



[www.abem.ca](http://www.abem.ca)

3<sup>rd</sup> 2017 Academy of Business and Emerging Markets (ABEM) Conference

*Contemporary Growth Strategies for Developing Countries  
and Emerging Markets*

August 1-3, 2017  
Santo Domingo, Dominican Republic, Caribbean Sea

ABEM 2017 Conference Proceedings

**Editors**

Dr. Luis Camacho, SUNY Empire State College, USA  
Dr. Satyendra Singh, University of Winnipeg, Canada

(c) Academy of Business and Emerging Markets (ABEM)

All rights reserved. No part of the proceedings should be reproduced, retained and retrieved in any format without a written permission from the publisher.

**Published by**

Academy of Business and Emerging Markets (ABEM)  
Edinburgh House, Room 708, 99 Wellington Crescent  
Winnipeg R3M 0A2, Canada

[www.abem.ca](http://www.abem.ca)  
[info@abem.ca](mailto:info@abem.ca)

**Library and Archives Canada**

550 Boul del la Cite  
Gatineau, QC K1A 0N4  
Canada

Education

**ISBN 978-0-9937342-2-9**

Typeset in Canada  
2017

## A NOTE FROM ABEM CONFERENCE PROCEEDINGS EDITORS

Welcome to Santo Domingo, the capital of the Dominican Republic!

With great pleasure, we welcome you to the 2017 Academy of Business and Emerging Markets (ABEM) Conference to be held at the Sheraton Hotel, right in front of the Caribbean Sea. Dominican Republic is one the fastest growing emerging markets in the Caribbean sea through the strategies of growth, making Santo Domingo an ideal venue to hold 3<sup>rd</sup> 2017 ABEM conference. It is our pleasure to edit the proceedings of the Conference taking place during August 1-3, 2017 in Santo Doningo, Dominican Republic.

This year's conference theme "Contemporary Growth Strategies for Developing Countries and Emerging Markets" will be presented to the international academic and entrepreneurial community as a way to help developing and emerging economies around the world based on the three main tracks: Business, Government, and Community.

The mission of the ABEM Conference is: knowledge generation, translation and transfer across the East and West. The ABEM received 51 submissions from 20 countries, making it true to its mission. In fact, we have representations from almost all the continents. Each submission was peer-reviewed in a double-blind review process by at least two professors who were experts in the areas of the submission. Finally, 26 submissions from 12 countries were selected for presentations. The proceedings contains 14 abstracts and 12 competitive and work-in-progress (less than 4000 words) papers that were presented at the Conference. In this context, ABEM's revolution is evident in the sponsorships of the conference and growth in terms of no of submissions and diversity.

We would like to thank our sponsors for their support for our annual conference and reviewers, authors, speakers, keynote speakers, organizers, student assistants, contributors and conference participants; without their help, we would not have been able to edit the proceedings.

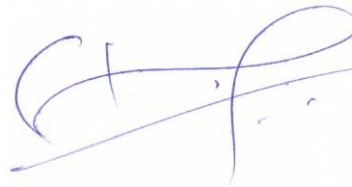
As always, we will deposit the proceedings for indexing to Library and Archive, Government of Canada.

We look forward to working with you and sharing our experiences and knowledge at this year's conference and hope to see you again at our annual conferences in the years to come!

Sincerely,



Dr. Luis Camacho  
Editor, 2017 ABEM Conference proceedings  
Assistant Professor, Business Management  
SUNY Empire State College, New York  
USA



Dr. Satyendra Singh  
Editor, 2017 ABEM Conference proceedings  
Professor, Marketing and International Business  
University of Winnipeg  
Canada

## ABEM CONFERENCE MISSION

Knowledge generation, translation and transfer across the East and the West

### Conference Chair

Dr. Satyendra Singh, University of Winnipeg, Canada

### Conference Co-Chairs

Dr. Darina Saxunova, Comenius University Bratislava, Slovakia

Dr. Mornay Roberts-Lombard, University of Johannesburg, South Africa

### Organizing Committee

Dr. Fabrizio DiMuro, University of Winnipeg, Canada

Dr. Calin Gurau, Montpellier Business School, France

Dr. Renata Korsakiene, Gediminas Technical University, Lithuania

Dr. Domingo Ribeiro, University of Valencia, Spain

Dr. Irina Vashko, Academy of Public and Business Administration, Belarus

### Program and Awards Committee

Dr. Tapas R. Dash, Build Bright University, Cambodia

Dr. Kamel Fantazy, University of Winnipeg, Canada

Dr. Nicholas Grigoriou, Monash University, Malaysia

Dr. Junwook Yoo, Marshall University, USA

### Regional Chairs

#### *Africa*

Dr. Humayun Kabir, Tshwane University of Technology, South Africa

Dr. Peter Lewa, United States International University, Kenya

#### *Asia*

Dr. Krishanu Rakshit, Indian Institute of Management Calcutta, India

Dr. Boo Ho Voon, Universiti Teknologi MARA, Sarawak, Malaysia

#### *Caribbean*

Dr. Luis Camacho, SUNY Empire State College, USA

Dr. Claire Grant, University of the West Indies, Jamaica

#### *Europe*

Dr. Xiaozheng Zhang, Nottingham Trent University, UK

#### *Middle East*

Dr. Boaz Barak, Western Galilee College, Israel

#### *North America*

Dr. Ven Sriram, University of Baltimore, USA

Dr. Isaac Wanasika, University of Northern Colorado, USA

#### *Latin America*

Dr. Jose Brache, Universidad Austral de Chile, Chile

Dr. Katherina Kuschel, Universidad del Desarrollo, Chile

## LIST OF REVIEWERS

Dr. Soham Baksi, University of Winnipeg, Canada  
Dr. Jose Brache, Universidad Austral de Chile, Chile  
Dr. Luis Camacho, SUNY Empire State College, USA  
Dr. Dina Clark, Bloomsburg University of Pennsylvania, USA  
Dr. Mukesh Chaturvedi, NIFTEM Sonapat, India  
Dr. Mona Chung, Deakin University, Australia  
Dr. Greg Clydesdale, Lincoln University, New Zealand  
Dr. Tapas R. Dash, Build Bright University, Cambodia  
Dr. Fabrizio DiMuro, University of Winnipeg, Canada  
Dr. Kamel Fantazy, University of Winnipeg, Canada  
Dr. Edward Fekpe, Ghana Inst. of Mgmt. and Public Administration, Ghana  
Ms. Aderonke Folagbade, University of Jos, Nigeria  
Dr. Cookie Govender, University of Johannesburg, South Africa  
Dr. Nicholas Grigoriou, Monash University, Malaysia  
Dr. Vipin Gupta, California State University, San Bernardino, USA  
Dr. Calin Gurau, Montpellier Business School, France  
Ms. Cashandra Jasson, University of Johannesburg, South Africa  
Dr. Humayun Kabir, Tshwane University of Technology, South Africa  
Dr. Meera Kaur, University of Manitoba, Canada  
Dr. Renata Korsakiene, Vilnius Gediminas Technology University, Lithuania  
Dr. Basanta Kumar, Utkal University, India  
Dr. Ivy Kyei-Poku, Laurentian University, Canada  
Dr. Michael Mehta, Thompson Rivers University, Canada  
Dr. Tigineh Mersha, University of Baltimore, USA  
Dr. Kevin Muiruri, University of Johannesburg, South Africa  
Dr. James M. Ngari, United States International University, Kenya  
Dr. Rajendra V. Nargundkar, Indian Institute of Management Indore, India  
Dr. Michael Pasco, De La Salle University, Philippines  
Dr. Angeline Pogoy, Cebu Normal University, Philippines  
Dr. Ravi Rena, North West University, South Africa  
Dr. Krishanu Rakshit, Indian Institute of Management Calcutta, India  
Dr. Sheela Ramanna, University of Winnipeg, Canada  
Dr. Mornay Roberts-Lombard, University of Johannesburg, South Africa  
Dr. Nidal R. Sabri, Birzeit University, Palestine  
Dr. Rahul Singh, Birla Institute of Management Technology, India  
Dr. Satyendra Singh, University of Winnipeg, Canada  
Dr. Fernando Sousa, University of Algarve, Portugal  
Dr. Ven Sriram, University of Baltimore, USA  
Dr. Robert Suphian, Hanyang University, South Korea  
Dr. Irina Vashko, The Academy of Public administration, Belarus  
Dr. Prakash Vel, University of Wollongong, UAE  
Dr. Isaac Wanasika, University of Northern Colorado, USA  
Dr. Junwook Yoo, Marshall University, USA  
Dr. Xiaozheng Zhang, Nottingham Trent University, UK

