fact that households in the modern world can be one of the main suppliers of financial resources for the economy. There are also production and non-production functions of households.

Any kind of activity can be implemented in the households, as a result of which financial resources are created and used. They form the household's budget. Financial resources of the household - a complex of cash income, earnings and savings of households. The main part of financial resources is represented by monetary incomes.

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The indicator characterizing the economic situation of households is gross, disposable incomes and cash expenses.

In 2016, the money income of the people formed in the amount of 30 744.4 million rubles and increased compared to 2015 by 0, 9%. However, according to Federal states statistics service, the fall in real disposable incomes of Russians in 2016 accelerated. Its rates reached -5.9% in annual terms after -3.2% in 2015 and -0.7% in 2014. High rates of decline persist, which is due to a strong slowdown in the growth of nominal incomes of the people over the past few years.

The disposable incomes of the people forms part of the gross domestic product, which is expended on consumption and accumulation. They include: pay for employees; mixed incomes; incomes from property; received social benefits.

Table 1: Volume and structure of cash incomes of the people in the Russian Federation by sources of income

	2014 г.	2015 г.	2016 г.
Total cash incomes, billion rubles	47 920,6	53 525,9	54 113,0
Including (in percents)	100	100	100
Incomes from business activities	8,4	7,9	7,8
Salary, including hidden wages	65,8	65,6	64,6
Social payments	18,0	18,3	19,1
Incomes from property	5,8	6,2	6,5
Other incomes	2,0	2,0	2,0

Source: http://www.gks.ru, Federal Service of State Statistics.

Salary remains the main source of incomes for the main part of Russia's people. The second most important financial resource households in Russia are social business activity. An insignificant specific gravity in financial resources of households is the incomes from property.

Financial resources are used to life support for households in certain areas. Household's expenditure is the actual cost of acquiring material and spiritual values necessary for the continuation of a person's life, which includes consumer spending and expenses not directly related to consumption.

Table 2: Structure of the use of cash incomes of the people in the Russian Federation

	2014 г.	2015 г.	2016 г.
Total incomes used, percentage	100	100	100
Including (in percents)			
Purchase of goods and payment for services	75,3	71,0	73,1
Mandatory payments and contributions	11,8	10,9	11,2
Savings	6,9	14,3	11,1
Currency purchase	5,8	4,2	4,0
Growth (+), decrease (-)	0,2	-0,4	0,6

Source: http://www.gks.ru, Federal Service of State Statistics.

Over the past three years, the first group of costs is the purchase of goods and payment for services, since it is connected to the satisfaction of personal needs. The amount of household costs on the purchase of goods and

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payment for services depends on the level of retail prices, the needs of the family, the amount of money income, as well as the amount of taxes and other mandatory payments.

CONCLUSION

Today, the household is in the current system of macro and microeconomic relations and is one of the most important socio-economic institutions with certain forms of ownership, norms, traditions, mechanisms for self-regulation of life. Households are represented in labor markets, consumer goods and services, financial markets and other spheres of the economy, contribute to the formation of productive potential and, in general, influence the results of economic and social reforms, being their direct participants.

Financial management within the family is interesting because the behavior of households in financial markets is especially important, since it is here that sources of investment are being formed to expand fixed capital and technological progress, and this in turn leads to economic growth of the government economy.

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NEW PRODUCT DEVELOPMENT AND CONSUMER PURCHASE INTENTIONS: A LITERATURE REVIEW

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ABSTRACT

The needs and expectations of customers in terms of marketing are key to organisations that seek to improve their organisational structures, hierarchy and techniques in order to produce new and innovative products. For firms to achieve, understand and tailor products and services it is very important to communicate directly with consumers, and this is a fundamental aspect of new product development. In order to appeal to the perceptions of customers it is necessary to manipulate key marketing tools including product, price, promotion, location and distribution channels. These must be harnessed through direct communications with customers. New product development has its disadvantages, and is often associated with processes that are risky and complicated. In striving for innovation, the risk when companies launch a new product is that there is no guarantee the product will be a commercial success. This can impact negatively on the company based on the financial investment and time consumed developing new products.

Keywords: New Product, development, Consumer purchase intentions, market, companies, innovation, strategies.

INTRODUCTION AND BACKGROUND

New product development (NPD) is a very important aspect of any company. New product development reduces loss. This paper has identified some of the risks associated with NPD as set out in recent literature. In order to achieve the objectives of this research, a research plan that comprises various methods is identified. This paper identifies how consumer purchase intentions and decision-making activities impact on new product development. This is achieved by setting out a clear understanding of how to position consumer purchase intentions and decision-making towards new product development processes. The aim is to address a conceptual gap in the current literature. It is therefore essential to understand a key three-fold typology (oppositional customers, relational customers, utilitarian customers), representing customer failure-recovery evaluations of experience (Ozuem & Azemi, 2017). Cooper (2001) stated that the failure rates of NPD projects can be reduced using the stage gate model. The author also identified that the use of this model can differentiate products as well as the size of the companies that produce them. Companies can modify each the stage according to their needs in order to save time. Song and Thieme (2006) argue that to make an NPD project successful in the marketplace, companies must understand consumer needs and wants.

By taking orientation from Becerra and Korgaonkar (2011), this paper examines consumer purchase intentions specifically in the financial (remittance) sector in which consumers contemplate a number of tangible products and service types. The financial sector has been at the forefront of e-services with the widespread implementation of online transactions. The sector has seen significant change in the way that consumers interact with organisations as a result of preferred products or services (Jayawardhena & Foley, 2000). In the UK, companies have become increasingly competitive in terms of developing unique products. Many organisations believe that NPD can leverage market position favourably. NPD is a multifaceted undertaking that combines several activities

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which are performed in various ways by groups. Such activities necessitate knowledge resources, competencies, and cultural elements. Simply meeting market demands and needs is not enough. For an NDP process to be successful it needs to focus on quality, features and design levels that can meet the demands of target markets (Fain et al., 2011). There has been relatively little research conducted into NPD and consumer purchase intentions in the financial sector. The theoretical and empirical results inform the literature of this study. The results of the research discussed here imply that the proposed dynamic model of consumer purchase intentions has been enhanced expressively. This paper aims to provide evidence that new product development has become vital due to a highly competitive marketplace: advanced technology, shorter product shelf lifecycles and sophisticated tastes. In today's global marketplace, companies should adopt a functional segmentation structure instead of an integrated one (Gupta & Rogers, 1991).

Theoretical Context

Successful new product development is a critical cornerstone of a company's success. Significant incentives exist for companies to continuously introduce viable new products to the markets they serve. Successful new product introductions can help many companies overcome the slowing growth and profitability of existing products and services that are approaching the maturity stages of their lifecycles. Therefore, the successful introduction of new products can help companies overcome declines in profit (Dahan & Hauser, 2008). The concept of NPD has been firmly established in the marketing literature. Fuller (2011) argues that a broad definition is useful, and suggests NPD is essentially the introduction and development of a unique product produced by a company or the re-introduction of an older product to a new market. Kotler and Armstrong (2010) stated that a company should ideally only develop one authentic product or product enhancement through its own research and development. The products themselves might be revolutionary and therefore transformational. Furthermore, it is likely that a new product possesses similar features to one that has been introduced in the market previously. NPD is a method of bringing a new product to the marketplace. This involves designing, growing, developing and launching a new service or product (WARC Best Practice, April 2017). Development and launch of successful new products is one of the most critical yet most challenging tasks managers face (Hauser et al., 2005). From a strategic point of view, new products that meet customers' expectations, with perceived levels of technological sophistication, delivered within budget and introduced as revolutionary ideas, offer real competitive benefit for organisations (Nikolaoes et al., 2004). In addition, the central aim of any organisation is the development of new products to ensure future expansion. This idea has been refined throughout the years by focusing on consumer expectations. Equally, new products potentially play an important part in the progression of economic growth for any organisation. Organisations may able to use some of the same components they are using for other existing products, and may be able to have the pre-existing sales division sell new products with the positive effect of considerably lower unit costs (and Cumulative Gross Margin) for the organisation. Furthermore, new product development can also be an advantage for the organisation if interconnected with its distribution channel partners. The speedy circulation of new technology has significantly changed the nature of distribution channels utilised by the financial industry. Ozuem et al. (2016) suggest it is vital for organisations to keep up-to-date with web and other technologies to facilitate interactive financial transactions. Virtual customer environments can be regarded as a necessary element of the company's general consumer-courting control initiative.

Moreover, by looking at the number and worth of profitable products in its portfolio the organisation can enhance and grow its trade name. The brand Nike has, over the years, improved its global brand reputation, surpassing its athletic footwear domain and launching new products such as golf gear, from clubs to bags, and clothing from swimwear to football equipment. They have also introduced a vast range of successful products that are in high demand from tennis, baseball and basketball fans. In terms of marketing perspectives, the needs and expectations of customers are key to organisations to develop a strong organisational structure and hierarchy and efficiently generate new products. For firms to achieve, understand and tailor products and services it is very important to communicate directly with consumers, and this is a fundamental aspect of new product development. This direct customer communication permits firms to gain a wealth of useful customer insights that should influence every area of the marketing mix, including pricing, distribution channel and promotion mix decisions. Unfortunately, new product development is an extremely challenging and complex process. Innovation is also risky, and firms may invest considerable time and money in new product ideas with no guarantee that they will be commercially successful. New product failure rates are extensive; the cost of failure can be enormous. Various

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studies routinely report that 30–35 per cent of products introduced to the market end up failing, even when the product is simply a line extension of an existing brand, or a new brand introduced in a category where the firm already has a successful product. Nearly 50 per cent of new products fail after being introduced. Without having a competent NPD process organisations can suffer the loss of significant funds invested in research, development, production and marketing research, engineering and testing (Dahan & Hauser, 2003).

New product development in particular has been characterised as a knowledge-based activity. It has long been known that knowledge is normally widely dispersed, but more recently the importance of using external sources of knowledge in companies' innovation processes has been increasingly highlighted in innovation management (David et al., 2017). A steady and effective new product development is widely considered a way to trigger competitiveness in the current scenario of hyper-competition and globalisation (Bresciani & Ferraris, 2016). However, innovation requires investments and usually leads to high risks. For these reasons, a stream of literature indicates that firms have to open the innovation boundaries to collaborate with other actors and external sources of knowledge in order to share costs and ideas (Chesbrough, 2003). Indeed, it is essential for organisations to form relationships with clients, universities, suppliers and diverse external providers to gain knowledge (Gassmann & Enkel, 2004). However, most of the empirical studies within the open innovation field can be considered to apply to different industries under the same sample whilst innovation is usually affected by facets of the specific sector. In this regard, although the topic of innovation in the financial industry is widely explored it still lacks empirical evidence of financial companies engaging in open innovation (Lefebvre et al., 2015). In fact, few findings have contributed to this field, mostly with theoretical and qualitative approaches (Gabriele et al., 2017). The topic of this thesis is important because the financial industry is innovative and is the largest sector in the world in terms of turnover and direct employment (Costa et al., 2016). Moreover, the financial industry is experiencing increasing changes with increasing pressures from consumers and retailers (Viassone et al., 2016). This indicates that the open innovation approach is growing whereas some companies are still not willing to be open due to values related to tradition.

According to Gabriele et al. (2017), the open innovation approach (OI) is effective for the financial industry. The authors, like others, stated that the relationship between open innovation and a company's innovation performance seems to be a topic that has attracted much interest. However, prior studies (Belderbos et al., 2006; Laursen & Salter, 2006; Un et al., 2010) achieved inconsistent results because they focused on different industries and different countries, and employed different performance measures. Moreover, previous studies have not thoroughly investigated the relationship between different open innovation practices and different NPD performance measures. Hence, the purpose of this work is to analyse the effects of external knowledge sourcing on NPD performance in the financial industry. More specifically, there are two categories of external sources: market-based and science-based (Chen et al., 2015). In addition to this, the concept of complementarity between internal and external sources of knowledge has achieved inconsistent findings in literature, especially with regard to the financial industry, where some studies suggest that external knowledge is less important than the internal kind for financial companies (Costa et al., 2016). Others indicate that due to low levels of R&D investments made, financial companies have to acquire knowledge externally to be innovative (Sarkar & Costa, 2008; Acosta et al., 2015).

As mentioned by Gabriele et al. (2017), external knowledge sourcing is beneficial to firms that adopt this approach. In particular, sourcing from market-based sources is beneficial for incremental innovation and time to market, while sourcing from science-based sources is beneficial for radical innovation.

Managerial Implications and Conclusion

Purchase intention is the willingness of consumers to buy a product or service. In other words, once the consumer has evaluated a product he/she then purchases it, which is another aspect of purchase intention (Keller, 2001). Consumer intentions are affected by various factors during the selection of a product and the eventual decision relies on consumer intentions including a great number of external factors. Decision-making about purchase is affected by the group in the selection procedure of a brand for known products. The selection of a brand is based on group cohesiveness of the brand. Information about the brand has been used by the other group members and this also affects the decision to skip the existing brand and to move on to purchase from another provider. The customer's

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knowledge, perception of customers, design, product package and celebrity endorsement etc., are many elements associated with purchase intention. A study conducted by Satish and Peter (2004) describes that the consumer's knowledge of the product plays an integral role during the product purchase decision. Other studies have argued that knowledge of the product is the key factor in a product purchasing decision. Fung et al. (2004) found that consumers' feelings are influenced by design and packaging. Packaging and design help to build the goodwill of a company and give evidence of the quality of the product. Many authors have considered celebrity endorsement as a great factor that could be a positive influence. However, it has to be relevant to the product with affordable practical logic about the product. Another factor of purchase intention is perceived value, which suggests the relationship between product and consumer. It is the eventual conclusion that the higher the perceived value, the higher the intention to purchase. Perceived value of the product has different dimensions that are tangible and intangible. James (2002) elaborates that higher perceived value enhances the purchase decision. However, consumers evaluate the product and make their decision based on their knowledge of the product.

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FREEDOM OF ASSOCIATION: CONSTITUTIONALITY OF SECTION 1 OF PARLIAMENTARY AND PROVINCIAL MEDICAL AID SCHEME ACT 28 of 1975 (SOUTH AFRICA)

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ABSTRACT

Freedom of association is a fundamental human right in the workplace that form an integral part of democracy. Freedom of Association is enshrined in the following international instruments: Universal Declaration of Human rights, International covenant on Economic, social and Cultural rights, International Covenant on Civil and Political Rights, International Labour Organisation as well as the African charter on Human and Peoples' Rights. In South African law, freedom of association is enshrined in the Bill of Rights and also protected under labour relations rights. In terms of Section 18 of the Constitution of the Republic of South Africa everyone has a right to freedom of association. Section 1 of the PARMED Act provides for compulsory membership of Parmed Medical Aid Scheme of certain persons such as members of National and Provincial Assembly and judges of the Constitutional Court, Supreme Court of Appeal and the High Court. This study shall conduct a research on whether Section 1 of PARMED Act violates the right to freedom of association. This study shall further conduct a research on the views and complaints from members of National Assembly who argues that Section 1 of the above Act is constitutionally invalid as it violates members' rights to freedom of association and property rights due to its compulsory membership. This study shall further conduct a research in an attempt to see if members of PARMED can successfully challenge the constitutional validity of the above statute due to its compulsory membership.