## LIST OF CONTRIBUTORS

Abidi, Dora, Osaka University, Japan  
Akkaya, Bilge, Kadir Has University, Turkey  
Berry, William, Bethune-Cookman University, USA  
Brache, Jose, Universidad Nacional Andres Bello, Chile  
Calignano, Giuseppe, University of Stavanger, Norway  
Calix, Lorette Pellettiere, SUNY Empire State College, USA  
Camacho, Luis, SUNY Empire State College, USA  
Chaturvedi, Abhinav, Bennett University, India  
Chaturvedi, Mukesh, NIFTEM Sonapat, India  
Clark, Dina, Bloomburg University of Pennsylvania, USA  
Cordova, Alejandro, Universidad Nacional Andres Bello, Chile  
Ferguson, Kristen, Manhattan College, USA  
Geyfman, Victoria, Bloomburg University of Pennsylvania, USA  
Govender, Cookie M, University of Johannesburg, South Africa  
Guler, Hayretin, Kadir Has University, Turkey  
Gupta, Vipin, California State University San Bernardino, USA  
Jasson, Cashandra, University of Johannesburg, South Africa  
Joshi, Maheshkumar, George Mason University, USA  
Kao, Chiang, National Cheng Kung University, Taiwan  
Lingelbach, David, University of Baltimore, USA  
Malhotra, Smitu, XLRI Jamshedpur, India  
Manoharan, Bhupesh, Indian Institute of Management Calcutta, India  
Mapanga, Farikai, North-West University, South Africa  
Meric, Tugce, Kadir Has University, Turkey  
Mersha, Tigineh, University of Baltimore, USA  
Muiruri, Kevin, University of Johannesburg, South Africa  
Nakagawa, Koichi, Osaka University, Japan  
Pandit, Deepak, Indian School of Entrepreneurship Gurgaon, India  
Potgieter, Marius, North-West University, South Africa  
Prusko, Patrice, Cornell University, USA  
Rakshit, Krishanu, Indian Institute of Management Calcutta, India  
Rodriguez, Constance, SUNY Empire State College, USA  
Rosenbaum, Stephen Mark, University of Southern Denmark, Denmark  
Russell, Miriam, SUNY Empire State College, USA  
Samanlioglu, Funda, Kadir Has University, Turkey  
Saxunova, Darina, Comenius University Bratislava, Slovakia  
Sengur, Evren Dilek, Istanbul University, Turkey  
Shah, Grishma, Manhattan College, USA  
Sriram, Ven, University of Baltimore, USA  
Szarkova, Rita, Comenius University Bratislava, Slovakia  
Tiwari, Shalini Rahul, IMT Ghaziabad, India  
Vaaland, Terje I, University of Stavanger, Norway  
Wefers, Jarmila, Comenius University Bratislava, Slovakia  
Zhang, Xiaozheng, Nottingham Trent University, UK  
Zhang, Yi, Zayed University, UAE  
Zuniga, Andrea, Universidad Nacional Andres Bello, Chile

# TABLE OF CONTENTS

## ABSTRACTS

<a href="#"><u>Efficiencies of In-house Manufacturing and Outsourcing</u></a> .....	1
<i>Chiang Kao, National Cheng Kung University, Taiwan</i>	
<a href="#"><u>Rising Ethno-nationalism and Consumer Narratives: Experiences from Emerging Economy</u></a> .....	1
<i>Krishanu, Rakshit, Indian Institute of Management Calcutta, India</i>	
<i>Bhupesh Manoharan, Indian Institute of Management Calcutta, India</i>	
<a href="#"><u>The Interpretation of Guanxi</u></a> .....	1
<i>Xiaozheng Zhang, Nottingham Trent University, UK</i>	
<a href="#"><u>Entrepreneurship Research in Emerging Markets: New Theoretical Approaches</u></a> .....	2
<i>Ven Sriram, University of Baltimore, USA</i>	
<i>David Lingelbach, University of Baltimore, USA</i>	
<a href="#"><u>Firm as a Knowledge Enterprise and its Environmental Performance</u></a> .....	2
<i>Vipin Gupta, California State University San Bernardino</i>	
<i>Yi Zhang, Zayed University, UAE</i>	
<a href="#"><u>The Implications of Increasing Operations Management Content in Entrepreneurship Training in Africa</u></a> .....	2
<i>Tigineh Mersha, University of Baltimore, USA</i>	
<i>Ven Sriram, University of Baltimore, USA</i>	
<a href="#"><u>A Critical Perspective on Firm Sponsored Transportation Policies: Lessons from the Pinjra Tod Movement</u></a> .....	3
<i>Grishma Shah, Manhattan College, USA</i>	
<i>Kristen Ferguson, Manhattan College, USA</i>	
<a href="#"><u>Banks and Public Capital Markets in Transition Economies</u></a> .....	3
<i>Victoria Geyfman, Bloomsburg University of Pennsylvania, USA</i>	
<a href="#"><u>Business Ethics in Government Sector in Russia</u></a> .....	4
<i>Dina Clark, Bloomsburg University of Pennsylvania, USA</i>	
<a href="#"><u>Entrepreneurship Education and Entrepreneurial Intention: A Comparative Study of Students from India and the USA</u></a> .....	4
<i>Maheshkumar P Joshi, George Mason University, USA</i>	
<i>Shalini Rahul Tiwari, IMT Ghaziabad, India</i>	
<i>Deepak Pandit, Indian School of Entrepreneurship Gurgaon, India</i>	
<a href="#"><u>The Effects of Neuroticism and Emotional Bonding on Cooperation Dishonesty</u></a> .....	5
<i>Jose Brache, Universidad Nacional Andres Bello, Chile</i>	
<i>Alejandro Cordova, Universidad Nacional Andres Bello, Chile</i>	
<i>Andrea Zuniga, Universidad Nacional Andres Bello, Chile</i>	
<a href="#"><u>Balancing Corporate Profit and Planet Earth Protection: An Examination of How Harrah's uses Multi-Media Platforms and Messages to Persuade Employees and Customers to Embrace its "Code Green" Sustainability Program</u></a> .....	5
<i>William Berry, Bethune-Cookman University, USA</i>	

<a href="#"><u>Accounting Ethics Education in Developing Countries: The Extent of Accounting Ethics Education in Turkey</u></a> .....	5
<i>Evren Dilek Sengur, Istanbul University, Turkey</i>	
<a href="#"><u>Green Bonds as a Component of the Sustainable Financing and their Performance</u></a> .....	6
<i>Darina Saxunova, Comenius University Bratislava, Slovakia</i>	