Keywords: Freedom of association, PARMED, Economic freedom fighters (EFF), Employees, Human rights.

INTRODUCTION

Freedom of peaceful assembly and freedom of association are proclaimed basic human rights and enshrined in a number of international instruments designed to ensure their protection, including the Universal Declaration of Human Rights, adopted by the General Assembly of the United Nations in 1948, the European Convention on Human Rights and the International Covenant on Civil and Political Rights, which came into force in 1953 and 1976 respectively. In terms of Section 18 of the Constitution of the Republic of South Africa, everyone has a right to freedom of association.[i]

According to Alexander,[ii] freedom of association refers to a choice that an employee has regarding entering into a relationship with others in the workplace for any and all purposes, for a monetary or long-term duration, by contract, consent, or acquiescence. In other words, this freedom should also include the freedom to refuse to enter into such relationships or to end any existing relationship, or to terminate them when not otherwise compelled. Thus, freedom of association is a quite capacious liberty. The upshot is that a fundamental right to freedom of association only means freedom to associate with those who also choose to associate with us. That requires people's freedom to refuse association with others against their will.

Section 1[iii] of the Parliamentary and Provincial Medical Aid Scheme[iv] (Parmed) provides for compulsory membership of Parmed Medical Aid Scheme of certain persons such as members of National and Provincial Assembly and judges of the Constitutional Court, Supreme Court of Appeal and the High Court. In terms of this Act employees from the above categories are compelled to join Parmed medical scheme whether they like it or not. This

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conduct violates employees' rights to freedom of association as they cannot choose as to who is supposed to take care of their well-being and that of their families and on the other hand it violates their property rights as they pay exorbitant tariffs of which there are not competitors and the only available medical scheme charges it's members what they want.[v]

THE HIGH COURT CONSTITUTIONAL CHALLENGE BY THE ECONOMIC FREEDOM FIGHTERS

In a matter which was later withdrawn or removed from the court roll,[vi] the Economic Freedom Fighters (EFF) went to court in 2015 to challenge the Act's provisions that makes it compulsory to all MPs to be on the scheme. The party was challenging the imposition of Parmed, the medical aid scheme for MPs, on its members on the grounds that it infringes on MPs' fundamental rights and is constitutionally invalid. The party was suing the Speaker of the National Assembly, Baleka Mbete, chairperson of the national council of provinces Thandi Modise and Speakers of eight of the country's nine provincial legislatures – as well as Parmed.

The EFF argued in its court papers that members of the Western Cape legislature are free to use a medical scheme of their choice. They further claimed that forcing MPs to be on the scheme infringes on the right to freedom of association and the right not to be arbitrarily deprived of property as outlined in Section 1 of the Parliamentary and Provincial Medical Aid Scheme Act which makes membership of Parmed compulsory for members of the National Assembly, members of the executive, Constitutional Court judges, the Supreme Court of Appeal and high court judges. They argued that there must be a competitive bidding process in an attempt to get a cheaper or affordable medical aid scheme which will be a choice of employees. Parliament must amend its rules to allow for a competitive bidding process wherein they will choose the most affordable and quality medical schemes out of which employees will choose from. Parliament did not deal with the issues raised in the EFF's application. Instead it wanted the president, the finance minister and the chief justice to also be respondents in the EFF case.[vii] In his application to the Western Cape High Court, EFF leader Julius Malema states on behalf of himself and 60 EFF members in Parliament and the provincial legislatures that, after they became MPs and members of the provincial legislature, some members complained of the substantial deductions being made from their salaries as contributions to Parmed.

He said: "Our members, including me, were alarmed by the amounts being deducted. "Most of our members had been members of substantially more affordable medical aid schemes before joining Parliament and the provincial legislatures. Some members who had joined Parmed by completing the necessary forms were not fully aware of the financial implications of joining..." He said it only became clear once the deductions started that they were unaffordable. He said the EFF had tried to engage with other political parties in Parliament to find a solution, but none could be reached. It then took a decision to withdraw its members from Parmed. But Parliament refused, saying that membership of Parmed and the deductions were compulsory. EFF MPs decided not to use the scheme as a matter of principle. Only those who are critically ill or pregnant uses it.

In Parliament's provisional answering affidavit, deputy speaker of the National Assembly Lechesa Tsenoli only dealt with Parliament's insistence that the president, chief justice and finance minister be included as respondents as they are interested parties, and not the issues raised by the EFF. On the other hand, ANC Chief Whip Jackson Mthembu said many MPs, including himself, shared the EFF's gripe. Like many MPs, he removed his family from the scheme because of the cost (around R20, 000, 00 a month), but stayed a member himself because he was forced to by law. He pays in R4, 800, 00 a month for himself alone. In some medical aid scheme, the tariffs paid by the Chief Whip can benefits a family of four (4).

AMENDMENT OF PARMED ACT BY PARLIAMENTARY AD HOC COMMITTEE

Due to a court application by the EFF, all unhappy members of parliament decided to set aside their political differences to challenge compulsory membership of the Parliamentary and Provincial Medical Aid Scheme

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(Parmed), because of its exorbitant tariffs. National Assembly has since established an ad hoc committee to investigate the statutory requirement that makes membership of the scheme compulsory for MPs, and its tariffs. The committee will look at a possible amendment of the Parliamentary and Provincial Medical Aid Scheme Act, which makes membership of Parmed compulsory for members of the National Assembly, for members of the executive and for judges of the Constitutional Court, the Supreme Court of Appeal and high courts. The committee will assess whether it is possible to have other medical aids for MPs, after a competitive bidding process. A withdrawal of an application by the EFF is a good move since the High Court was going to refer the matter back to parliament in order for it to amend provisions of PARMED. The only problem is that there is no time frames within which the Ad hoc Committee must finish its work whereas if it was an order of court there was going to be a time frame set. This simply means that the matter can still take up to more than three (3) years for it to be completed.

CONCLUSION

It is clear from the above that compulsory membership of PARMED scheme to all members of the National Assembly, members of the executive and judges of the Constitutional Court, the Supreme Court of Appeal and high courts constituted unfair labour practice and was therefore unconstitutional. Employees have the right to join a medical aid scheme of their choice or not to join at all unless if the employer has a policy which makes it compulsory to join a medical aid scheme due to other reasons such as inherent requirement of the job. In order to promote workplace freedom, employees should be allowed to exercise their freedom when it comes to a medical scheme and same will be based on their medical needs or affordability. They should equally be allowed not to join a medical aid scheme if they depend on their spouse who are already members of another scheme. It is surprising to learn that members of the judiciary are also affected and they never voiced their opinion on this gross violation of fundamental human right. I however, decide not to judge them, maybe they do not regard it as a violation of their right to freedom of association.

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[i] Act 108 of 1996

[ii] Alexander L 'What is freedom of association, and what is its denial' 2008 Social Philosophy & Policy Foundation at 8.

[iii] Section 1 of the PARMED Act provides:

Compulsory membership of Parmed Medical Aid Scheme of certain persons

Every person who is or becomes-

(a) while not being a member of either the National Assembly or the Senate, an Executive Deputy President or a Minister;

(b) a judge of the Constitutional Court;

(c) a judge of the Supreme Court of South Africa in a permanent capacity;

(d) a member of the National Assembly or of the Senate;

(e) a member of a provincial legislature in a case where the provincial legislature concerned has resolved that this Act shall apply to its members;

(f) any other office-bearer in the service of the Republic approved by the President for the purposes of this Act and made known by proclamation in the *Gazette*,

shall, for as long as he or she holds that office or post, be a member of the Parmed Medical Aid Scheme, subject to the rules of that medical aid scheme as registered in accordance with the provisions of the Medical Schemes Act, 1967 (Act 72 of 1967).

[iv] Act 28 of 1975.

[v] Section 25 (1) of the Constitution of the Republic of South Africa.

[vi] Unreported Case number: 5554/2015.

[vii] In *Amalgamated Engineering Union v Minister of Labour* 1949 (3) SA 637 (A) is the locus classicus on

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the subject in our jurisprudence.

It is thus mandatory for a party that institutes proceedings to join every other party that has what is called 'a direct and substantial interest' in the relief sought. If the parties do not themselves raise a point of non-joinder when it is indicated, the court should do so *mero motu*. In *Van der Merwe v Road Accident Fund* 2006 (4) SA 230 (CC) at para 7 and 8, as follows:

… when the constitutional validity of an Act of Parliament is impugned the Minister responsible for its administration must be a party to the proceedings inasmuch as his or her views and evidence tendered ought to be heard and considered. Rudimentary fairness in litigation dictates so. There is another important reason. When the constitutional validity of legislation is in issue, considerations of public interest and of separation of powers surface. Ordinarily courts should not pronounce on the validity of impugned legislation without the benefit of hearing the State organ concerned on the purpose pursued by the legislation, its legitimacy, the factual context, the impact of its application, and the justification, if any, for limiting an entrenched right. The views of the State organ concerned are also important when considering whether, and on what conditions, to suspend any declaration of invalidity.

… It is indeed trite that the contentions and evidence, if any, advanced by the State functionary charged with the administration of legislation under scrutiny are vital, if not indispensable, for proper ventilation and ultimate adjudication of the constitutional challenge to the validity of legislation.

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SOCIAL MEDIA AND CONSUMER PURCHASE INTENTIONS: A VIEW FROM SOCIAL INFLUENCE THEORY

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ABSTRACT

Internet based marketing techniques have changed the landscape of integrated marketing communications. Marketers now achieve greater reliability using computer mediated marketing strategies, as a result of reduced cost of communication and quick customer response. This study contributes towards the conceptualization of the online social medium, and brings greater understanding to the transformation in marketing practices and the associated analytical frameworks. This ultimately impacts on our understanding of consumers purchase intentions.

Keywords: Social Media, User-generated content, Social networking sites, Social Influence Model, Consumers purchase Intentions.

INTRODUCTION AND BACKGROUND

The heterogenic nature of social media has changed the landscape of online communication at various levels (Lee 2018). For instance, communication between the marketers and the consumers, as well as between different consumers groups for personal informational exchange or social networking through exchange of user-generated content (Slevin 2016). However, the empirical solution for conceptualization of social media and its generic acceptability as a real time online marketing tool has received relatively minimal attention within marketing and consumer research (Misirlis & Vlachopoulou 2018). Yet, within this spectrum, online users are transformed into potential customers. This is because of transformations in their purchase behaviour through heterogenic online interaction information exchange (Cheung et.al 2011). As a matter of fact the explosion of the internet based communication on individual, social and business purpose has received wide recognition due to its significant influence on motivations and changing the behaviors of the consumers in the society. For instance, internet based communications built on the technological web 2.0 based technologies function on the basis of user-generated content. In fact, social media has surpassed the traditional media due to its speed and two way communication process between the consumers and the marketers (Kaplan and Haenlein, 2010; Chan & Guillet 2011; Helal and Ozuem, 2017). More importantly, social media holds an explicit advantage over traditional media, and this enables the business to communicate on a two way communication principle. This helps to empower the consumers and the end users to become an active participant and communicate back unlike being a passive consumer in traditional marketing communication paradigm (Economist 2015; Dillenbourg, 2008). This consumer centric online media which functions facilitates information acquisition, speedy exchange, social networking and social information sharing. An outcome of this is that it directly and indirectly influences consumers' psychological process in the form of rational change in the opinions, purchase behaviors, products and service evaluation, as well as subsequent post purchase behaviors.

Higher levels of penetration of social media in financial services has enhanced the engagement of online users with core financial services such as mortgage, credit cards, online banking, car finance, as well as helping consumers to access credit loans for easily, and so forth. The financial institutions and financial services companies have realized the potential and power of social media towards changing consumer perceptions, and use this as a resource to gain competitive advantage. Thus, they are now more inclined to integrate user-generated content based

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social media marketing communication (Heffington Post 2016). More recently, the financial services sector has lagged behind several other sectors in integrating the social medium when promoting key financial services (Economist 2015). Therefore the dependency on online social media has enabled the financial services sector to gain a competitive advantage.

However, the problem still exists in regard to the conceptualization of the online social medium (Baird & Parasnis, 2011; Barreda *et.al*, 2015). In this regard, the current study develops an empirically tested psychological framework for understanding the psychological impact of consumers' social influence model developed by Dholakia et.al (2004). This understanding helps to transform online users into potential customers. Extant studies are silent about developing widely accepted practice guidelines of using social media for promoting products and services. There are few studies who have investigated about the importance of social media in changing attitude and intentions (Cheung and Lee 2010; Okazaki 2009; Cheung et.al 2011; Shen et.al 2011). Surprisingly, none of them used the consumers social influence framework to determine purchase intentions. More interestingly, a subjective consumers social influence based model in relation to consumers purchase behaviors still lacks evidence in the literature. Therefore, the present study is an opportunity to make a contribution towards the gap in the literature. This study conceptualises social media marketing technique using the social influence model. This approach helps to unveil the practical use of social media in transforming the purchase related attitudes and behaviours, as well as purchase intentions.

THEORETICAL CONTEXT OF SOCIAL MEDIA

Social media marketing has been well-explained as the online inbound consumer-centric marketing strategy uses the social media networking sites as a tool to facilitate online interaction and consumption of user-generated content (Lee 2018). This takes the form of blogs, micro-blogs, product ratings, product reviews, group discussions and social book-marking, and creates two-way communication process between marketers and online consumers. Social media marketing has been used in the context of integrated marketing communications through social networking, discrete from its long-standing existence in the field of sociology (Slevin 2016; Stokinger and Ozuem, 2015). The term 'social network' is a subset of online communities, platforms, or group pages where users interact and share their ideas and choices (Jansen *et al.* 2009). It is important to note here that the terms 'social media' and 'social networking sites' cannot be used interchangeably as the former is a broader term compared with the latter, which is its component part 'social networking sites'. The online social medium enables the creation, alteration and modification of the user generated content publicly available to the online consumers and end users (Jiang and Chia, 2009; Herget and Mader, 2009; Litvin, Goldsmith and Pan, 2008). The technological development of internet based information technologies and communication platforms built on the web 2.0 based technologies have not just enabled the publication of the user generated content on the online social medium, but also dramatically improved the website aesthetics (Chung and Park, 2017; Ozuem, Howell and Lancaster 2008). Depending on the usage and influence of the web 2.0 based technologies web 2.0 holds unique technological set up to enhance the usage of the online application developed on web 2.0 technologies. For example, for enhancing the online individuals' social networking, collaborative learning and speedy exchange of information, web 2.0 enabled the online medium to perform a two way communication. It must be pointed out that this not only enables the online users to receive the user generated content, but also enable them to respond back and interact with the sender at the same time. This phenomenon of social media has created a wider opportunity for the marketers in the current business environment where marketers engage with the consumers with promotional content. This is a form of integrated marketing communication strategy, and helps to keep track behavior of users and how the share promotional content. Here, marketers can make use of recorded online search patterns of the individuals. This further enables the online consumers to engage in formation sharing, and empowerment through economic exchange between the companies and consumers. Consumer purchase intentions can also be monitored in this way.

Social Networking Sites (SNS) and Consumers Purchase Intentions

A growing belief among the marketers and academic research practitioners is that social networking within social media marketing has wider implications for consumers' buying intentions (Barcelos *et.al* 2018). Within the context of social media, the social networking sites' significant technological innovation triggers the growing impact on

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consumers' perception, thus developing the subsequent purchase intentions (Erkan & Evans 2016; Ozuem and Azemi, 2017). The cumulative impact growth in social networking sites and prospective social influence of networking sites based on information exchange and social interactions have played a major role in justifying the social media as one of the significant marketing tools companies use. The platforms of social networking sites (SNSs), developed on technologies of user-generated content open up wider opportunities for t marketers. Here, marketers can proactively study and effectively investigate the online consumption behaviours (Cox *et al.* 2008). That information exchange via online social groups and communities can be either positive or negative with the potential influence on consumers' purchase intentions. Consumers' engagement is a psychological state of consumers developed as a result of the impact of interaction, co-creation of consumers with the online digital content (Brodie *et al.*, 2011a). For instance, Hollebeek *et.al* (2014) suggests that online social networks help consumers to engage with online content and interact on the basis of their perception. This is done to gain wide acceptance and knowledge. The pragmatic relevance of consumers' engagement is that it also allows online consumers to review products and services, evaluation and recommendation, and links their current purchase behaviour to future purchases by posting their purchase experience on their social profile. This is reinforced by Tsai and Men (2014) when they posit that consumers' engagement has a direct influence on the consumers' purchase intentions on social media as it enables interaction between user-generated content online (blogs, product reviews, group discussions and personal opinions) and the consumers.

CONSUMERS' SOCIAL INFLUENCE AND CONSUMERS PURCHASE INTENTIONS

Kelman (1958) laid the foundation of the social constructivist approach towards the development of the social influence framework. He suggested that the social influence is a product of human interactions. This framework has been used in empirical epistemological and on a naïve realist basis by many researchers in multiple perspectives of social science research (Sledgianowski and Kulviwat 2009; Cheung et.al 2011). Although the subjective epistemology provided the essential foundation of the social influence phenomenon, many constructivist researchers share the view that the social influence framework in not limited to the three factor framework. Rather, they assessed the subjective ontology of the existence of the social influence on scientific pragmatism. For instance, Melin (2000) suggest that the scientific pragmatism involves the assessment of epistemological assumptions, justifications and reality of knowledge and construction of realistic findings of facts. Underlying the epistemological assumptions and pragmatism, Bagozzi and Dholakia (2002) continued the constructivist development by modifying the social influence model phenomenon, and then proposed another social influence model. They argue that social influence has ontological duality as the social influence has multiple outcomes while changing the attitude and intentions of the individuals. In their initial development of the model of social influence model, they hypothesized the epistemological assumptions that the normative influence of the individuals along with the group norms and social identity are a result of the heterogenic interactions. This helped in developing the we-intentions. However, when Dholakia et.al (2004) developed the social influence model, epistemological assumptions of normative influence as a part of social influence was not found significant in developing the we-intentions. This encouraged them to change the perspective of the constructivist approach. Cheung *et.al* (2011) used the social influence model in online social media settings. They found that the social influence model is the predictor of change in the intentions in individual as it triggered the development of the intentions among the students to use the online social medium. The subjective ontology and epistemology thus suggest that there is a potential gap of subjective implication of the social influence model in social media settings. Cheung *et.al* (2011) further developed a conceptual framework of the social influence model in social media settings, thereby giving a dynamic view of the implications of the social influence model outside virtual communities' network. Their findings suggest that the social influence model changes the perception and gratification of users within the online social medium and creates greater intentions to engage on the online medium. Their findings also suggest that the social influence model has a significant contribution towards the development of participation in online social communities such as social media.

In this paper, the consumers' social influence model developed by Dholakia *et. al* (2004) is used to explain the broader role of social media towards changing the attitudes and intentions of the consumers. This helps to explore the light of uses and gratification paradigm, and determine why social media is becoming a popular choice for gratification purposes. The uses and gratification paradigm explains the choice of media selection by consumers

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on the basis of features attached to it such as, informational value, entertainment value and purposive value, and so forth. The current study holds a broader implication of the social influence model. It positions the social influence model within the social media settings as compared to the small virtual communities in previous studies. Since virtual communities such as Bulletin Boards are also categorized in online communities, and use user-generated content as principle of online interaction among online members, so the implication of consumers social influence model in the social media settings especially on social networking sites SNSs (Facebook, Twitter, Instagram and YouTube) is quite in line with previous studies. The social influence model of Dholakia et.al (2004) contains two factors which are group norms and social identity. Within this, the group norms contain compliance, internalization and identification dimension which are similar to the dimensions of the social influence theory construct developed by Kelman (1958). Dholakia *et.al* (2004) social influence model does not contain normative influence (subjective norms) dimension of the of the group norms which they have found less significant (Bagozzi & Dholakia 2002). However, the significance of the subjective norms in the current study is explicit because of the potential role of subjective norms towards influencing consumers purchase behaviors (Kim et.al 2012; Ozuem, Patel, Howell and Lancaster 2017). Previous researchers argue that the compliance (subjective norms) is a fundamental factor associated with developing normative social influence (Kashif *et.al* 2018). These researchers further suggest that the normative social influence has a direct relationship with the conformity and trust dimension of the consumers' purchase related behaviour. This further plays a significant part in developing purchase intentions through an increase in the individuals trust and benevolence (Nolan *et.al,* 2008). The current study is unique in its nature as it investigates consumers purchase intentions using the consumers social influence model in the retail fashion industry within online social media settings. The consumers social influence model has not been tested in this way before.

CONCLUSIONS AND RECOMMENDATIONS

On the basis of the foregoing analysis of the literature, the implication of the social influence model in online marketing strategy holds explicit benefits while promoting financial services. The amassed online social interaction, social groups and communities are the reference groups for online users on the social medium. This has an impact on consumer decision-making. These reference groups can be categorised as primary and secondary reference groups, based on the rate of interaction. The primary reference group usually involves the highest rate of social interaction including with friends, family, and peers. The secondary online reference group involves a relatively lower rate of interaction and includes fellow professionals, or religious and spiritual groups. Within the context of consumers' social influence on online social media, the subjective norms, group norms and social identity encompass three forms of interaction and socialisation by users of social media. First, the social media facilitates communication and knowledge-building of online users through online blogs, micro-blogs and interactive promotional content. Secondly, social networking sites enable extensive interaction between online users and reference groups. This helps to develop consumers' engagement and trust as well as encourages them to make a purchase decisions. Finally, it strengthens the ties between social entities and online users, to enhance consumer socialisation practices (John, 1999) through information exchange.

MANAGERIAL IMPLICATIONS

The identification of antecedents of consumer social influence in the form of value perception impacts on the consumers social influence process. This is particularly important for managers to know as it helps them to develop effective marketing strategies. The findings suggest that the use of online social media in the promotion of services has a positive and significant impact on return on investment (ROI). Through integrating the consumers social influence model in the online marketing strategy, the financial services institutions can enhance the consumers' online interaction through in-group participation and social identity which subsequently enhance the social influence. This mediates the social influence and consumers purchase intentions.

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ENTREPRENEURIAL INTENTIONS AND THEIR ANTECEDENTS OF FINNISH VOCATIONAL SCHOOL STUDENTS AND GRADUATES - A PANEL STUDY

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ABSTRACT

The paper examines change in entrepreneurial intentions during studies and a year after graduation among Finnish vocational students. We apply Ajzen's (1991) Theory of Planned Behavior (TPB) to entrepreneurial intentions. The students' intentions and their antecedents have been measured three times during their studies and then a follow-up study has been conducted a year after graduation. Hence, this study offers a longitudinal follow-up for entrepreneurial intention development of vocational students. The specific objectives for this study are: (1) to analyse the change in vocational students' entrepreneurial intentions and their antecedents from studies until after graduation; and (2) to examine the effect of various factors (gender, entrepreneurship pedagogy, role models) on the change in entrepreneurial intentions. The sample consists of 60 students.

Keywords: entrepreneurial intentions, students, graduates, vocational school, panel study

OBJECTIVES OF THE PAPER

Entrepreneurial intentions have been extensively researched among higher education students (e.g. Wang & Wong, 2004; Wu, and Wu, 2008; Vrdoljak, and Dulcic, 2011; Souitaris et al., 2007), but studies among vocational students are rare. Longitudinal settings are demanding and therefore only few exist (Matlay, and Carey, 2007; Joensuu et al., 2013; Joensuu et al., 2014; Varamäki et al., 2015). The research setting in this paper is unique: we measure vocational students' entrepreneurial intentions and their antecedents three times during studies and then one year after graduation. In order to study the development in entrepreneurial intentions and their antecedents, we will adopt an existing intention model, Theory of Planned Behavior by Ajzen (1991), which has become one of the most widely used psychological theories to explain and predict human behavior (Kolvereid, 1996; Tkachev, and Kolvereid, 1999). The biggest research gap has been in longitudinal settings (e.g. Matlay, and Carey, 2007; Fayolle, and Liñán, 2013) which pose formidable data collection challenges (e.g. Harte, and Stewart, 2010). The present study contributes to narrowing this gap by focusing on changes in entrepreneurial intentions initially measured during studies, and the development of such intentions after graduation with vocational students. The specific objectives for this study are twofold: (1) to analyse the change in vocational students' entrepreneurial intentions and their antecedents from the first year of studies until after graduation; and (2) to examine the effect of various factors (gender, entrepreneurship pedagogy, role models) on the change in entrepreneurial intentions.

LITERATURE REVIEW

Theory of Planned Behavior TPB (Ajzen, 1991) suggests that intention is the immediate antecedent of behavior and, thus, the stronger the intention to engage in specific behavior, the more likely should be its actual performance. The intention to conduct a certain behavior has been noticed to be one of the strongest predictors of given behavior (Fishbein, and Ajzen, 1975; Bagozzi et al., 1989; Krueger, and Carsrud, 1993).

The TPB-model has been widely used, tested, developed and criticized in different contexts (Armitage & Conner, 2001; Sheeran, 2002). The model has been utilized often within entrepreneurship research and with student

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populations (e.g. Krueger, and Carsrud, 1993; Krueger et al., 2000; Barbosa et al., 2006). Former research has demonstrated a strong connection with entrepreneurial intentions and entrepreneurial behavior (Kautonen, van Gelderen, and Tornikoski, 2013). The core of the TPB is the idea that intentions have three conceptually independent determinants, namely attitude towards the behavior, subjective norm and perceived behavioral control (Ajzen 1991, 188).

Attitude towards the behavior refers to the degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question. The more positive an individual's perception regarding the outcome of starting a business is (see e.g. Autio et al., 1997; Krueger et al., 2000; van Gelderen, and Jansen, 2006; Pruett et al., 2009) the more favourable their attitude towards that behavior should be and, consequently, the stronger the individual's intention to go ahead and start a business should be.

Subjective norm refers to the perceived social pressure to perform or not to perform a behavior, i.e. starting a business. Subjective norm is based on beliefs concerning whether important referent individuals or groups approve or disapprove of an individual establishing a business, and to what extent this approval or disapproval matters to the individual (Ajzen, 1991, p. 195). Generally speaking, the more the opinion of a particular referent group or individual matters to the individual, and the more encouraging of enterprising activity the individual believes it, the stronger the individual's intention to start a business should be. Cialdini, and Trost (1998) suggested that social norms have the greatest impact when conditions are uncertain. Pruett et al. (2009) operationalized social norms as family experience and support in addition to knowledge of others who had started businesses.

Perceived behavioral control refers to the perceived ease or difficulty of performing the behavior. It is based on beliefs regarding the presence or absence of requisite resources and opportunities for performing a given behavior (see Bandura et al., 1980; Swan et al., 2007). In general, the greater this perceived behavioral control, the stronger the individual's intention to start up in business should be. According to Ajzen (1991) this is most compatible with Bandura's (1980) concept of perceived self-efficacy (see also Schlaegel, and Koenig, 2014).

According to Ajzen and Fishbein (2004), the three theoretical antecedents should be sufficient to predict intentions, but only one or two may be necessary in any given application. In other words, the Theory of Planned Behavior posits that the relative importance of the three factors can vary from one context to another. In most of the studies the best predictor of intentions has been perceived behavioral control (Boyd, and Vozikis, 1994; Krueger et al., 2000; Autio et al., 2001; Kristiansen, and Indarti, 2004; Liñán, 2004; Henley, 2005; Segal et al., 2005; Urban, 2006; Sequeira et al., 2007; Wilson et al., 2007; Prodan, and Drnovsek, 2010; Chen, and He, 2011; Drost, and McGuire, 2011; Lee et al., 2011; Lope Pihie, and Bagheri, 2011). The second-most common predictor has been attitudes (Moi et al., 2011) followed by subjective norm (Aizzat et al., 2009; Lope, et al., 2009; Engle et al., 2010; Siu and Lo, 2013). Kautonen, van Gelderen and Fink (2013) found that attitude, subjective norm and perceived behavioral control jointly explain 59 percent of the variation in intention. In a recent meta-analysis, perceived behavioral control had significantly larger effect size that either attitude or subjective norm (Schlaegel, and Koenig, 2014).

The effect of *gender* has received the greatest attention in previous entrepreneurial studies, followed by role models (Fayolle, and Liñán, 2013). Previous research shows that women have lower entrepreneurial intentions and less desire to start new businesses than men (e.g. (Crant, 1996; Wang, and Wong, 2004; Wilson et al., 2004; Shay, and Terjesen 2005; Linan, and Chen 2009), although not all studies have found correlation between gender and entrepreneurial intentions (Kristiansen, and Indarti, 2004; Drost, and McGuire, 2011; Sequeira et al., 2007; Pruett et al., 2009; Yordanova, and Tarrazon, 2010). Joensuu et al. (2013) have demonstrated in a longitudinal study of higher education students that not only do women have lower intentions to begin with but also that their intentions decrease more during their studies.