## PAPERS

<a href="#"><u>Understanding the Determinants of Bribery: How Can Lab Experiments Inform Practitioners Operating in Emerging Markets?</u></a> .....	7
<i>Stephen Mark Rosenbaum, University of Southern Denmark, Denmark</i>	
<a href="#"><u>An Integrated Fuzzy AHP-TOPSIS Approach to Evaluation of Mobile Service Operators</u></a> .....	17
<i>Funda Samanlioglu, Kadir Has University, Turkey</i>	
<i>Bilge Akkaya, Kadir Has University, Turkey</i>	
<i>Hayrettin Guler, Kadir Has University, Turkey</i>	
<i>Tugce Meric, Kadir Has University, Turkey</i>	
<a href="#"><u>Factors Influencing Young African Consumers' Inclination for Branded Products</u></a> .....	27
<i>Marius Potgieter, North-West University, South Africa</i>	
<i>Farikai Mapanga, North-West University, South Africa</i>	
<a href="#"><u>Lack of African Competitiveness: Who to Blame?</u></a> .....	38
<i>Giuseppe Calignano, University of Stavanger, Norway</i>	
<i>Terje I Vaaland, University of Stavanger, Norway</i>	
<a href="#"><u>An Investigation into the Budding Sharing Economy in an Emerging Market</u></a> .....	53
<i>Cashandra Jasson, University of Johannesburg, South Africa</i>	
<i>Kevin Muiruri, University of Johannesburg, South Africa</i>	
<a href="#"><u>Preparing a Global Workforce: Developing Digital Competencies to Prepare Students for Post-Graduation Employment</u></a> .....	61
<i>Miriam Russell, SUNY Empire State College, USA</i>	
<i>Constance Rodriguez, SUNY Empire State College, USA</i>	
<i>Lorette Pellettiere Calix, SUNY Empire State College, USA</i>	
<i>Patrice Prusko, Cornell University, USA</i>	
<a href="#"><u>A People Rejuvenation Strategy for Multiculturalism in the Emerging South Africa</u></a> .....	68
<i>Cookie M. Govender, University of Johannesburg, South Africa</i>	
<a href="#"><u>Opportunity-Based Approach Versus Administrative Control Approach: Comparison between Unstable Tunisia and Stable Japan</u></a> .....	77
<i>Koichi Nakagawa, Osaka University, Japan</i>	
<i>Dora Abidi, Osaka University, Japan</i>	
<a href="#"><u>New Strategies for Tourism in Austria</u></a> .....	89
<i>Jarmila Wefers, Comenius University Bratislava, Slovakia</i>	
<i>Darina Saxunova, Comenius University Bratislava, Slovakia</i>	
<i>Rita Szarkova, Comenius University Bratislava, Slovakia</i>	
<a href="#"><u>Fostering Organizational Capabilities through Soft Skills: A Strategic Imperative for a VUCA World</u></a> .....	99
<i>Dora Abidi, Osaka University, Japan</i>	
<a href="#"><u>Ethnic Food in Global Markets: The New Venue for International Business in Latin America, Mexican Food in the Dominican Republic</u></a> .....	109
<i>Luis Camacho, SUNY Empire State College, USA</i>	
<a href="#"><u>The Concept of "Jugaad": Evidence from Innovations at the Bottom of the Pyramid in India</u></a> .....	122
<i>Abhinav Chaturvedi, Bennett University, India</i>	
<i>Smitu Malhotra, XLRI Jamshedpur, India</i>	
<i>Mukesh Chaturvedi, NIFTEM Sonapat, India</i>	

<a href="#">Authors Index</a> .....	133
-------------------------------------	-----

## ABSTRACTS

### EFFICIENCIES OF IN-HOUSE MANUFACTURING AND OUTSOURCING

*Chiang Kao, National Cheng Kung University, Taiwan*

Garment manufacturing has a network structure when both outsourcing and in-house manufacturing are considered. The conventional data envelopment analysis (DEA) models for measuring efficiency ignore operations of the component processes, and thus are unable to carry out a detailed analysis. This paper develops a network DEA model, taking the internal structure of the network system into account, to measure the system and process efficiencies at the same time. The efficiency of the system can be decomposed into those of the processes, and the inefficient ones can thus be identified. The data of a garment manufacturing firm is used for illustration. For the two major operations of the firm, cutting and sewing, the former is less efficient than the latter, although it is also less sophisticated. The difference between the efficiencies of in-house manufacturing and outsourcing for cutting is not significant. For sewing, in contrast, in-house manufacturing is less efficient than outsourcing. This indicates that, in addition to the lower cost, outsourcing is also faster.

### RISING ETHNO-NATIONALISM AND CONSUMER NARRATIVES: EXPERIENCES FROM AN EMERGING ECONOMY

*Krishanu, Rakshit, Indian Institute of Management Calcutta, India*  
*Bhupesh Manoharan, Indian Institute of Management Calcutta, India*

The rise of nationalism across many countries has often been considered a threat for global brands. Research has highlighted the role of nationalism and patriotism in driving consumer ethnocentric behavior. Several Indian brands have recently joined the nationalistic bandwagon to attract consumers. The current study is an attempt to investigate consumer buying motives in an emerging economy, India. The context is interposed with the rise of nationalism as the dominant political ideology of the ruling elite. India has emerged only recently from a controlled economy and through an externally imposed liberalization program. The study interviews consumers across different walks of life to understand and explore their choice of such nationalistic brands. While the study partly confirms to the consumption behavior witnessed in other transitioning and emerging economies, consumer reflections indicate that there is a deeper skepticism around such nationalistic campaigns emerging from the contextual milieu.

### THE INTERPRETATION OF GUANXI

*Xiaozheng Zhang, Nottingham Trent University, UK*

The purpose of this research was to explore the influence of both Chinese and Western cultures within internationalised academic working environment, and examine how Chinese and Western academic members adapt values and perceptions in order to fit into multicultural working environment. The key focus of the study was on the cultural differences between Western and Chinese academics, with a particular emphasis on one of the main Chinese culture concepts, Guanxi. This research looks into how Guanxi is understood and adapted by both Chinese and Western academics, and how it influences their attitudes at work. Hofstede's cultural dimensions are applied and critiqued as the main Western culture theory to examine the interaction between Western culture and Chinese Confucianism concepts. The key cultural theories are discussed, including national culture, Confucianism, and Guanxi. Taking an interpretivist approach, this research was conducted in four different organisational contexts of internationalised higher education institutions in China and the UK. Participants were interviewed in four institutions. Key findings are Guanxi is closely related to four of Hofstede's cultural dimensions, and is more important for academics working in the Chinese context, particularly in terms of research related issues.

## ENTREPRENEURSHIP RESEARCH IN EMERGING MARKETS: NEW THEORETICAL APPROACHES

*Ven Sriram, University of Baltimore, USA*  
*David Lingelbach, University of Baltimore, USA*

Much of entrepreneurship research has been focused on economically developed countries and its potential impact on subsistence economies has generally been ignored. As an outcome of their exhaustive review of comparative international entrepreneurship, it is suggested that future research include “underexplored countries, particularly those from the developing world”. It is also revealed that only six percent of studies included BRIC countries and that less than one percent of the authors came from these countries. Further a case is also made as to how African phenomena can be the basis for the development of new theories and frameworks. A similar case can be argued for EMs in general. Given the importance of context in understanding EM entrepreneurship, EM conditions such as poor infrastructure, institutional voids, external shocks (*e.g.* famine, wars and disease), corrupt and inefficient governance are all important contextual factors to consider. As large numbers of new workers enter the EM workforce in the coming years, the likelihood is that job creation will struggle to keep up. Necessity entrepreneurship is one response to this pressure but scholars also need to examine the innovative ways by which opportunity entrepreneurs can create scalable businesses that can create employment and contribute to economic development in the often resource-starved landscape.

## FIRM AS A KNOWLEDGE ENTERPRISE AND ITS ENVIRONMENTAL PERFORMANCE

*Vipin Gupta, California State University San Bernardino*  
*Yi Zhang, Zayed University, UAE*

Research on inter-firm performance differentials often operationalizes performance as single dimensional. In reality, firms tend to seek strategic fit on several contingent dimensions, of which environmental performance is one of the critical components. However, superior environmental performance per se does not assure survival to any firm; nonetheless, sub-par environmental performance may threaten the survival of an otherwise well performing firm. We propose that the ability and motivation of firms to respond to the contingent performance criteria are a function of their knowledge enterprise. We further propose that as a knowledge enterprise, firms may pursue two different types of strategies to contingent environmental performance criteria: conforming and entrepreneurial. We examine the consequences of these two strategies, using survey data from a sample of small and medium Chinese enterprises. Our findings illustrate the mechanisms that enable knowledge enterprises to achieve superior contingent dimension of environmental performance. Limitations of the research are examined, and areas for extension of this research are highlighted.

## THE IMPLICATIONS OF INCREASING OPERATIONS MANAGEMENT CONTENT IN ENTREPRENEURSHIP TRAINING IN AFRICA

*Tigineh Mersha, University of Baltimore, USA*  
*Ven Sriram, University of Baltimore, USA*

Entrepreneurship is promoted as an effective strategy for job creation and poverty reduction in developing nations. In Africa, it is projected that nearly 370 million young men and women will enter the job market by 2030 which far exceeds the expected number of job openings. Stimulating entrepreneurship is recommended as a viable strategy not only to help create self-employment opportunities for this burgeoning youth population but also to enable nascent start-ups to grow into viable small and medium-size enterprises. While entrepreneurship research has significantly increased during the last decade, most of these studies have focused on industrialized and economically-advanced nations. Or even the findings of many studies based on the realities of developed nations may not be applicable in developing countries. Research based on the socio-cultural, economic and

political environment of developing countries is still rare, and those based on Africa are even more so. This study examines the benefits of incorporating basic elements of operations management in entrepreneurship training programs including appropriate process design to enable efficient goods production and service delivery; process mapping and periodic process flow analysis to increase throughput efficiency; demand forecasting to facilitate production planning; effective management of the supply chain; using the principles of lean philosophy to minimize waste; and implementing the principles of continuous improvement to stay competitive. The study posits that equipping current and aspiring entrepreneurs in Africa and other developing markets with the basics of operations management will help them utilize their scarce resources more efficiently, promote their customer orientation, and improve their chances of survival and success.

## A CRITICAL PERSPECTIVE ON FIRM SPONSORED TRANSPORTATION POLICIES: LESSONS FROM THE PINJRA TOD MOVEMENT

*Grishma Shah, Manhattan College, USA*  
*Kristen Ferguson, Manhattan College, USA*

In India, liberalization and the onset of globalization have generated substantial opportunities for women. Nonetheless, irrespective of socio-economic status, women are far from attaining gender equity in society or the workplace. While the plethora of variables that contribute to this inequity historically, socially and economically continue to be explored as globalization converges on India, the movement against it slowly trudges along. In this study, we explore the core values and arguments for the recent *Pinjra Tod* movement afoot at universities in India, which aims for gender-neutral policies on college campuses across India. Subsequently, we compare the movement to similarly justified “safety and security” policies in the work place in India. We argue that while that *Pinjra Tod* movement is gaining momentum on legitimate grounds in India, this hard earned autonomy on college campuses is swiftly squandered upon employment. We examine transportation policies at BPO/IT companies justified by laws in India around “safety and security” and argue that these are not only inundated with gender bias, but are in direct conflict with many other policies at firms which aim for diversity and equity in the work place. We argue that these gender-biased human resources policies hinder women from advancing in the work place as they limit their interaction outside the workplace in informal networking opportunities that lead to recognition and promotion. More importantly, it devalues independent and autonomous decision making by women, which may transpire to other areas of work. We end with recommendations on how business policies can stay within the law, provide safety and security and advance women with gender-neutral policies.

## BANKS AND PUBLIC CAPITAL MARKETS IN TRANSITION ECONOMIES

*Victoria Geyfman, Bloomsburg University of Pennsylvania, USA*

A critical aspect of integration of transition economies (TE) of Eastern Europe into the global financial system is the continuing financial liberalization process and the development of effective domestic capital markets. While these countries have made considerable progress in this area since the early stages of economic transformation, the system is still dominated by foreign financial institutions and the overall level of financial development and market capitalization remains weak by the developed world’s standards. Several recent studies show that just as foreign banks played a role in the credit expansion prior to the financial crisis, many of them reduced their lending considerably and “cut and ran” during the financial crisis. This study examines the levels of development of capital markets and the effect of macroeconomic, bank-level, and regulatory fundamentals on the banking institutions’ decision to participate in public capital markets. The study also examines the predominance of foreign-owned banks in TE and assesses the effect of their presence on the development of financial markets in TE. The study suggests that the combination of a regulatory void and an increased level of exposure to volatile stock markets is the likely culprit of banks’

reluctance to list their shares on local exchanges. Governments of these countries should continue to improve legal and regulatory structures to encourage banks to participate in public capital markets.

## BUSINESS ETHICS IN GOVERNMENT SECTOR IN RUSSIA

*Dina Clark, Bloomsburg University of Pennsylvania, USA*

Public sector has long been under scrutiny of corruption and ethical misconducts in almost every country in the world. Therefore, understanding the ethical perception of public sector employees and the factors that make a difference in their ethical perception is important for public sector leaders in Russia. Many researchers highlight the importance of analysis of ethical and unethical behavior in organizations. The purpose of this study is to investigate the ethical perception of Russian adults with government experience based on gender, gender, managerial experience, existence of code of ethics, area of expertise, and longevity with current employer. Statistical analysis of the widely used Personal Business Ethics Scores (PBES) measure revealed significant differences in ethical perceptions among Russian employees based on age and areas of specialization. Further analysis indicated that the older groups scored higher than the younger ones. We conclude that the older Russian government workers are the more ethical. In addition, analysis revealed that the areas of technology and computer science were significantly different and higher in score from all other specializations, followed by science compare to a majority of different specializations. Managers, auditors, policy makers, researchers, and practitioners can benefit from this study as it shows managerial implications in managing public sector employees in the most effective and efficient manner.

## ENTREPRENEURSHIP EDUCATION AND ENTREPRENEURIAL INTENTION: A COMPARATIVE STUDY OF STUDENTS FROM INDIA AND THE USA

*Maheshkumar P. Joshi, George Mason University, USA*

*Shalini Rahul Tiwari, IMT Ghaziabad, India*

*Deepak Pandit, Indian School of Entrepreneurship Gurgaon, India*

The field of entrepreneurship is gaining acceptability among the youth in India. This trend has been accelerated since 2015 when the government of India launched the 'start up' and 'stand up India' initiatives. From the academic perspective, the startup launch, startup funding, and success and failure of a startup and similar concepts have been studied extensively, the entrepreneurial eco system that support, nurture and prepare entrepreneurs needs further examination. One particular aspect of this ecosystem is higher education that will prepare future entrepreneurs in India. In the current paper we argue that entrepreneurship education needs to be explored within the Indian context to understand the creation of better prepared future entrepreneurs. There seems to be a need for education programs specifically designed to expand students' skills, knowledge and experience in entrepreneurship. In this manuscript we discuss implicit and explicit ways by which the entrepreneurship education might be delivered in the higher education system in India. Using the extant literature we focused on four different aspects of entrepreneurial intentions (EI) among students: (1) ability to have a grand vision (GVS); (2) intentions to exploit opportunities (OEX); (3) perseverance and operational focus (POF); and, (4) willingness to explore risk-taking (RST). We found that in general entrepreneurship students had a higher score concerning overall entrepreneurial intentions whereas Business students were most trained to explore the risk taking component of entrepreneurial intentions (EI). We compare the results obtained from Indian students with students from USA and find interesting results. These results are discussed further.