Also *role models* have been found to be a significant factor in entrepreneurial intentions (Kolvereid, 1996; van Auken et al., 2006; Bosma et al., 2012). Existing research shows that the entrepreneurial career of mother or father has a positive effect not only on entrepreneurial intentions but also on entrepreneurial behavior (Kolvereid 1996; Henley, 2005; van Auken et al., 2006; Linan, and Santos, 2007; Sequeira et al., 2007; Boissin et al., 2009; Linan, and Chen 2009; Prodan, and Drnovsek 2010; Kuckertz, and Wagner 2010; Engle et al., 2010; Bosma et al.,

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2012; Uygun, and Kasimoglu, 2013). However, counter arguments also exits (Kickul et al., 2008; Marques et al., 2012). It is possible that gender moderates the effect of role models. Kickul et al. (2008) found in their study that the entrepreneurial career of parents had effects on entrepreneurial intentions among female but not among men.

A variety of methods are employed in entrepreneurship education (e.g. Hytti, and O'Gorman, 2004), but despite long debate there is no universally accepted *pedagogical* recipe for teaching entrepreneurship (Fayolle, and Gailly, 2008). Majority of arguments, however, favour various active modes of learning, largely drawing upon studies on entrepreneurs' learning (e.g. Pittaway, and Cope, 2007a; Higgins, and Elliott, 2010; Pittaway, and Thorpe, 2012). The assumption is that conventional (e.g. lecture based) teaching methods can neither convey the complexities of entrepreneurship nor prepare a student for it. Active modes of learning are described and defined in various ways, often partly through juxtaposition with passive modes. Hytti and O'Gorman (2004) refer to 'action learning methods' in which students take the primary role, and traditional methods such as lectures, exams and essays. Despite theoretical and pragmatic argumentation in favor of active modes (e.g. Henry, and Treanor, 2012; Neck, and Greene, 2011; van Gelderen, 2010), their greater effectiveness remains to be empirically demonstrated. Pittaway and Cope (2007b) call for comparative longitudinal studies to evaluate pedagogies. We have not identified longitudinal studies on individual level comparing the impacts of different teaching modes (i.e. active-based and lecture-based teaching) on entrepreneurial intentions and their antecedents. An exception to this is the study by Walter and Dohse (2012), showing that active modes of entrepreneurship education are positively related to self-employment intentions in all regional contexts, whereas the effectiveness of reflective modes is moderated by regional context.

Few longitudinal studies exist concerning the *development of entrepreneurial intention*. Joensuu et al. (2014) found in their research that entrepreneurial intentions decreased during studies among higher education students. This tendency was found in all study fields. Also other studies have showed the negative development of entrepreneurial intentions during studies (e.g. Fayolle et al., 2005; Henley, 2007; Pihkala, 2008; Wu, and Wu, 2008; Nabi et al., 2010). Joensuu et al. (2014) also found similar negative development among vocational students.

Based on the previous research, we suggest following hypothesis:

Hypothesis 1: Entrepreneurial intentions decrease during studies and after graduation.

Hypothesis 2: The changes in perceived behavioral control, in entrepreneurial attitudes and in subjective norm have an effect on the development on intentions.

Hypothesis 3: The development of entrepreneurial intentions is more positive with men than with female.

Hypothesis 4: Entrepreneurial role models have a positive effect on the development of entrepreneurial intentions.

Hypothesis 5: Active modes on teaching in entrepreneurial courses have a positive effect on the development of entrepreneurial intentions.

METHODOLOGY

The instrument has been developed and piloted in Finland. The scales were largely based on Kolvereid (1996). The data was collected using a self-administered questionnaire first during vocational studies between years 2010–2012 and then year after graduation in fall 2014. We interviewed altogether 454 graduates in fall 2014. For these respondents we searched for the responses they had given during their studies. For 60 graduates we found all measurement points from first, second and third year. This shows how demanding a longitudinal setting is. The data in this paper consists of these 60 graduates who had all measurement points (1st, 2nd and 3rd study year and a year after graduation).

Most of the respondents had graduated from the field of technology (24 respondents) or from the field of business (19 respondents). Five respondents had graduated from the field of culture and also five from the field of

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social services and health. Fewer respondents had graduated from the field of tourism and catering, field of natural resources and natural science. 52 % of all respondents were female. 40 % had an entrepreneur in their immediate family, and 42 % had participated in entrepreneurship courses with activity-based pedagogy.

All scales used demonstrated good reliabilities (Intention three items, α 0.95; Attitudes five items, α 0.83; Perceived behavioral control three items, α 0.72). Subjective norm was measured with one item. Control variables were gender, entrepreneurial role-models and participation in entrepreneurship courses with active modes on teaching. The data was analyzed using logistic regression analysis with SPSS 21.

The change was analyzed by using difference score with multiple linear regression modeling. For linear regression analysis, we calculated difference scores for each of the main variables of the TPB model (entrepreneurial intention, subjective norm, entrepreneurial attitudes, perceived behavioral control). For this we used 2-wave data (the measurement from 1st study year and year after graduation). Clarke (2004) states that it is common to use the difference score when studying change from 2-wave data. As such, we investigated whether changes in intentions were the result of changes in attitudes, in subjective norm and in perceived behavioral control. Gender, entrepreneurial role models and entrepreneurial education pedagogy was added in the model. Tolerance and VIF-values were checked in case of multicollinearity.

RESULTS

The development of entrepreneurial intentions, attitudes, perceived behavioral control and subjective norm is presented in Table 1. There are no significant changes in variables except the development of attitudes from 3rd study year to year after graduation. Attitudes have become significantly more positive after a year in working life.

Table 1: Means and standard deviations of studied variables

Follow-up	N	1st year		Sig.	2nd year		3rd year		Sig.	Year after graduation	
		Mean	SD		Mean	SD	Mean	SD		Mean	SD
Entrepreneurial intentions	60	3,5	1,66		3,4	1,68	3,5	1,54		3,6	2,03
Attitudes	60	4,7	1,27		4,6	1,16	4,3	1,25	**	4,9	1,35
Perceived behavioral control	60	4,2	0,63		4,0	0,54	4,0	0,57		4,0	0,98
Subjective norm	59	3,7	1,37		3,8	1,26	3,7	1,11		3,5	1,79

* p< .05. ** p< .01. *** p<.001

Entrepreneurial attitudes are much higher than other variables during study years and also a year after graduation. First, attitudes become more negative from 1st to 3rd study year, but then rise to a higher level a year after graduation. Entrepreneurial attitudes are more positive a year after graduation than in the beginning of studies. Perceived behavioral control seems to be quite stable; there is no development into a negative or positive direction. Subjective norm is more positive during study years than a year after graduation. Entrepreneurial intentions first decrease when moving to the 2nd study year, then increase when moving to the 3rd study year. Intentions are on the same level on the 1st and the 3rd study year. After one year of experience in working life, intentions are slightly higher than in the 3rd study year. Hypothesis 1 is therefore not supported: entrepreneurial intentions did not decrease during studies and after graduation. On the contrary, intentions were slightly higher one year after graduation.

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There are some differences between men and women in the development of entrepreneurial intentions. Men have higher intentions than women. With men the intentions first decrease but after the second study year start to increase. With women entrepreneurial intentions slightly increase during the study years and then stay on that same level a year after graduation. The entrepreneurial intentions of men are lower a year after graduation than in the beginning of studies. Women on the contrary have higher intentions year after graduation than in the beginning of studies. Hypothesis 3 is not supported: the development of entrepreneurial intentions is not more positive with men than with women.

Entrepreneurial role-models have some kind of effect in the development of entrepreneurial intentions. With graduates who have at least one parent working as an entrepreneur, the intentions first decrease during study years but then radically and statistically significantly increase after a year in working life. For other graduates the entrepreneurial intentions first increase during the study years but then decrease in working life. For this group, entrepreneurial intentions are on the same level a year after graduation as in the beginning of studies. With graduates having at least one parent working as an entrepreneur, the intentions are higher a year after graduation than in the beginning of the studies. Hypothesis 4 is partially supported: entrepreneurial role-models have a positive effect on the development of entrepreneurial intentions at least after graduation. However, during the study years the development is negative with the students having a parent as an entrepreneur and positive with the others. Graduation seems to be the critical point: after experiencing working life, the children of entrepreneurs see entrepreneurship more positively.

Participation in entrepreneurial courses with active modes of teaching have a positive effect on the development of entrepreneurial intentions. In the beginning of studies those students who are not going to take part in activity-based entrepreneurial courses had higher intentions than students who did eventually participate. After participation in activity-based entrepreneurial courses, intentions start to increase first moving to second study year and still increasing when moving to third study year. After a year in working life the intentions are on the same level as in the third study year. For those students who did not take part in activity-based entrepreneurial courses, the intentions starts to decrease when moving to second study year and then stay on that same level. Hypothesis 5 is supported: Active modes on teaching in entrepreneurial courses have a positive effect on the development of entrepreneurial intentions.

We tested how well the changes in antecedents of entrepreneurial intentions explain the change in intentions by using standard linear regression. Multiple linear regression analysis was used to assess the relationship between the independent variables and the dependent variable. Table 2 presents the regression results. In model 1 we included only the control variables (gender, entrepreneurial role-models and participation in entrepreneurial courses with active modes on teaching). Gender was included as a dummy-variable with zero coding for female students and one for male students. Mother´s or father´s professional background (at least one of them working as an entrepreneur) was coded zero for “not an entrepreneur” and one for “entrepreneur”. Participation in entrepreneurial courses with active modes of teaching was coded zero for “not participation” and one for “participation”.

As can be seen from the table, the model that includes only control variables explains just 3 percent of the variance of the change in entrepreneurial intentions. None of the control variables are significant. In the next step we added the three independent variables in to the model (changes in perceived behavioral control, attitudes, subjective norm). The explained variance of the change in entrepreneurial intentions rose to 48 %. As can be seen, the change in attitudes explains most (β=.39***) of the variance compared to other variables. It is interesting that in the model 2 the participation in entrepreneurial courses with active modes on teaching does have a significant effect on the change in entrepreneurial intentions. This suggests that the effect could be mediated through a change in attitudes or through a change in perceived behavioral control. Hypothesis 2 is supported. The change in perceived behavioral control, the change in entrepreneurial attitudes and the change in subjective norm have an effect on the development on intentions. Also hypothesis 5 is supported: Active modes of teaching in entrepreneurial courses have a positive effect on the development of entrepreneurial intentions. However, this requires more research where mediation is tested.

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Table 2: Linear regression analysis

	Model 1	Model 2
Control variables		
Gender (male)	-0.13	-0.11
Entrepreneurial role models	0.13	-0.03
Participation in entrepreneurial courses with active mode	0.18	0.23*
Independent variables		
Change in PBC		0.27*
Change in ATT		0.39***
Change in SN		0.26*
Model fit statistics		
Adjusted R^2	0.03	0.48
F-statistics	1.536	10.056***
F Change		17.217***

* p< .05. ** p< .01. *** p<.001 Standardized coefficients reported.

CONCLUSIONS

The specific objectives for this study were (1) to analyse the change in vocational students' entrepreneurial intentions and their antecedents from studies until after graduation; and (2) to examine the effect of various factors (gender, entrepreneurship pedagogy, role models) on the change in entrepreneurial intentions. Four measurement points show that entrepreneurial intentions first decrease during the first study year but after that start to increase back to the same level as in the beginning of the studies. None of the changes are statistically significant which indicates that entrepreneurial intentions are quite stable. Attitudes for entrepreneurial career become radically more positive after a year in working life. It may be that the reality of working life changes the attitudes for entrepreneurship. Perceived behavioral norm seems to be quite stable during the study years and a year after graduation. It is quite alarming that studying a vocational field of substance does not make students to feel any more capable of working as an entrepreneur than they are in the beginning of their studies. Subjective norm is more negative after graduation than in the beginning of studies. It may be that economic situation in the society has become more negative which has an influence on the support of significant others for entrepreneurial career. Also it is possible that significant others are different people in the beginning of studies (parents) and a year after graduation (boy/girlfriend, spouse).

Hypothesis 1 was not supported in this study. Entrepreneurial intentions did not decrease significantly during studies and after a year in working life. This is contradictory with several other studies (Joensuu et al., 2014; Fayolle et al., 2005; Henley, 2007; Pihkala, 2008; Wu, and Wu, 2008; Nabi et al., 2010). However, other studies have been conducted with higher education students, not vocational students as in this study. Vocational students have already some professional skills which can operate as a basis for entrepreneurial career. This can have an effect on the entrepreneurial intentions. Hypothesis 2 was supported. The change in entrepreneurial attitudes, the change in perceived behavioral control and the change in subjective norm did have an effect on the change in entrepreneurial intentions. This is in line with previous research (Varamäki et al., 2015) and also gives support to Ajzen's Theory of Planned Behavior -model in a longitudinal setting.

Gender and role models did not have an effect in the regression analysis but the development of entrepreneurial intentions measured with four waves gives a different view. With women entrepreneurial intentions first slightly increased and then stayed on the same level. For women the entrepreneurial intentions were a bit higher after year in working life than in the beginning of the studies. With men the entrepreneurial intentions first decreased and then started to increase. However, men had lower level of entrepreneurial intention after graduation than in the beginning of the studies. Hypothesis 3 was therefore not supported. Gender does seem to have some kind of an effect on the whole development of entrepreneurial intentions: the development is more positive with women than with men. However, entrepreneurial intentions are still much higher with men than with women also at the beginning of studies and a year after graduation. This gives support to many previous studies (Wang, and Wong,

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2004; Zhao et al., 2005; Sequeira et al., 2007; Linan, and Chen, 2009; Lee et al., 2011). It is interesting that a different kind of effect can be seen in the development of entrepreneurial intentions.

Hypothesis 4 was partially supported. Entrepreneurial role-models did not have an effect on the whole development in the regression analysis but it did have an effect when examining the four measurement points. With those graduates who had mother or father working as an entrepreneur, the entrepreneurial intentions rose radically from 3rd study year to a year after graduation. This gives support to hypothesis 4: role-models have an effect at least when moving to working life. Other studies have also shown that entrepreneurial role models have a positive effect on entrepreneurial intentions (Henley 2005; van Auken et al. 2006; Linan, and Santos 2007; Sequeira et al. 2007; Boissin et al. 2009; Linan, and Chen 2009; Prodan, and Drnovsek 2010; Kuckertz, and Wagner 2010; Muofhe, and Du Toit 2011). Still, it is interesting that during studies these students had more negative development of entrepreneurial intentions than those students who did not have a mother or father working as an entrepreneur. This does not give support to hypothesis 4. Maybe the concrete experience of salaried work gives more realistic view on the positive sides of entrepreneurship than studies. After a year in working life, the possibility of an entrepreneurial career is viewed more positively.