## THE EFFECTS OF NEUROTICISM AND EMOTIONAL BONDING ON COOPERATION DISHONESTY

*Jose Brache, Universidad Nacional Andres Bello, Chile*  
*Alejandro Cordova, Universidad Nacional Andres Bello, Chile*  
*Andrea Zuniga, Universidad Nacional Andres Bello, Chile*

Cooperation is a double edge sword that can either help companies achieve higher levels of performance or drive them into losses and despair. That is why the literature on strategy and entrepreneurship in emerging markets still needs to research further into the negative effects of cooperation. This study addresses the issue of cooperation dishonesty through a social experiment. Multiple sets of cooperating partners are asked to play a prisoner dilemma game while they are submitted to stress and emotional cues. This study contributes to the literature by extending the notion that the emotional state of managers involved in inter-firm alliances and the emotional state of the corporation as a whole may have an effect on the behavior of cooperating firms.

## BALANCING CORPORATE PROFIT AND PLANET EARTH PROTECTION: AN EXAMINATION OF HOW HARRAH'S USES MULTI-MEDIA PLATFORMS AND MESSAGES TO PERSUADE EMPLOYEES AND CUSTOMERS TO EMBRACE ITS "CODE GREEN"

*Sustainability Program*  
*William Berry, Bethune-Cookman University, USA*

The most prominent thing that anyone who walks into a casino will see is literally thousands of bright lights. While the flashing displays promise the public the casino is a place for fun, they fail to inform people that lots of energy is being consumed non-stop to keep the lights glowing. Nor do they express that inside the casino many more lights are burning to create excitement about slot machines, and also to power the cameras located "everywhere" to keep everyone under surveillance. This study examined the messages and the employee/customer programs that Harrah's New Orleans casino produced to respond to the critical issues of energy and water consumption, waste, and greenhouse gas emissions. The study used corporate social responsibility (CSR) theory to explore how sustainability practices are presented and communicated on Harrah's corporate website and also in signage displayed prominently throughout the New Orleans property. The focuses of the content analysis included presence, prominence and extent of communication, as well as CSR issues reported on the website. The results indicate that Harrah's CSR communication has gained great attention among employees and customers. Furthermore, in addition to seeking to earn profits for shareowners, employees at Harrah's New Orleans have participated in the local community's sustainable development and implemented CSR activities through ways such as partnerships, with almost 10,000 volunteering hours, for each employee at the property. One of the highlights of these efforts was collaboration with the National Park Service and Chalmette Elementary School in a project called Planting the Future. Employees donated hundreds of hours planting trees and restoring native plants in the area. The study points to strategies for how corporations in emerging markets can develop strategies to earn a profit while also embracing practices that support environmental sustainability.

## ACCOUNTING ETHICS EDUCATION IN DEVELOPING COUNTRIES: THE EXTENT OF ACCOUNTING ETHICS EDUCATION IN TURKEY

*Evren Dilek Sengur, Istanbul University, Turkey*

In this global world, after the USA corporate accounting scandals (e.g. Enron, Tyco, etc.) the awareness of ethics education spreaded worldwide. Over the last few decades, an increasing number of studies has highlighted the need to incorporate ethics into business education. Further, the corporate accounting scandals and failures in Turkey (e.g. Imarbank, etc.) triggered the interest of people in the

subject of ethics in accounting in Turkey. Thus, one of the objectives of this study is to identify the extent of ethics present in accounting education in Turkey. In order to achieve this objective, websites of public and private universities in Turkey were visited and content analysis was conducted. According to the results of the study, the number of ethics courses in accounting in undergraduate, graduate and doctorate programs are respectively three, nine and two, respectively. So, it is concluded that even though the education of ethics in accounting has been progressing drastically in developed countries, it still needs further awareness in developing countries like Turkey. Another purpose of the study is to provide an example of syllabus for ethics in accounting course at master's level. The study is valuable to administrators who make strategic decisions about university programs and curricula. Additionally, this study provides a basis for Turk academics to discuss and assess contents of ethics in accounting course.

## GREEN BONDS AS A COMPONENT OF THE SUSTAINABLE FINANCING AND THEIR PERFORMANCE

*Darina Saxunova, Comenius University Bratislava, Slovakia*

An acceleration of the modernization of the (not only) European economy, expected to be more sustainable, climate-resilient, low-carbon, energy and resource-efficient, should be implemented in a socially fair manner. This represents one of the primary goals of an economy all over the world, which is also supported by the European Commission considering it its aim. Sustainable finance is understood as integration of services into the finance area that comply with environmental, social or governance criteria in business or investment decisions. The research objective of this scientific study is to suggest a sustainable form of financing which utilizes financial instruments, “green bonds” for raising the capital resources. The green bond market has experienced the expansion in 2013, when green bonds were for the first time issued by corporations and governments. Specifically, the study focuses on the green bonds—relatively young financial instruments—and highlights their recent development and performance. Data on green bonds and their performance in the period of 2013-2017 were obtained from Bloomberg and critically evaluated and analyzed if the green bond market depends on the crude oil prices. The results based on the analysis showed only small dependence so far. The green bond market is still a young financial market and needs further investigation.



## PAPERS

### UNDERSTANDING THE DETERMINANTS OF BRIBERY: HOW CAN LAB EXPERIMENTS INFORM PRACTITIONERS OPERATING IN EMERGING MARKETS?

*Stephen Mark Rosenbaum, University of Southern Denmark, Denmark*

The proliferation in business being conducted in Emerging Markets means that international business practitioners are increasingly transacting with counterparts from societies characterized by more pervasive bribe-giving and –seeking behavior than may prevail in their home markets. The resultant confusion increases the risks of entering into transactions, which may curtail business activities in Emerging Markets. Scholars trying to understand the determinants of bribery activity typically rely on data from surveys, case studies or the Corruption Perceptions Index, even though these sources are fraught with methodological issues especially when it comes to understanding corrupt transactions. To mitigate these inherent problems, the present paper proposes the use of laboratory experiments, which allow for the drawing of causal inferences within controlled settings, readily permit replications which enhance the robustness of their results, and provide nontrivial economic incentives based on decision-making and incentives. Specifically, this paper reviews the small but growing number of prior experimental studies and categorizes them according to whether they examine the effect of country-specific-, individual-specific- or transaction-specific factors on the propensity to engage in corrupt acts. Finally, the paper discusses the implications of the findings arising from these studies for practitioners trying to eschew bribe-seeking or –giving situations in Emerging Markets.

#### Introduction

The proliferation in business being conducted in Emerging Markets means that international business practitioners are increasingly transacting with counterparts from societies characterized by more endemic bribery than they may be accustomed to in their home markets (Basu, 2011; Baughn, Bodie, Buchanan & Bixby, 2010). The resultant confusion increases the risks of doing business. On the one hand, firms can risk paying a bribe without receiving the promised offering, face the omnipresent threat of being apprehended and prosecuted. On the other hand, firms may encounter bribe-seeking behavior and need to decide whether to accede or not given the above threats. These nontrivial risks will likely curtail international business transactions in Emerging Markets.

Accordingly, it is instructive to try to understand in what settings the giving or demanding of bribes may likely be more commonplace in order to give normative prescriptions to international business practitioners seeking to eschew such eventualities. However, understanding the determinants of bribery is problematic given its clandestine nature. Therefore, it is difficult to prescribe policies to combat corrupt practices. However, these limitations have not dissuaded scholars from trying to elucidate the determinants of bribery. They have contributed with important insights into the respective roles played by country-specific factors (such as income distribution, culture, and so on), individual-specific factors (such as gender and income), and transaction-specific factors (risk of detection, severity of punishment, and so forth) on bribe-seeking and –giving behavior.

However, these prior studies have typically used traditional methods such as surveys or case studies to collect data. Some (*e.g.* Treisman, 2000; Theobald, 1990) rely on surveys. For example, Martin, Cullen, Johnson and Parboteeah (2007) collect data from almost 4,000 firms from 38 countries. However, survey data within this particular area are fraught with validity issues especially with respondents costlessly misrepresenting their type. It is also problematic to separate out the effects of a particular variable (*e.g.* punishment) on bribery behavior due to the possible impact of confounding variables, making inference difficult. Other scholars have relied on in-depth single case studies to investigate corruption. For example, Wade (1985) examined corrupt practices among public officials in India. However, the main drawback of single- or cross-sectional multiple case studies concerns their inability to draw causal inferences by isolating the effects of a specific explanatory variable on a chosen outcome variable. Many others (*e.g.* Husted, 1999; Sanyal & Samanta, 2004) have resorted to composite data, predominantly Transparency International's Corruption Perceptions Index (CPI) data. While CPI data offer valuable insights, they suffer from inherent and well-documented validity and reliability issues. For instance, as the name suggests, CPI

data only measures perceptions rather than actual levels of corruption (Husted, 1999). As it is perceptions-based, the data is highly subjective, and therefore prone to bias. Respondents (expatriates) may answer in a certain way due to concerns of retaliation (e.g. expulsion), and conceivably change from one year to the next. Furthermore, CPI data only offers a generalized picture of corruption levels the public sector in a given country – it thereby fails to decompose the data into industries, sub-cultures or account for incidences of corruption in the private sector.

One proposed solution to the limitations of the above methods is the use of lab economic experiments, which provide valuable insights into decision-making behavior when real-world data are unavailable, unreliable or unsafe. Given that corrupt transactions are ordinarily conducted in the shadows, there is a growing field focusing on bribery experiments as a means of elucidating the determinants of corrupt behavior (Dušek, Ortmann & Lizal, 2004; Lowen & Samuel, 2012). By allowing for the systematic, low-cost manipulation of the environment (e.g. institutions, context, number of actors, magnitude of bribes, degree of punishment, and so forth), experimental economists can draw causal inferences which may be used to identify conditions under which policy measures may or may not work. In addition, by operating under conditions of strict anonymity and by providing economic incentives, experiments allow for corrupt behavior to be observed. Furthermore, lab experiments facilitate replication (usually standard subject pool, imposed set of rules), allowing for the robustness of results to be explored, enhancing the external validity of the findings (Lowen & Samuel, 2012). Finally, experiments differ from surveys, interviews, and CPI data in the sense that experimental subjects receive actual monetary payments based on the decisions they take during experimental sessions (Alatas, Cameron, Chaudhuri, Erkal & Gangadharan, 2009a), which once again, mirrors the reality of business transactions – including the illicit type.

The present study provides a review of bribery experiments emanating from the seminal bribery game of Abbink, Irlenbusch and Renner (2002), and classifies the findings according to which specific factor the experimental design predominantly tapped into. While remaining a nascent area of study, the preliminary laboratory results indicate findings with regard to the effect of country-specific and individual-specific factors which are at odds with the traditional, non-experimental literature. However, the role played by transaction-specific factors (such as monitoring and punishment) corroborates the previous findings of several non-experimental studies, and provide more robust prescriptions for practitioners navigating the transactional uncertainties in Emerging Markets.

The paper is structured as follows: Section 2 provides a review of the bribery literature, decomposed into both non-experimental- and experimental studies. Section 3 presents an overview of the bribery experiment studies unearthed in the literature search, and section 4 discusses the experimental findings, while section 5 concludes.

## **Review of the Bribery Literature**

Bribery takes many shapes and forms. In essence, it can be characterized as a bilateral reciprocal relationship between a briber (firm) and bribee (government official). Either party may act as first-mover. If the firm is first-mover, it offers a bribe to an official who has to decide (1) whether to accede to the request or not, and if in the affirmative, (2) whether to provide/refrain from providing the service (positive reciprocity) or not (negative reciprocity). An example of refraining from providing a service would be not reporting the contents of a suitcase at a border crossing – so-called “pre-emptive bribes (Lowen & Samuel, 2012). Acceding to the request carries the risk of detection and eventual punishment – either for one or both parties. Denying the request or negative reciprocity in the form of e.g. whistleblowing (Lambsdorff & Frank, 2010) may also result in punishment of the bribe-giver. Alternatively, the public official can unilaterally initiate a corrupt proposal by requesting a bribe from a second-mover firm (“bribe-seeking behavior”), and the firm can either decide to succumb to bribe demands or not (without knowing whether the service would be provided *ex post* (i.e. whether their request for reciprocity would be fulfilled) or whether the corrupt transaction would be detected and subsequently punished).

As noted above, bribery may be classified in several different ways. As Basu (2011) notes, bribes can be paid to receive public services that the bribee is not entitled to, such as receiving undue benefits or other forms of financial support (referred to as “collusive bribery”). Bribes can also be paid to expedite situations where the bribee is actually entitled to the service and the official is obliged to provide it (for example, the issuance of a passport or visa), but where the public official may otherwise have delayed the process, even to the point where it no longer holds value to the applicant – for example, after the proposed departure (termed “harassment bribery”). Furthermore, as Barr and Serra (2009) note, there is a difference between bribes paid in one-off situations such as obtaining a driver’s license (“petty bribery”) or in repeated situations (e.g. regular payments to ensure the continuity of a particular service – often referred to as “parochial” corruption – Husted, 1994). In the latter, social norms such as trust and reciprocity enter the transaction (Rosenbaum, Billinger & Stieglitz, 2013).

A common feature of these different types of bribery is that they are accompanied by some form of negative externality, typically in the form of welfare losses for society (reduced transparency, lower efficiency, higher costs,

and so forth) (Abbink, 2004). Due to these adverse consequences for society, studies typically show negative correlations between levels of corruption and such variables as inward investment, GDP growth, and such like (Mauro, 2005).