Hypothesis 5 was supported. Participation in entrepreneurial courses with an active mode of teaching did have a positive effect on the development of entrepreneurial intentions. This was shown also when measured in four waves and also in the regression analysis. Walter, Parboteeah and Walter (2010) also found out that active-based modes of entrepreneurship education have a stronger effect on entrepreneurial intention than reflective modes. However, our results of the regression analysis show that participation in entrepreneurial courses with active modes on teaching can be mediated through the change in attitudes or through the change in perceived behavioral control. The impact of active-based pedagogies on attitudes is a particularly positive signal for those struggling to develop and maintain an active approach to teaching entrepreneurship. Active methods such as project-based learning frequently require more resources than traditional lecturing-based courses; it would be difficult to justify the effort if active-based methods had no discernible effect.

The most significant contributors on the change in entrepreneurial intentions are the change in attitudes, the change in perceived behavioral control and the change in subjective norm. If educators can influence on these changes, it can also fuel entrepreneurship. Also previous research have shown that perceived behavioral control have a direct effect on entrepreneurial behavior (starting up a firm) (Joensuu et al., 2014; Ingram et al., 2000; Kautonen, Van Geldern, and Tornikoski, 2013), therefore it is crucial to develop the student's belief in their own ability to succeed as an entrepreneur.

There are some differences between men and women in the development of entrepreneurial intentions. Educators should address this finding and develop different kinds of methods for entrepreneurial courses for men and women. Female role-models are important when developing the attitudes and perceived behavioral control of women (see Joensuu et al. 2014). Alumni could be an important target group when enhancing entrepreneurship. Entrepreneurial role-models should be used more in entrepreneurship education. Entrepreneurial career of mother or father gives a realistic picture or entrepreneurship for a student. Students' backgrounds could be utilized more in entrepreneurship courses as narratives and cases.

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NON-PARAMETRIC STATISTICS: A SET OF STATISTICAL TECHNIQUES TO TEST THE VALIDITY OF SOME SPECIAL CLAIMS

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ABSTRACT

Nonparametric methods are a powerful research tool used by investigators in practically every field of human activity. Nonparametric methods are useful alternatives to the parametric methods (when parametric methods are not available) and their use and application is made much easier when statistical tools, like MINITAB, are used to solve problems completely or partially.
In this paper we divide the available nonparametric statistics which fall in the following 5 categories:
I) Tests for Randomness
II) Chi-Square Tests
III) Tests for Matched Pairs
IV) Tests to Compare 2 or More Independent Populations
V) Spearman Rank Correlation Test
MINITAB examples are given for: Tests of Randomness, Tests for Matched Pairs (Wilcoxon Sign Rank Test, Friedman Test) and Tests to Compare 2 or More Independent Populations (Mann-Whitney Test, Kruskal-Wallis H Test)

Keywords: Parametric Methods, Non-Parametric Methods, Tests for Randomness, Chi-square tests, Tests for Matched Pairs, Tests to Compare 2 or more Independent Populations, and the Spearman Rank Correlation Test.

Problem Statement

When researchers are testing the validity of claims during their research, and non-parametric methods exists to perform such tests, what do they do? The answer is use Non-Parametric methods which may take many forms, as shown in this paper.

Approach

We divide the many non-parametric techniques in five (5) categories, discuss representative techniques in each category and, where possible, compare the manual Non-Parametric methods with the MINITAB Non-Parametric methods, which performs these tests much easier, and show that the results of the two (2) methods are identical.

Result

The results indicate that Non-Parametric methods are very powerful and useful alternatives to the Parametric Methods, when Parametric Methods are not available. Many examples, throughout the paper, show how the various tests are applied and the use and application of the statistical tool MINITAB shows how easily these tests can be performed.

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Conclusions/Recommendation

When parametric methods are not available, a useful alternative approach is to use Non-Parametric methods which, as shown, provide the solution to many research problems. Use the Statistical tool MINITAB, to make the application of these Non-Parametric techniques procedural.

INTRODUCTION

Most of the statistical methods that people are familiar with are referred to as Parametric Statistics and the term is used to indicate that we have knowledge of the nature of the population from which the sample data set: x_1, x_2, x_3,…,x_n, which we are about to analyze, came from. For example, when we use the EMPIRICAL RULE, we make the assumption that our sample data came from a normal distribution. However, when we use CHEBYCHEV'S INEQUALITY, namely:

$$P[\bar{x} - k\hat{s} \le X \le \bar{x} + k\hat{s}] \ge 1 - \frac{1}{k^2}, \text{ for k>1} \qquad (1)$$

which states that the probability that a random variable X is between k standard deviations of the mean ($\bar{x}$) is at least $1 - \frac{1}{k^2}$, the result is valid for all possible distributions of the random variable X (Vasilopoulos 2007).

Such a "distribution-free" result, and similar other tests that we will discuss in this paper, are called non-parametric statistics. In these nonparametric tests the parameters of the distribution continue to be important. What is not important is the nature of the distribution of the population from which the sample came from. That is these tests are valid whether the population distribution is Normal, Binomial, Uniform, Exponential, etc. As we discuss the availability and development of nonparametric statistics, we will discuss several tests which are equivalent to familiar parametric tests. When this is the case it is natural to ask: Which test is preferable, the parametric or nonparametric one? The answer is: the parametric test, because for the non-parametric tests to achieve the same results (i.e. the same power) require a much larger sample (i.e. nonparametric methods are less efficient than parametric methods).

But there are many situations in which the form (or nature) of the population distribution is not well known and the nonparametric method is the only meaningful alternative. This is also the case when no parametric alternative exists.

However, even though the computations on nonparametric statistics are usually less complicated than those for parametric statistics, the calculations for many nonparametric statistics can become very tedious, when the samples are large.

Another disadvantage for most nonparametric methods is the fact that the null hypothesis (H_0) being tested is less precise than in the parametric methods, and the conclusions drawn may be somewhat vague. But, even with these drawbacks, nonparametric statistics are very useful, and it is important to know when and where they can be used, and the conclusions which can be drawn from their application.

DISCUSSION

Before starting our discussion on Non- Parametric Statistics, let us do a Parametric Statistics example to make the comparison easier to understand.

Example 1: - The claim is made that "the mean Carbon dioxide level of air pollution in New York City is 4.9 particles per cubic foot"
Does a random sample of 25 readings (which produced an $\bar{x}$ =5.1 and $\hat{s}$=2.1) present sufficient evidence to accept or reject thus claim at $\alpha = 0.05$?

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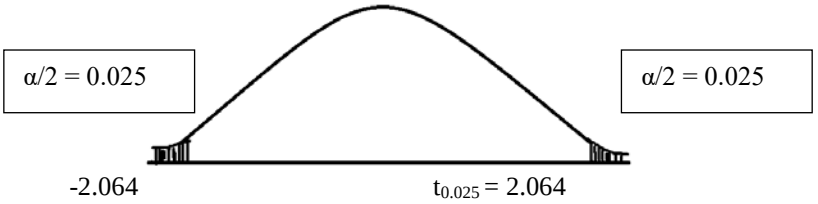
Also construct a 95% confidence Interval on μ and compare the results of the 2 solutions
Then, the hypothesis Test solution is:
1) H_o: μ = 4.9 vs H_1: μ≠ 4.9
2) α = 0.05 (and α/2 = 0.025)
3) The estimator for μ is $\bar{x}$ and, because σ is not known and n= 25<30,
$(\bar{x}- \mu)/(\hat{s}/\sqrt{n})$ is $t_{n-1} = t_{24}$ distributed.
4) Rejection region/Acceptance Region



5) Value of test statistic = $t^* = (\bar{x} - \mu_0)/ (\hat{s}/\sqrt{n})) = (5.1-4.9)/ (2.1/\sqrt{25}) = 0.48$.
6) Since t^* falls outside of RR, we do not reject H_o: μ = 4.9
7) Therefore, the mean Carbon Dioxide level of air pollution in New York City is 4.9.
We can also construct a confidence Interval on μ using the equation:
P $[\bar{x} - t_{n-1}(\alpha/2)\ \sigma(\bar{x}) <= \mu <= \bar{x} + t_{n-1}(\alpha/2)\sigma(\bar{x})] = 1-\alpha$ which , because $\bar{x}$ = 5.1, $t_{n-1}(\alpha/2) = t_{24}(0.025) = 2.064$, $\sigma(\bar{x}) = \hat{s}/\sqrt{n} = 2.1/\sqrt{25} = 2.1/5 = 0.42$ becomes upon substitution. P [4.23 <= μ < = 5.97] = 0.95
Then, since the hypothesis value of μ = 4.9 falls INSIDE of this confidence interval,
H_o: μ = 4.9, is not rejected. This is the same conclusion we reached from the hypothesis Test solution to the problem.

The nonparametric statistics available are usually grouped in 5 categories, as shown in the table below, which also shows corresponding parametric tests, when they exist

NON-PARAMETRIC TESTS	**CORRESPONDING PARAMETRIC TEST**
I) TESTS FOR RANDOMNESS	
1) Runs Tests	
a) Small Sample Runs test	
b) Large Sample Runs test	
2) Runs Above and Below the Median	
3) Runs Up and Down	
4) The Von Newmann Ratio Test for Independence	
II) CHI-SQUARE TESTS	
1) Tests on Frequencies	
a) Tests on the Frequency of 2 classes	
b) Tests on the Frequency of more than 2 classes	
2) Tests on Independence – Contingency Tables	
3) Tests on Homogeneity - Are 2 or more Independent random samples drawn from the same population?	
4) Tests on Goodness of Fit	
a) For the Uniform Distribution	
b) For the Normal Distribution	
5) Kolmogorov-Smirnoff Statistic - A more appropriate goodness of Fit test (than χ^2)	
III) TESTS FOR MATCHED PAIRS	t-test for paired data

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1) The Sign test - Uses only the sign of the difference	
2) The Wilcoxon Signed test - Uses both sign of difference and rank	Randomized block design
a) Small sample (n < 16)	
b) Large Sample (n ≥ 16)	
3) Friedman test for k paired samples	
IV) TESTS TO COMPARE 2 (OR MORE) INDEPENDENT POPULATIONS	t-test to compare 2 independent samples, from 2 different populations
1) The Wald-Wolfowitz test	
2) The Mann-Whitney U test	One-Way ANOVA
a) Small Sample Case	
b) Large Sample Case	
3) The Kruskal-Wallis H test for comparing k (k>2) independent random samples	Pearson Product-Moment Correlation Coefficient
V) CORRELATION	
1) Spearman's Rank Correlation Coefficient (for ordinal data)	

Note: Because we have previously discussed "TESTS FOR RANDOMNESS" and "CHI-SQUARE TESTS" in other papers/presentations, the topic of this paper will be the Non-Parametric Methods available for "TESTS FOR MATCHED PARTS" and how they compare to the corresponding parametric methods.

III) Tests For Matched Pairs

Our interest here is in two non-parametric tests which are equivalent to the test for paired data (The sign test and the Wilcoxon Sign Rank Test) and the Friedman Test for K- paired Samples (which is equivalent to the Randomized Block Design of Analysis of Variance.

But, before we discuss these tests, let us first discuss, through Example 2 a parametric test to compare the means of two populations when the observations are paired, for the purpose of removing the effect of outside factor which might influence the comparison.

Example 2: Suppose we wish to test the "wearability" of 2 different brands of tires. One tire of each brand was placed on each of 6 cars. The position of each tire was determined randomly, to eliminate the possibility of favoring one tire over the other. The table below shows the amount of wear (in thousands of an inch) that took place.

Car	1	2	3	4	5	6
Brand A	125	64	94	38	90	106
Brand B	133	65	103	37	102	115
$d_i = B_i - A_i$	8	1	9	-1	+12	9

Do the 2 brands of tire wear the SAME at $\alpha = 0.05$.

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Solution: From the new Row $d_i = B_i - A_i$ we obtain: n = 6; $\sum_{i=1}^{6} d_i = 38$, and $\sum_{i=1}^{6} d_i^2 = 372$
and from this information we calculate:

$\bar{d} = \frac{\sum_{i=1}^{6} d_i}{n}$ = 38/6 = 6.33, $S_{\bar{d}}^2 = (n \sum_{i=1}^{6} d_i^2 - (n \sum_{i=1}^{6} d_i^2)^2) /n(n-1) = 6(372) - (38)^2 /6(5) = 26.27$

And $\sigma(\bar{d}) = \sqrt{\frac{S_{\bar{d}}^2}{n}} = \sqrt{\frac{26.27}{6}} = \sqrt{4 \cdot 3783} = 2.09$

Then the Hypothesis Test solution is:

1) H_o: μ_d = Mean difference between paired data = 0
vs.
H_1: $\mu_d \neq 0$
2) $\alpha = 0.05$(and $\alpha/2 = 0.025$)
3) The Estimator for μ_d is $\bar{d}$ which, because n =6<30, makes $\bar{d}/\sigma(\bar{d}) = t_{n-1} = t_s$ distributed
4) The Rejection Region/Acceptance Region (RR/AR)

-2.5706 2.5706

5) Value Test Statistic = $t^* = \bar{d}-0/(\sigma(\bar{d}))$= 6.33/2.09 = 3.03
6) Rejected H_0: μ_d =0 because t^* falls INSIDE the Rejection Region (t^*=3.03 > t_s (0.025) = 2.5706)
7) Rejected H_0 implies that there is a difference in the "wearability" of the 2 tires. Therefore, the 2 tires are different.

We can also construct a confidence Interval on μ_d using the Equation:
P [$\bar{d}$-$t_{n-1}(\alpha/2)$ $\sigma(\bar{d})$ <= μ_d <= $\bar{d}$ + $t_{n-1}(\alpha/2)\sigma(\bar{d})$] = 1-α from which we obtain,
P [0.96<= μ_d < = 11.70] = 0.95 (because, $\bar{d}$= 6.33, t_{n-1} (α/2) = 2.5706, $\sigma(\bar{d})$ = 2.09, and 1-α = 0.95).

The Confidence Interval Solution also concludes that the 2 tires are different because the hypothesized value, μ_d =0, falls outside of the confidence interval

Let us now start our discussion of the non-parametric tests.
These tests are: -
1) The Sign Test, which uses only the sign of the differences of the given paired data, and:
2) The Wilcoxon Sign Rank Test, which uses both the sign of the differences of the given paired data and the rank of such differences among the many differences in the problem.

Also discussed is the non-parametric Friedman test for k-paired samples which may be considered equivalent to the Randomized Block Design of Analysis of Variance.

1) The Sign Test for Match Paired Data

If (x_1,y_1), (x_2,y_2),…,(x_n,y_n) are n-paired observations of two random variables X and Y, we form the differences $d_i=x_i-y_i$ (for i=1,2,…,n), and note the sign of each d_i. If $x_i>y_i$, a "+" sign is recorded for the difference while if $x_i<y_i$, a "-" is recorded. If $x_i=y_i$ (and $d_i=0$) the pair of observations is disregarded and the value of n is reduced by the number of $d_i=0$ differences which were disregarded.