The literature cites two broad theoretical approaches to understanding why individuals engage in bribery. On the one hand, many scholars (*e.g.* Becker, 1968) view corruption from the perspective of individual rational choice. As an illicit activity, partaking in bribery offers the opportunity of mutual rewards, but with an accompanying risk of betrayal, denouncement, entrapment, and such like. These risks are positively related to monitoring effort and level of punishment. A rational actor will therefore engage in bribery if the returns suitably outweigh the attendant risks of monitoring and enforcement. Scholars in this genre typically focus on top-down reforms such as improving the efficacy of monitoring (Abbink, 2004) or imposing stronger fines or prison sentences as a way of reducing the propensity of individual to offer or accept bribes. The United Nations Convention Against Corruption with its many mandatory provisions (ratified by national governments) with monitoring and enforcement is such an example of a top-down initiative designed to curtail corrupt practices involving international firms (Argandona, 2007). On the other hand, other scholars focus on social norms (such as honesty, generalized trust, reciprocity, and so forth) – generally-accepted forms of behavior for individuals within a given society, which it is typically argued, counteract any rational proclivity to engage in bribery. People will thus be inclined to resist any attempts to bribe or be bribed because such actions contravene their strongly-imbued social norms. Scholars in this stream of enquiry (*e.g.* Barr & Serra, 2010) typically emphasize bottom-up measures (to strengthen social norms) in order to mitigate incidences of corruption. In contrast to its Convention described above, the United Nations Global Compact (Principle 10) based on the voluntary commitment of firms to actively work against corrupt acts is more of a bottom-up initiative.

### **Reviewing the Non-Experimental Literature**

These studies may be classified into three main categories: Country-specific (such as income distribution, culture, and so on), Individual-specific (such as gender and income), and Transaction-specific (risk of detection, severity of punishment, and so forth). In terms of the first category, many scholars have examined the role of economic factors in promoting corrupt acts. For example, Sanyal and Samanta (2004) find that bribery is more frequent in countries characterized by high levels of unequal income distribution (*i.e.* high Gini coefficients) and lower levels of economic development. In his survey of 36 countries, Husted (1999) also found that the most significant correlate of corruption was economic development, as measured by per capita income. Similarly, countries in which imports constitute a greater proportion of GDP (*i.e.* countries having greater market openness, or less protection) are more likely to be associated with lower levels of corruption (Sanyal & Samanta, 2004; Treisman, 2000). Bribery would seem to be more prevalent in countries in which certain industry structures are more prominent. Specifically, countries with more public companies, and government agencies awarding big contracts *e.g.* defence, construction, natural monopolies) are more likely to have higher bribery levels (Baughn, Bodie, Buchanan & Bixby, 2010).

Other scholars (*e.g.* Husted, 1999) have chosen to examine the way in which national culture (operationalized by using Hofstede's cultural dimensions) may influence the propensity of officials to ask for or accept bribes (typically measured by Transparency International's Corruption Perceptions Index (CPI) data). For example, Husted (1999) reported that countries with high levels of uncertainty avoidance, masculinity, and power distance are highly significantly (positively) correlated with corruption levels. This has been corroborated by subsequent studies. For example, Sanyal (2005) showed that countries with high power distance and high masculinity are associated with higher CPI even when controlling for economic factors such as per capita income. Martin, Cullen, Johnson and Parboteeah (2007) similarly found that firms from more individualistic cultures were more likely to engage in bribery activity. Another group of scholars has focused more on the role of country-specific historical factors in affecting bribery levels. For example, Theobald (1990) postulated that bribery is more likely to occur in countries with a recent colonial past as government officials try to maintain their previous status, while Leiken (1996) proposed that cases of bribery would be higher for post-socialist transition countries, which may be characterized by a sudden upheaval of social and economic conditions. A fourth group of studies focuses on the issue of "corruption norms" which indicate a particular society's tolerance for corrupt acts. For example, in their field experiment, Fisman and Miguel (2007) find evidence that individuals coming from societies where corruption is more commonplace are more likely to be corrupt or expect others to be corrupt.

The second category of bribery studies looks at the role of individual-specific factors in determining bribe-seeking or –giving behavior. For instance, Sanyal and Samanta (2004) use Human Development Index data and find that higher levels of public official education, wealth, and health are associated with lower bribe-taking). Scholars have specifically argued that increasing the salaries of public officials will reduce their proclivity to ask for bribes (or accept bribes) by increasing the opportunity costs of being dismissed should their behavior be detected and punished.

Regarding the third category of bribery studies, scholars have found (as expected) that the costs (benefits) of engaging in any form of illegal activity increase (decrease) as a function of the probability of detection and the severity of punishment.

### **Reviewing the Lab Experimental Literature**

Lab experiments are particularly apt in the present setting as they introduce both economic incentives and social dilemmas and thereby allow experimental economists the opportunity to understand the drivers of rational self-interested behavior vis-à-vis behavior driven by social norms. The design of lab experiments with regard to bribery is clearly informed by situational characteristics. In essence, bribery can be represented as a social dilemma in that the provision of a corrupt service benefits the transacting parties, but to the detriment of society in general (whose payoff is diminished, representing a negative externality). Based on Abbink, Irlenbusch and Renner (2002), the baseline bribery game is a three-player sequential game involving a briber (firm), a bribee (public official) and a passive third party (society) that is damaged by the bribe. The first-mover firm decides whether or not to offer a (costly) bribe to a government official, as well as choosing the level of the bribe. The official observes the firm's action and then makes a binary choice of accepting or rejecting the bribe. If the official rejects the bribe, the deal fails to materialize, the bribe is refunded to the firm (excluding the cost of initiating it), and there is no external cost on society. If accepted, the experimenter triples the proposed amount, and both the firm and the public official receive additional payoffs, while society has an external cost imposed on it.

The Abbink, Irlenbusch & Renner (2002) bribery game has spawned a wealth of experimental studies, which use its baseline and various treatments to investigate the effect of selected independent variables on the propensity of firms (officials) to give (take) bribes. For example, it allows scholars to test the effect of differential punishment regimes on bribery. For instance, in Abbink, Irlenbusch and Renner (2002), participants in the “sudden death” treatment faced a probability of detection if they accepted a bribe (which would result in summary disqualification). In Cameron, Chaudhuri, Nisvan and Gangadharan (2009), the third player (representing a citizen, society) could choose to spend punishment points to reduce the payoffs of the firm and official by equal amounts. Similarly in Alatas, Cameron, Chaudhuri, Erkal & Gangadharan (2009a), a citizen can punish both the firm and government official for engaging in bribery at a personal cost to themselves, but at a much higher cost (in terms of reduced payoffs) for both the firm and official.

As noted above, one of the main advantages of laboratory experiments is the opportunity to replicate studies to check the robustness of single findings. This is especially the case for lab experiments involving large-*N* studies. Whereas previous scholars have presented an overview of corruption experiments in general (*e.g.* Dušek, Ortmann & Lizal, 2004), the present study will focus only on the derivative experiments of Abbink, Irlenbusch and Renner's (2002) seminal bribery game. It provides an overview of bribery experiments and extracts the most salient results using a common point of reference – the baseline bribery experiment. In this regard, identifying the composite studies for this paper involved searching the main search engines (namely Google Scholar, Web of Science, and Jstor) for all references to “Abbink, Irlenbusch & Renner, 2002”, and then perusing each article to check whether it was a passing reference or whether the author(s) actually conducted an experiment which replicated or derived from their seminal bribery experiment. The latter were included in the present paper. Lab experimental studies which tapped into other aspects of corruption (*e.g.* embezzlement – Azfor & Nelson, 2003) were disregarded for the purposes of the present study given that they invoked a different experimental design. While the papers unearthed as a result of this process were relatively few in number, they used a relatively large number of subjects, which enhances the validity of the findings.

These will then provide the basis of informing practitioners as to how to avoid situations where they may be confronted with the decision to bribe or not to secure a contract or avoid the payment of a particular fee, or failing that, at least know how to defuse them should they (predictably) materialize.