If the null hypothesis is that X and Y are identically distributed and we let P(X>Y)=p, p must be equal to 0.5. The hypotheses being tested for the Sign Test are:

H_0: p=0.5 vs. H_1: p≠0.5, (17)

and if H_0 is true, we would expect almost half of the n pairs to have a "+" sign.

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If we let *S*= The test statistic which counts the number of times the less frequent sign occurs in the sequence of d_i, then *S* is Binomially distributed with p=1/2

The critical value, at α=0.05, is obtained from:

$$R = \frac{n-1}{2} - 0.98\sqrt{n} \quad , \tag{18}$$

which is derived from a chi-square goodness-of-fit test for a Binomial distribution. The null hypothesis, H_0, will be rejected if: $S \leq R$ (Canavos 1984, Johnson 1973, McClave et al 2001, Steel et al 1976). (19)

Example 3

Twelve newly married couples were randomly selected and each husband and wife were asked separately how many children they would like to have. The following table shows the answers obtained, together with a row for $d_i=x_i-y_i$, and the sign of each d_i.

Couple	1	2	3	4	5	6	7	8	9	10	11	12
x=wife	1	2	3	2	2	0	0	1	2	2	2	1
y=husband	2	0	2	3	2	2	0	2	1	3	1	1
$d_i=x_i-y_i$	-1	2	1	-1	0	-2	0	-1	1	-1	1	0
sign	-	+	+	-	0	-	0	-	+	-	+	0

Question: Can we conclude from this data set that wives and husbands want the same number of children, at α=0.05?

Solution: Since there are 3 d_i values equal to zero, effective n=12-3=9. Since the number of "+" signs = 4 while the number of "-" is 5, we let S= number of "+" signs =4 and, under H_0 *S* is binomially distributed with n =9 and p=1/2. Then using the Binomial Cumulative Distribution Function, we find that: $P(S\leq 4)=0.5$, and since $P(S\leq 4)>\alpha=0.05$, H_0 is not rejected, and conclude that wives and husbands want the same number of children. If we used equation (18) to construct the critical value, we obtain

when n=9: $R = \frac{9-1}{2} - 0.98\sqrt{9} = 4 - 0.98(3) = 4 - 2.94 = 1.06$

Then since $S=4>R=1.06$, H_0 will not be rejected, arriving at the same conclusion as with the Binomial solution.

2) The Wilcoxon Sign Rank Test

This test uses not only the sign of the differences of paired data but also their rank among all such differences. If (x_1,y_1), (x_2,y_2), …, (x_n,y_n) are n given paired data we form the differences $d_i=x_i-y_i$ (for i=1,2,…, n), then take the Absolute Value of the difference, and then rank them according to their magnitude. The smallest absolute difference is assigned rank=1, and the largest absolute difference is assigned rank=n. **Then the sign of each difference is attached to the rank for that difference.** When ties of the type: $d_i=0$ occur, they are dropped and the value of n is adjusted downward by the number of such ties. When ties of the type, say $d_i=-8$ and $d_j=+8$, occur and if their ranks are, say, 5 and 6, we assign a rank of ((5+6)/2)=5.5 to each and, for $d_i=-8$ the rank becomes -5.5 and for $d_j=+8$, the rank becomes +5.5. The test statistic for this test is represented by T and it is found as follows:

Let S^+= sum of the positive ranks in the differences d_i, and

S^-= sum of the negative ranks in the differences d_i,

and: $T=\text{minimum}\ (S^+, S^-)$ (20)

The Hypotheses being tested are:

$H_0: F(X)=G(X)$ vs. $H_1: F(X)\neq G(X)$ (21)

where: F(X)= Cumulative Distribution Function for S^+, and

G(X)= Cumulative Distribution Function for S^-

a) The distribution of T can be adequately approximated by the normal distribution when n≥16,

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with: $E(T) = \frac{n(n+1)}{4}$, (22)

and: $\sigma(T) = \sqrt{\frac{n(n+1)(2n+1)}{24}}$, (23)

and the test statistic becomes $z^* = \frac{T + \frac{1}{2} - E(T)}{\sigma(T)}$, (24)

and H_0 will be rejected it $T<T_c$, (25)

where $T_c \approx z_{\alpha/2}\sqrt{\frac{n(n+1)(2n+1)}{24}} + \frac{n(n+1)}{4} - \frac{1}{2}$ (26)

b) When n<16 (small sample) the following table of critical values of T for the Wilcoxon Sign Rank Test should be used:

n= Number of Pairs	7	8	9	10	11	12	13	14	15
Reject H_0 if $T \leq R$, α=0.05	R=2	R=2	R=6	R=8	R=11	R=14	R=17	R=21	R=25
Reject H_0 if $T \leq R$, α=0.01	R=0	R=0	R=2	R=3	R=5	R=7	R=10	R=13	R=16

Example 4

In a paired experiment the speed with which items are packed per hour by 2 different systems is observed and is given below:

Pair	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
System 1	10	11	9	8	15	12	11	13	15	10	13	12	14	13	14	12	14	12
System 2	7	6	12	9	13	7	13	9	8	11	9	8	13	10	8	7	7	12
d_i = System1-System 2	3	5	-3	-1	2	5	-2	4	7	-1	4	4	1	3	6	5	7	0
Signed Rank of $\lvert d_i \rvert$	7	13	-7	-2	4.5	13	-4.5	10	16.5	-2	10	10	2	7	15	13	16.5	X

Can we accept the hypothesis: H_0 : F(x) = G(x) (i.e. the 2 systems pack items with the same speed) at α = 0.05, using the Wilcoxon signed rank-test?

Solution:

When d_i = 0, the pair is disregarded, and n is reduced accordingly. Since we have one d_i =0, the effective n = 18-1 =17.

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Also, when $d_i = d_j \neq 0$, they are assigned mean ranks; therefore the d_i values of -1, -1, 1 are assigned the rank of: $\frac{1+2+3}{3}=2$, with the appropriate sign, where 1, 2, 3 are the ranks assigned to the first 3 ranked data values.

Also the values of 2 and -2 are assigned the rank of: $\frac{4+5}{2}=4.5$ for the same reason, and similarly the values 3, -3, 3 are assigned the ranks: $\frac{6+7+8}{3}=7$; The values of : 4, 4, 4 are assigned the rank: $\frac{9+10+11}{3}=10$, the values 5, 5, 5 are assigned the rank: $\frac{12+13+14}{3}=13$, and the values 7, 7 the rank: $\frac{16+17}{2}=16.5$. Then:

S^+ = 7+13+4.5+13+10+16.5+10+10+2+7+15+13+16.5 = 137.5, and

S^- = 7 + 2 + 4.5 + 2 = 15.5, and T = min(S^+, S^-) = S^- = 15.5.

Since n = 17 > 16, T is normally distributed with: E(T) = $\frac{n(n+1)}{4}=\frac{17(18)}{4}=76.5$

and $\sigma_T=\sqrt{\frac{n(n+1)(2n+1)}{24}}=\sqrt{\frac{17(18)(35)}{24}}=\sqrt{446.25}$ = 21.12463, and

Z* = $\frac{\left[T+\frac{1}{2}-E(T)\right]}{\sigma_T}$, or Z* = (15.5+0.5-76.5)/21.125 = (16-76.5)/21.125 = - 2.8639.

Since Z* < $-Z_{0.025}$ (or -2.8639 < -1.96) H_0 is rejected and we conclude that the 2 systems pack items with different speeds.

The MINITAB output for this example is shown below:

```
MTB > set c1
DATA> 10   11  9   8   15  12  11  13  15  10  13  12  14  13  14  12  14  12
DATA> end
MTB > set c2
DATA> 7    6   12  9   13  7   13  9   8   11  9   8   13  10  8   7   7   12
DATA> end
MTB > set c3
DATA> 3    5   -3  -1  2   5   -2  4   7   -1  4   4   1   3   6   5   7   0
DATA> end
MTB > WTest 0.0 c3;
SUBC>   Alternative 0.
```

Wilcoxon Signed Rank Test: C3

Test of median = 0.000000 versus median not = 0.000000

	N	N for Test	Wilcoxon Statistic	P	Estimated Median
C3	18	17	137.5	0.004	3.000

Comparing the MINITAB solution to the hand solution of this problem, we see that the two solutions are identical (S^+=137.5= Wilcoxon statistic; H_0 is rejected because p=0.0004<α=0.05 in the MINITAB solution).

Note: The hand solution can also be implemented by evaluating equation (26) which, for $n_{adjusted}$ =17 and $z_{\alpha/2}=z_{0.025}$=1.96 becomes: T_C=34.6.

Then, since T=minimum(S^+,S^-)= minimum(137.5,15.5)=15.5, and T< T_C, H_0 is again rejected.

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3) The Friedman Test for k Paired Samples

When the number of treatments to be compared, for a single factor, is three or more ($k \geq 3$) the appropriate non-parametric method is the Friedman Test, which is the nonparametric alternative to the ANOVA Randomized Block Design. When the basic assumption of the

Randomized Block Design (i.e. observations are drawn from normal populations) is not satisfied, the Friedman test should be used, which is based on the following 3 assumptions:

1) The Blocks are independent
2) No interaction is present between Blocks and Treatments
3) Observations within each Block can be ranked

A block is created for each of n conditions of the factor, and each Block contains one observation of each of k treatments, which are randomly assigned to each Block. The nk observations are arranged in n rows (Blocks) and k columns (Treatments).

The hypotheses being tested are:

H_0: Treatment Effects are the Same vs. H_1: Treatment Effects are Different

The Friedman test is based on ranks, and consists of the following steps:

1) For each Block (row) rank the observations from smallest (1) to largest (k)
2) Sum the ranks of each treatment, and let R_j= sum of ranks for treatment j
3) If treatment effects are equal, R_j should be about the same for all j
4) The Friedman Test determines when an observed difference among the R_j is large enough to reject H_0.

The Friedman Statistic is given by:

$$S = \frac{12}{nk(k+1)}\left[\sum_{i=1}^{k} R_j^2\right] - 3n(k+1) \quad , \tag{27}$$

where: n= number of Blocks (rows)
k= number of Treatments (columns)
j= particular treatment level (column)
R_j=sum of ranks for Treatment j

The distribution of S is approximately chi-square distributed with Degrees of Freedom= DOF=δ=k-1, if:

a) k>4
or b) k=3 and n>9
or c) k=4 and n>4

The critical region, of size α, is the upper tail of the chi-square distribution, with DOF=k-1, and H_0 is rejected if: (Berenson et al 2004, Black 2004)

$$S > \chi^2_{k-1},\alpha \quad . \tag{28}$$

Example 5

Twelve students were randomly selected from a large undergraduate class and their scores on the four examinations given to the class during the semester is shown below:

Student	Exam 1	Exam 2	Exam 3	Exam 4
1	72 (2)	68 (1)	80 (4)	75 (3)
2	89 (3)	87 (2)	78 (1)	92 (4)
3	48 (1)	56 (2)	64 (4)	58 (3)
4	65 (2)	76 (4)	70 (3)	62 (1)
5	86 (2)	94 (4)	93 (3)	85 (1)
6	56 (1)	73 (2)	78 (3)	87 (4)
7	75 (3)	84 (4)	65 (1)	69 (2)
8	39 (1)	45 (2)	48 (3)	56 (4)
9	78 (4)	67 (2)	69 (3)	59 (1)
10	98 (4)	87 (2)	86 (1)	95 (3)
11	64 (2)	87 (3)	92 (4)	48 (1)
12	82 (3)	76 (1)	85 (4)	79 (2)

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Use the Friedman test to determine whether differences among the four examinations are statistically significant at α = 0.05 and α = 0.01.

Solution:

Each of the 4 exams, for each student, are ranked, and the rank is listed in the table above in parenthesis. Then, the sum of the ranks for each examination are: $R_1 = 28$, $R_2 = 29$, $R_3 = 34$, and $R_4 = 29$, and:

$$S = \frac{12}{12(4)(5)}\left[28^2 + 29^2 + 34^2 + 29^2\right] - 3(12)(5) = \frac{1}{20}\left[3622\right] - 180 = 181.1 - 180 = 1.1.$$

Also, $\chi^2_{k-1,\alpha} = \chi^2_{4-1,\alpha} = \chi^2_3(\alpha) = \begin{cases} \chi^2_3(\alpha = 0.05) = 7.815 \\ \chi^2_3(\alpha = 0.01) = 11.345 \end{cases}$

Since $S = 1.1 < \chi^2_3(\alpha)$, H_0 cannot be rejected. Therefore the four examinations are not statistically significantly different at both α values.

The MINITAB output for this example is shown below:

```
MTB > set c1
DATA> 72  89  48  65  86  56  75  39  78  98  64  82
DATA> 68  87  56  76  94  73  84  45  67  87  87  76
DATA> 80  78  64  70  93  78  65  48  69  86  92  85
DATA> 75  92  58  62  85  87  69  56  59  95  48  79
DATA> end
MTB > set c2
DATA> 1   1  1  1  1  1  1  1  1  1  1  1
DATA> 2   2  2  2  2  2  2  2  2  2  2  2
DATA> 3   3  3  3  3  3  3  3  3  3  3  3
DATA> 4   4  4  4  4  4  4  4  4  4  4  4
DATA> end
MTB > set c3
DATA> 1   2  3  4  5  6  7  8  9  10  11  12
DATA> 1   2  3  4  5  6  7  8  9  10  11  12
DATA> 1   2  3  4  5  6  7  8  9  10  11  12
DATA> 1   2  3  4  5  6  7  8  9  10  11  12
DATA> end
MTB > Friedman C1 C2 C3.
```

Friedman Test: C1 versus C2, C3

Friedman test for C1 by C2 blocked by C3

S = 1.10 DF = 3 P = 0.777

C2	N	Est Median	Sum of Ranks
1	12	72.000	28.0
2	12	75.250	29.0
3	12	78.250	34.0
4	12	73.500	29.0

Grand median= 74.750

Comparing the MINITAB Solution to the hand solution, we observe that the two solutions are identical (The value of S=1.1 for both solutions).

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CONCLUSIONS

We have discussed many nonparametric tests in which the parameters of the distribution continue to be important but the nature of the distribution, from which the sample data we used in our analysis came from, is not important and is not needed to perform these tests. This is in contrast to the parametric tests which depend very much on the nature of the population from which out data set came from.

- The nonparametric tests that we have discussed fall into the following 5 categories
  I) Tests of Randomness
  II) Chi-Square Tests
  III) Tests for Matched Pairs
  IV) Tests to Compare 2 of more Independent Populations
  V) Spearman Rank Correlation Test

- Some of these non-parametric tests have corresponding parametric tests; others do not!

- Nonparametric methods can solve the same type of problems that parametric methods can solve (but with reduced efficiency) and can solve additional problems when no parametric methods are available.

- Many of the nonparametric tests we discussed depend on the number of runs in a sequence of observations.

- The use of a Statistical Software tool, like MINITAB, simplifies the application of these tests considerably. Unfortunately, not every nonparametric test is supported by MINITAB yet.

- We have shown in several examples, where MINITAB was applicable, that the hand and MINITAB solutions are identical. Therefore, MINITAB should be used in nonparametric applications, where applicable.

- MINITAB uses the p-value to decide whether to reject or not reject a hypothesis.

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ENGAGING CONSUMERS THROUGH SOCIAL MEDIA IN THE LUXURY FASHION BRANDS

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ABSTRACT

The advancement of communication media has changed the way people search or share information. Social media enables the new way of communication. This paper integrates social media and luxury brand to analyse and respond to customer expectation and interaction. It contributes to extant knowledge and an understanding of consumer behavioral related issues on luxury brand industry in the development of innovative business models.

Keywords: Social media, luxury fashion brands, consumer buying behavior, consumer decision making, Web 2.0.

INTRODUCTION

Luxury products are always characterized by authenticity, exclusivity, uniqueness, innovation, craftsmanship, premium pricing and high-quality (Okonkwo, 2007:11). Also mentioned by Brun & Castelli (2013), they have creative and emotional intangible worth. The overall luxury market grew by 5% in 2017, to an estimated €1.2 trillion globally. Most luxury segments experienced positive growth (Bain, 2017). The personal luxury brands sector had growth across in worldwide, driven both by more robust local consumption (up 4%) and by strong tourist purchases (up 6%) (Bain, 2017). In addition, wholesale remains the largest channel for personal luxury goods, accounting for roughly two-thirds of all sales. The relentless march toward e-commerce continued, with online sales jumping by 24% in 2017, reaching an overall market share of 9% (Statista, 2018). Also, the great development of social media has changed the democratisation of communications (Dann & Dann, 2011). Social media has increasingly been regarded as the new way to establish relationships with consumers. As of 2017, daily social media usage of global internet users amounted to 135 minutes per day, up from 126 daily minutes in the previous year (Statista, 2018). Luxury brands need to adjust to the new trend created by the market.

Theoretically, social media has been identified in some scholarly literature (Mathur et al., 2012; Nair, 2011; Dann & Dann, 2011; Stokes, 2010). Additionally, Okonkwo (2009) propose that it is important to use the Internet to market products in a luxury market. This research is based distinctly on social media platforms rather than on all Internet services. Forbes & Vespoli (2013) conducted research with 249 consumers, concluding that consumer buying decision are influenced by their friends' opinions on the social media. The study concluded that more than 50% of respondent's users of Facebook used social media to obtain products reviews from friends or other contacts. This result also supports the opinion that social media has impact on buying behaviour of consumers.

CONTEXTUALISATION: SOCIAL MEDIA

There are already many researchers in the world providing a definition for social media. The definition given by Kaplan and Haenlein (2010:60) was considered to be the most widespread in literature, defining social media as "a group of online communications channels that based on technological of Web 2.0 and provide platforms to exchange information". Web 2.0 is to provide different kinds of tools that allow users to share and publish content with online contacts and friends (Evans, 2011). Safko (2012) stated a similar concept with Kaplan and Haenlein (2010) in that people share information, experience, and ideas online by using media. Strauss and Frost (2009:328) defined social media as "a word to describe the media based on communication online". Social media is regarded as a conversation. Social media differs from traditional media where information is generated as a monologue. The

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participants on social media can interact, discuss, and edit the content (Strauss, & Frost, 2009). As noted by Nair (2011), social media platforms are places where can share opinion and perspectives. Ngai, Tao and Moon (2015) claim that social media is a platform on which information is created and initiated by consumers to educate each other about brands, products, and other kinds of issues. These authors have supported the opinion that people are more likely to be persuaded by reviews that are generated by other consumers in social media channels rather than by the companies themselves.

However, there are also some different voices about what social media encompasses. There are no clear boundaries existing between the categories. According to Hutton and Fosdick (2011), the purpose of engaging socially online for consumers is to fulfill some needs. This may include their wishes to promote themselves, share experiences with contacts, or just have fun. Apart from those are four other motivators noted by Heinonen (2011) referring to why people use social media. They include socialising, entertainment, self-status seeking, and information gathering. However, Constantinides and Fountain's (2008) distinguish five types including blogs, communities, forums, social networking sites, and content aggregators. Khan and Khan (2012) also mentioned that businesses need to place emphasis on social networking to reach customers since some traditional channels are not as effective as before.

SOCIAL MEDIA AND CONSUMER BUYING BEHAVIOR

Consumer buying behaviour is defined as "the processes that involved search, purchase, use products or services or experiences to satisfy needs" (Solomon, et al., 2010:6). There is also another definition of consumer behaviour developed by Bennett (1996) who claims that consumer behaviour is "The dynamic interaction of affect and cognition, behaviour and environmental events by which human beings conduct the exchange aspects of their lives". Also mentioned by Yang (2012), social media will not necessarily influence the purchase decision, but might possess a mediating effect.

Consumer purchasing and decision-making have been significantly changed because social media facilitate purchase transactions and influenced that from information searching to post purchase behaviour (Mangold & Faulds, 2009; Stokinger & Ozuem, 2015).). During the process of consumer decision-making stages, social media is applicable as a prompt and a validation (Evans, 2011). It impacts the awareness and provides support to the purchase decisions. Social media can build brand attitudes that influence buying behaviour (Ashley & Tuten, 2014). A positive brand image would motivate customer to make a purchase decision. The attitude towards to a certain product or brand can be affected by the shares or recommends that posted on the social media by friends (Ozuem & Tan, 2014). After obtaining interest in a product, consumers tend to identify available options and search for information (Ashley & Tuten, 2014). According to Belch and Belch (2004), the information source can come from internal and external search. In the external search, consumers tend to seek information by consulting personal sources. Social media platforms would be important ways for consumers to ask information about a certain product or service from their friends (Daniel & Gloria, 2011). For example, the 'like' button on Facebook serves the function of showing to others that he or she like a product. Thus, their peers can see their friends' response and then recognize new needs. Word-of-mouth marketing is a way that can strongly influence peers to peers advertisements (Khatib, 2016). People tend to share their purchase experience if they are satisfied with a certain product or service, which would create hype among people (Shantanu et al, 2014).

In Mirza's (2008) study, blogging has a large number of respondents to share their experience and express themselves, which fits the need of consumers on social media. Ozuem, Howell & Lancaster (2016) also highlights that consumer interactions on social media is a vital part of consumer engagement because consumers are more likely to trust their friends. Moreover, social media might create a consumer need through advertisement from the Facebook and through the information shared by friends (Helal & Ozuem, 2017). This could stimulate consumers to recognize their unfulfilled need. According to Hennig-Thurau et al (2004:39), online Word-of-Mouth communication is described as "any positive or negative statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions via the Internet". Word-of-mouth is experiencing great growth online mainly due to social media platforms allowing consumers to share their experience online (Hoyer & MacInnis, 2010:408). The participative characteristic of social media indicates that Word-of-mouth can spread in a very fast speed and over a wide range. This has significant influence

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on consumer buying behaviour. Research has been conducted to investigate the impact of online Word-of-mouth communication on consumer decision-making and consumer attitude to products (Brown et al., 2007; Chevalier & Mayzlin, 2006). The common of these studies is that they regard the information from Word-of-mouth communication as more trustworthy compared to the information generated by brands or companies (Ansarin & Ozuem, 2014).

Social media also can be a tool for businesses to make connection with their customers. The study conducted by Sema (2013) shows that with the social media, consumers are allowed to communicate directly to brands. One of the significant characteristics of social media is that it develops a feedback loop. The conversations happened in social media is more likely to be dynamic and flow in two-way. Increasingly, consumers use social media as a tool to search and buy products or services. Meanwhile, consumers are able to communicate with brands directly via social media if they have problems on the products. Moreover, after making a purchasing decision, consumers can evaluate the result of their purchase decision. According to Chaudhry (2014), this stage will have an impact on customers' future buying behaviour. Additionally, since they will have different levels of satisfaction and dissatisfaction, the experience from them will also influence their peers.

MANAGERIAL IMPLICATION AND CONCLUSION

The current research findings indicated that the buying behavior of consumers towards a luxury brand to be significantly affected by social media. The research also shows that some social media platforms are the first platforms that contact with consumers when new series products launched. In addition, despite social media being considered as advantageous platforms for consumers to seek luxury products information, it should be noted that from the consumers' perspective, the advertising of the luxury brands on the social media seems to devalue the luxury name and reputation.

From the research, consumers who followed the luxury brands official blogs still prefer to communicate with these brands through some traditional media. It also indicated that because of the special characteristics of luxury products, consumers prefer to have physical interaction with luxury items and enjoy the service provided by the sales staff to assess to the high quality and uniqueness of the items. Considering social media sites being perceived as convenient ways for consumers to interact with people and also brands, it is significant for luxury brands to affect the brand perceptions via social media. For instance, luxury brands should publish some products information that is not easily assessable to their boutique such as videos and pictures of behind the scenes of their products shows. This kind of information leads consumers to cultivate an interest to know about the working of luxury brands. Then, consumers could be attracted by it and become interested in the brand.

Results from this research have demonstrated an insight into the impact of social media and how it affects consumer buying behavior. This relates directly to the convenience of searching information and the way of luxury brands contacting with their consumers. Therefore, luxury brands could integrate the social media and traditional media. They could initially focus on traditional marketing strategies to draw consumers' attention and show the exclusive characteristic of their brands. Then, luxury brands make the efforts to connect with their consumers in a more effective and convenient way that is offered by social media platforms. Via combination of traditional media and social media, consumers have the convenience of obtaining products information and they are able to interact with brands easily. Furthermore, consumers enjoy glossy advertisements of luxury brands in magazines as it makes people feel that they are important to the businesses. Therefore, it is important for luxury brands to provide both traditional channels of communication and social media communication.

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INVESTMENT ATTRACTIVENESS OF LATIN AMERICA

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ABSTRACT

The article is devoted to questions of investments in emerging markets countries. The work deals with the impact of investment on growth in countries with a growing economy. A structure of investment sources, a differentiation in different regions and investment attractiveness of regions is being considered on example of Latin America. Therefore, we will see the actual statement today.

Keywords: investment attractiveness of region, emerging markets countries.

INTRODUCTION

With GDP at roughly 9 percent of total world output, Latin America is increasingly a critical part of the global system. But is it worth considering investment in the region? Let's try to answer this question.

MAIN INDEXES OF LATIN AMERICA EMERGING MARKETS COUNTRIES

Latin America emerging markets countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela demonstrate a high level of main indexes such as;

- real GDP (y/y var, in %);
- gross fixed invstmt (y/y var, in %);
- FDI (in USD);
- exports (in USD);
- imports (in USD);
- trade balance (in USD);
- current account balance (% GDP);
- GDP (in USD);
- GDP per capita (in USD).

Investment statistics on GDP in emerging markets countries presented in (Tables 1-18).

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Table 1: Macroeconomic variables of Argentina

Argentina	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	-4.2	8.0	5.1	-0.3	3.1	-1.4	-1.5
Gross fixed invstmt (y/y var, in %)	-10.2	21.2	16.6	-4.9	5.6	-7.1	-1.0
FDI (in millions of USD)	4,000	7,800	10,700	12,100	10,500	5,000	8,900
Exports (in millions of USD)	55,751	68,134	83,950	80,927	83,026	83,690	82,770
Imports (in millions of USD)	38,771	56,502	73,937	68,508	74,002	69,932	67,764
Trade balance (in millions of USD)	16,980	11,632	10,013	12,419	9,024	13,758	15,006
Current account balance (% GDP)	3.6	0.8	0.0	0.1	-1.0	-0.2	0.2
GDP (in millions of USD)	296,768	363,671	437,102	477,171	510,359	402,387	395,837
GDP per capita (in USD)	7,382	9,002	10,740	11,638	12,387	9,696	9,447

Source: EIU

Table 2: Macroeconomic variables of Bolivia

Bolivia	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	3.4	4.1	5.2	5.2	6.6	5.6	3.8
Gross fixed invstmt (y/y var, in %)	2.9	7.5	23.7	1.5	10.5	9.5	4.0
Exports (in millions of USD)	4,710	6,129	8,175	11,110	11,348	12,098	12,940
Imports (in millions of USD)	4,144	5,007	7,126	7,694	8,330	9,492	10,531
Trade balance (in millions of USD)	566	1,122	1,049	3,416	3,018	2,606	2,409
Current account balance (% GDP)	4.7	4.6	2.3	7.9	5.0	3.0	1.9
GDP (in millions of USD)	17,217	19,504	23,775	26,841	30,267	33,938	37,581
GDP per capita (in USD)	1,722	1,912	2,308	2,556	2,829	3,114	3,386

Source: EIU

Table 3: Macroeconomic variables of Brazil

Brazil	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	-0.3	7.5	2.7	1.0	2.3	1.8	2.1
Gross fixed invstmt (y/y var, in %)	-6.8	21.6	4.8	-4.0	5.0	1.0	3.0
FDI (in millions of USD)	25,900	48,500	66,700	65,300	64,000	60,000	62,100
Exports (in millions of USD)	152,995	201,915	256,040	242,578	242,179	256,084	286,974
Imports (in millions of USD)	127,705	181,769	226,247	223,184	239,621	245,028	273,560
Trade balance (in millions of USD)	25,290	20,146	29,793	19,394	2,558	11,056	13,414
Current account balance (% GDP)	-1.6	-2.3	-2.1	-2.4	-3.6	-3.7	-3.6
GDP (in billions of USD)	1,622	2,142	2,474	2,247	2,242	2,137	2,218
GDP per capita (in USD)	8,381	10,956	12,530	11,281	11,155	10,539	10,844

Source: EIU

Table 4: Macroeconomic variables of Chile

Chile	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	-1.0	5.8	5.9	5.6	4.2	4.1	4.8
Gross fixed invstmt (y/y var, in %)	-12.1	12.2	14.7	12.3	7.0	6.1	6.6
FDI (in millions of USD)	12,900	15,400	22,900	30,300	21,400	23,000	23,500
Exports (in millions of USD)	55,463	71,109	81,455	78,277	76,924	82,177	89,395
Imports (in millions of USD)	40,102	55,474	70,911	74,856	74,874	78,992	85,575
Trade balance (in millions of USD)	15,361	15,635	10,544	3,421	2,050	3,185	3,820
Current account balance (% GDP)	2.6	1.9	-1.3	-3.5	-3.7	-4.1	-4.0
GDP (in millions of USD)	172,300	217,600	251,200	268,300	280,200	270,000	281,900
GDP per capita (in USD)	10,195	12,725	14,605	15,420	15,920	15,254	15,749

Source: EIU

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Table 5: Macroeconomic variables of Colombia

Colombia	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	-1.0	5.0	4.5	5.1	3.4	4.1	4.2
Gross fixed invstmt (y/y var, in %)	-11.1	5.5	8.9	7.8	8.7	8.1	7.7
FDI (in millions of USD)	1,346	1,466	2,156	2,636	2,741	2,869	3,116
Exports (in millions of USD)	8,838	9,516	10,383	11,442	12,000	12,788	14,011
Imports (in millions of USD)	10,877	12,956	15,533	16,752	17,755	19,138	20,926
Trade balance (in millions of USD)	-2,039	-3,440	-5,150	-5,310	-5,755	-6,350	-6,915
Current account balance (% GDP)	-2.0	-3.5	-5.4	-5.2	-5.4	-5.5	-5.7
GDP (in millions of USD)	29,383	36,298	41,237	45,375	49,828	52,156	56,648
GDP per capita (in USD)	6,388	7,723	8,774	9,453	10,169	10,431	11,330

Source: EIU

Table 6: Macroeconomic variables of Costa Rica

Costa Rica	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	1.7	4.0	6.6	4.2	4.3	4.7	4.6
Gross fixed invstmt (y/y var, in %)	-1.3	4.9	18.7	7.6	5.1	6.0	7.0
FDI (in millions of USD)	7,140	6,750	13,410	15,650	17,350	17,660	18,190
Exports (in millions of USD)	32,556	39,511	56,681	59,848	57,987	58,927	60,903
Imports (in millions of USD)	30,503	37,348	50,519	54,640	54,743	55,849	57,805
Trade balance (in millions of USD)	2,053	2,163	6,162	5,208	3,244	3,078	3,098
Current account balance (% GDP)	-2.2	-3.1	-3.0	-3.2	-3.4	-3.5	-3.4
GDP (in millions of USD)	233,900	287,000	336,400	370,200	374,600	371,100	389,400
GDP per capita (in USD)	5,041	6,093	7,052	7,665	7,661	7,497	7,772

Source: EIU

Table 7: Macroeconomic variables of Dominican Republic

Dominican Republic	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	3.5	7.8	4.5	3.9	4.1	4.2	4.3
Gross fixed invstmt (y/y var, in %)	-14.8	17.6	-2.7	4.3	-2.5	4.8	6.0
FDI (in millions of USD)	1,695	1,693	2,196	3,857	2,079	2,183	2,292
Exports (in millions of USD)	1,689	2,536	3,678	4,091	9,522	9,950	10,365
Imports (in millions of USD)	9,946	13,025	14,537	14,966	16,891	17,006	17,868
Trade balance (in millions of USD)	-8,257	-10,489	-10,859	-10,875	-7,369	-7,056	-7,503
Current account balance (% GDP)	-5.0	-8.6	-8.0	-6.9	-4.5	-3.4	-3.6
GDP (in millions of USD)	46,485	50,980	55,433	58,898	59,905	61,611	65,254
GDP per capita (in USD)	4,998	5,423	5,774	6,072	6,113	6,161	6,461

Source: EIU

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Table 8: Macroeconomic variables of Ecuador

Ecuador	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	0.6	3.5	7.8	5.1	4.3	4.5	4.9
Gross fixed invstmt (y/y var, in %)	-3.6	10.2	16.1	11.0	5.9	6.1	6.1
FDI (in millions of USD)	320	170	640	590	590	700	850
Exports (in millions of USD)	14,412	18,137	23,083	24,569	24,963	27,511	30,627
Imports (in millions of USD)	14,268	19,641	23,243	24,532	26,040	28,936	31,704
Trade balance (in millions of USD)	,144	-1,504	-,160	,037	-1,077	-1,425	-1,077
Current account balance (% GDP)	0.3	-2.8	-0.3	-0.2	-1.1	-1.2	-1.0
Reserves (in millions of USD)	3,792	2,622	2,958	2,483	4,352	3,003	3,216
Total foreign debt (% GDP)	21.2	21.5	20.7	19.3	19.5	18.9	18.7
GDP (in millions of USD)	62,500	69,600	79,800	87,500	93,500	101,300	108,800
GDP per capita (in USD)	4,464	4,800	5,429	5,872	6,192	6,621	7,019

Source: EIU

Table 9: Macroeconomic variables of El Salvador

El Salvador	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	-3.1	1.4	2.0	1.6	1.4	1.8	2.0
Gross fixed invstmt (y/y var, in %)	-19.2	2.4	13.8	-1.1	3.5	4.0	4.8
FDI (in millions of USD)	366	99	420	516	244	506	583
Exports (in millions of USD)	3,930	4,577	5,401	5,447	5,130	5,510	6,039
Imports (in millions of USD)	7,038	8,107	9,647	9,912	10,042	10,737	11,674
Trade balance (in millions of USD)	-3,108	-3,530	-4,246	-4,465	-4,912	-5,227	-5,635
Current account balance (% GDP)	-1.5	-3.1	-5.4	-5.3	-5.5	-5.0	-4.7
GDP (in millions of USD)	20,661	21,419	23,140	23,787	24,359	25,285	26,520
GDP per capita (in USD)	3,332	3,455	3,732	3,837	3,867	4,013	4,210

Source: EIU

Table 10: Macroeconomic variables of Guatemala

Guatemala	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	0.5	2.9	4.2	3.0	3.4	3.3	3.5
Gross fixed invstmt (y/y var, in %)	-13.1	-2.1	6.6	4.2	3.9	4.8	5.0
Exports (in millions of USD)	7,295	8,536	10,519	10,107	10,278	10,711	11,562
Imports (in millions of USD)	10,643	12,806	15,482	15,838	16,527	17,559	19,052
Trade balance (in millions of USD)	-3,348	-4,270	-4,963	-5,731	-6,249	-6,848	-7,490
Current account balance (% GDP)	-0.1	-2.1	-3.2	-3.0	-2.9	-3.1	-3.2
GDP (in millions of USD)	37,734	41,338	47,689	59,236	54,803	59,059	63,507
GDP per capita (in USD)	2,695	2,891	3,244	3,923	3,536	3,738	3,920

Source: EIU

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Table 11: Macroeconomic variables of Honduras

Honduras	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	-2.4	3.7	3.8	3.9	2.4	3.1	3.4
Gross fixed invstmt (y/y var, in %)	-35.4	1.4	16.9	4.2	1.8	6.4	7.0
Exports (in millions of USD)	4,827	6,111	7,800	7,931	7,687	8,127	8,812
Imports (in millions of USD)	7,372	8,907	10,994	11,179	10,963	11,457	12,239
Trade balance (in millions of USD)	-2,545	-2,796	-3,194	-3,248	-3,276	-3,330	-3,427
Current account balance (% GDP)	-3.6	-6.2	-8.6	-9.5	-9.7	-9.2	-8.7
GDP (in millions of USD)	14,484	15,727	17,586	18,436	19,139	19,367	20,129
GDP per capita (in USD)	1,931	2,069	2,255	2,334	2,363	2,333	2,396

Source: EIU

Table 12: Macroeconomic variables of Mexico

Mexico	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	-4.5	5.1	4.0	3.7	1.3	3.0	4.0
Gross fixed invstmt (y/y var, in %)	-9.3	1.2	7.9	4.6	1.4	6.3	8.1
FDI (in millions of USD)	16,700	22,600	23,800	15,600	35,200	27,000	32,500
Exports (in millions of USD)	229,975	298,860	349,946	371,378	380,903	408,113	444,598
Imports (in millions of USD)	234,901	301,803	351,209	371,151	381,638	409,089	447,266
Trade balance (in millions of USD)	-4,926	-2,943	-1,263	,227	-,735	-,976	-2,668
Current account balance (% GDP)	-0.7	-0.5	-0.8	-1.0	-1.7	-1.6	-1.5
GDP (in billions of USD)	,895	1,051	1,169	1,184	1,281	1,350	1,478
GDP per capita (in USD)	8,044	9,341	10,275	10,292	11,026	11,489	12,437

Source: EIU

Table 13: Macroeconomic variables of Nicaragua

Nicaragua	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	-1.2	3.3	5.0	5.2	4.4	4.5	4.6
Gross fixed invstmt (y/y var, in %)	-20.5	0.5	16.7	34.4	-4.0	-1.0	0.6
Exports (in millions of USD)	2,104	2,744	3,666	4,146	3,718	3,941	4,146
Imports (in millions of USD)	3,723	4,495	5,844	6,442	6,292	6,626	7,064
Trade balance (in millions of USD)	-1,619	-1,751	-2,178	-2,296	-2,574	-2,685	-2,918
Current account balance (% GDP)	-13.3	-14.9	-17.4	-17.4	-14.6	-14.2	-14.5
GDP (in millions of USD)	8,062	8,427	9,317	10,508	11,140	11,695	12,436
GDP per capita (in USD)	1,260	1,277	1,391	1,523	1,569	1,602	1,658

Source: EIU

Table 14: Macroeconomic variables of Panama

Panama	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	3.9	7.5	10.9	10.8	8.0	7.5	5.3
Gross fixed invstmt (y/y var, in %)	-6.2	11.6	19.9	16.1	13.0	11.0	5.5
Exports (in millions of USD)	12,071	12,687	16,926	18,878	18,948	19,531	20,469
Imports (in millions of USD)	14,214	17,214	22,942	24,614	24,553	25,552	27,217
Trade balance (in millions of USD)	-2,143	-4,527	-6,016	-5,736	-5,605	-6,021	-6,748
Current account balance (% GDP)	-0.2	-11.0	-12.7	-9.7	-8.9	-8.9	-9.0
GDP (in millions of USD)	24,163	27,053	31,316	35,938	44,292	49,371	53,850

Source: EIU

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Table 15: Macroeconomic variables of Paraguay

Paraguay	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	-4.0	13.1	4.3	-1.2	12.8	4.9	4.4
Gross fixed invstmt (y/y var, in %)	-6.9	21.7	11.0	-7.7	21.0	8.0	7.0
Exports (in millions of USD)	7,693	10,367	12,520	11,904	14,285	14,720	15,377
Imports (in millions of USD)	6,603	9,545	11,685	11,056	11,941	12,028	13,520
Trade balance (in millions of USD)	1,090	,822	,835	,848	2,344	2,692	1,857
Current account balance (% GDP)	0.3	-3.4	-2.4	-0.3	4.7	3.0	1.2
GDP (in millions of USD)	15,934	20,048	25,100	24,595	28,179	30,156	32,605
GDP per capita (in USD)	2,490	3,084	3,803	3,671	4,144	4,370	4,592

Source: EIU

Table 16: Macroeconomic variables of Peru

Peru	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	0.9	8.8	6.9	6.3	5.0	5.6	5.9
Gross fixed invstmt (y/y var, in %)	-9.2	23.2	4.8	14.8	6.8	7.5	8.0
FDI (in millions of USD)	6,431	8,455	8,233	12,244	10,037	9,661	10,047
Exports (in millions of USD)	26,961	35,565	46,269	46,228	41,826	44,230	49,046
Imports (in millions of USD)	21,010	28,815	36,967	41,113	42,190	43,400	46,629
Trade balance (in millions of USD)	5,951	6,750	9,302	5,115	-,364	,830	2,417
Current account balance (% GDP)	0.2	-1.5	-1.3	-3.6	-4.9	-4.8	-4.5
GDP (in millions of USD)	127,000	153,800	176,500	199,600	206,500	212,400	226,600
GDP per capita (in USD)	4,291	5,127	5,806	6,481	6,619	6,722	7,081

Source: EIU

Table 17: Macroeconomic variables of Uruguay

Uruguay	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	2.2	8.9	6.5	3.9	4.0	3.0	3.4
Gross fixed invstmt (y/y var, in %)	-5.7	13.3	5.5	19.4	5.0	3.2	5.0
Exports (in millions of USD)	6,392	8,031	9,274	9,917	10,265	11,194	11,919
Imports (in millions of USD)	6,896	8,558	10,704	12,277	12,267	12,669	13,617
Trade balance (in millions of USD)	-,504	-,527	-1,430	-2,360	-2,002	-1,475	-1,698
Current account balance (% GDP)	-0.3	-1.1	-1.9	-5.3	-5.4	-4.8	-4.8
GDP (in millions of USD)	30,229	38,846	46,435	49,919	55,933	55,885	59,451
GDP per capita (in USD)	9,160	11,425	14,071	14,682	16,451	16,437	17,486

Source: EIU

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Table 18: Macroeconomic variables of Venezuela

Venezuela	2009	2010	2011	2012	2013	2014	2015
Real GDP (y/y var, in %)	-3.2	-1.5	4.2	5.6	1.6	-1.8	0.2
Gross fixed invstmt (y/y var, in %)	-8.3	-6.3	4.4	23.3	-9.2	-4.0	1.0
FDI (in millions of USD)	-2,600	1,900	3,900	2,200	4,100	1,900	2,800
Exports (in millions of USD)	57,599	65,741	92,807	97,336	88,971	86,045	90,222
Imports (in millions of USD)	41,165	38,507	46,781	59,305	51,415	49,769	51,308
Trade balance (in millions of USD)	16,434	27,234	46,026	38,031	37,556	36,276	38,914
Current account balance (% GDP)	2.6	5.8	8.6	2.9	3.3	1.7	1.2
Reserves (in millions of USD)	35,000	29,500	29,889	29,887	21,492	20,042	19,448
Total foreign debt (% GDP)	18.6	16.5	22.2	18.9	18.4	13.6	10.4
Total foreign debt (% Exports)	106.6	99.1	75.8	74.1	76.1	83.5	85.6
GDP (in millions of USD)	329,400	393,800	316,500	381,300	367,800	526,600	745,300
GDP per capita (in USD)	11,681	13,769	10,876	12,925	12,301	17,322	24,120
Official exchange rate (B/USD, average)	2.15	2.58	4.29	4.29	6.05	6.28	6.28
Parallel exchange rate (B/USD, average)	5.74	7.59	8.32	14.99	36.20	70.08	82.84

Source: EIU

Colombia thus ended the year with an uptick in GDP of around 4.0%. The strong performance in the infrastructure sectors suggests continued growth throughout 2014. Chile with low growth but a disposition toward stability. In a context marked by a sharp decline in exports and fixed levels of investment, Venezuela's GDP remained above ground thanks to reduced imports. PERU is still on the path to growth. The best performance of Mexico was in tertiary activities, which improved by 2.1% year-on-year, while primary activities only grew by 0.3% and secondary activities actually contracted, by 0.7%. In contrast to most countries in the region, Ecuador has done very well in managing inflation, demonstrating the importance of dollarization of the economy in this regard. Colombia thus ended the year with an uptick in GDP of around 4.0%. The strong performance in the infrastructure sectors suggests continued growth. Market analysts, for their part, are less optimistic. According to a survey by the BCB, real GDP is expected to grow 1.7%.

CONCLUSION

Indeed, countries have high investment potential and high capacity of markets. This concerns the consumption of goods and services by enterprises and citizens by central and local governments.

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