### **Overview of Experiments**

The papers resulting from the above search process are listed in Table 1. Based on the categories elucidated from the above non-experimental findings, I have chosen to classify the lab experiments emanating from the seminal bribery game of Abbink, Irlenbusch and Renner (2002) into the following three categories: Country-specific (culture, economic, social etc.), Individual-specific (gender, age, income etc.), and Transaction-specific (monitoring, punishment, size of bribe, one-shot/repeated, individuals/groups, presence of intermediaries, etc.). All the treatments are designed to reflect real-world situations.

**Table 1. Overview of Bribery Lab Experiments**

Study	Type	Primary purpose	Treatments/Setting	Main findings
Abbink, Irlenbusch & Renner, (2002)	I-S	Investigate whether the damage inflicted on third party (other subjects in the experimental session) affects bribery behavior	2-player sequential repeated bribery game with monitoring (probability) and punishment (sudden death disqualification)	Briber and bribee behavior is unaffected by damage inflicted on third party. Men and women are equally likely to accept bribes in the absence of monitoring, but women are substantially less likely to accept bribes when being monitored
Abbink (2002)	I-S	Examines whether providing higher wages to public officials would make them more resistant to accepting bribe offers	Treatments: The bribee receives either a high or low wage	Observed no treatment effect: The wage of the bribee had no significant effect on his/her propensity to accept bribes
Abbink (2004)	T-S	Studies the bribery-reducing effects of rotating public officials	Students in Germany. Repeated game, with two treatments: “strangers” (where the participants are re-matched after each experimental round (reflecting staff rotation) and “partners” (where fixed-pairs play all thirty interactions)	Where staff are rotated ( <i>i.e.</i> “strangers” treatment), bribery attempts, as well as their volume, are reduced by about half
Abbink & Hennig-Schmidt (2006)	T-S	Investigate the impact of loaded instructions ( <i>i.e.</i> with negative moral connotations) on corrupt exchange between a firm and public official	324 students in Germany. Compare loaded instructions with neutral (abstract) instructions	No significant differences between the loaded versus neutral instruction treatments
Abbink & Wu (2017)	T-S	Investigate whether offering rewards for self-reporting (thereby sowing distrust between the transacting parties) may mitigate collusive bribery	198 students in China; Two treatments: (1) where both the firm and official may self-report, and (2) where only one party may self-report	Allowing both firms and public servants to self-report is highly effective in deterring bribes being exchanged and favors being granted. Permitting only one party to self-report does not significantly deter corruption
Alatas, Cameron, Chaudhuri, Erkal & Gangadharan (2009a)	I-S	Explore whether gender may affect individuals’ attitudes to corruption across countries	One-shot game with students in India (309), Australia (642), Singapore (195), and Indonesia (180)	Females are less tolerant of corruption in Australia ( <i>i.e.</i> men are significantly more inclined to offer more bribes, accept more bribes, and are less likely to punish bribery activities than women). However, there were otherwise no systematic gender differences in India, Indonesia, and Singapore
Alatas, Cameron, Chaudhuri, Erkal & Gangadharan (2009b)	I-S	Examines the extent to which different sub-groups of the same society themselves consider bribery to be corrupt	180 students and 147 public servant (trainees) in Indonesia	Found significant differences in the tolerance of bribery between students and public officials
Banuri & Eckel (2012a)	T-S	Explore the impact of punishment on propensity to bribe	189 students in US and 213 students in Pakistan. Repeated game with fixed matching. Two treatments: “No Punishment” (citizens passively observe the actions of the firms and officials); “Punishment” (subjects can engage in costly punishment)	Neither the presence nor the severity of punishment has a significant impact on the propensity to offer bribes in either the US or Pakistan
Banuri & Eckel (2012b)	T-S	Examine whether repeated interactions, allowing for reputation formation and reduced uncertainty	Repeated games vs. one-shot	Repeated games increase bribery activity - by reducing uncertainty, potential bribees can demand bribes with a greater probability that their demands will be met

Banuri & Eckel (2015)	T-S	Investigate whether crackdowns on bribery (represented by a short-term punishment) affect corrupt behavior over time	Two countries with cultures that differ in corruption norms and bribery levels: the US (96 students) and Pakistan (123 students). The experimental design contains three phases: pre-crackdown, crackdown, and post-crackdown	Post-crackdown behavior is not significantly different from pre-crackdown behavior in either the US or Pakistan - short-term crackdowns may impact behavior in the short run, but are ineffective in the long-run (as behavior regresses to pre-crackdown levels)
Barr & Serra (2009)	T-S	Examine the role of negative externalities ( <i>i.e.</i> the extent to which it has welfare-reducing effects for society) and framing ( <i>i.e.</i> whether bribery is framed in emotive or neutral terms) on bribe offering and bribe acceptance.	195 students in UK, one-shot	Find evidence of a negative externality effect – when the losses suffered by third parties due to a bribe being offered and accepted are high, bribes are less likely to be offered. However, framing was found to have no effect on bribe acceptance.
Barr & Serra (2010)	C-S	Examine the effect of culture on bribe-giving (controlling for institutional context), one shot	195 students in UK, one-shot	Country of origin predicts behavior, but only for undergraduates – socialization processes take place such that over time, graduate students from corrupt countries conform to lower corruption norms in host country
Cameron, Chaudhuri, Nisvan and Gangadharan (2009)	C-S	Investigate whether individuals who are confronted with a high level of corruption in their country expect low levels of punishment for bribery, while their clean country counterparts expect high levels of punishment. Examine hypothesis that expected payoff from bribing is therefore higher in corrupt countries	One-shot game with students in India (360), Australia (609), Singapore (370), and Indonesia (360)	Find significant cross-country difference in the participants' behaviour: Indian subjects are more likely to offer a bribe, and less likely to punish bribes. Furthermore, Indian and Singaporean subjects were just as likely to accept bribes, and were significantly more likely to accept than Australian and Indonesian subjects. Low-CPI Singaporeans were more inclined to engage in corruption and disinclined to punish corruption than high-CPI Indonesians. These findings indicate that country-specific CPI differences may be a poor indicator.
Castro (2006)	T-S	Examine whether the presence of an observer who can (at a personal cost) sanction corrupt behavior may modify bribery behavior between firm and official.	66 students in Italy; fixed identifiers over 30 rounds	Introducing the monitoring agent increases the levels of corruption
Drugov, Hamman & Serra (2014)	T-S	Investigate the conjecture that the presence of intermediaries may facilitate bribery by lowering information costs ( <i>e.g.</i> who to bribe, and what bribery amount is likely to be sufficient)	409 students in US; Three treatments: (1) no intermediaries (citizens know bribe level officials are likely to accept); (2) intermediaries are introduced and can communicate the minimum acceptable bribe amount); (3) no intermediary is present (but the citizens know the minimum acceptable bribe amount)	Intermediaries increase the share of corrupt public officials and the share of citizens who engage in corruption. In the presence of intermediaries, the moral costs of a corrupt action seem to diminish for the briber and bribee, as the average bribing amount demanded is lower and is paid more frequently by citizens.
Engel, Georg & Yu (2013)	T-S	Examine effect of different punishment regimes (symmetric vs. asymmetric) on bribery levels	96 students in China and 96 students in Germany	Bribery was observed under both punishment regimes in both settings, but fewer bribery transactions were observed under a symmetrical punishment regime in both countries
Lambsdorff & Frank (2011)	I-S	Explore whether gender has an impact on bribery behavior. Examine how public servants who have received a bribe choose between reporting (whistleblowing), opportunism and reciprocity (delivery of a	356 students in Germany	Gender differences: Male firms more often punish opportunistic public servants. Instead of acting opportunistically, some male public servants tend to reciprocate or report. On the other hand, female public officials are less inclined to reciprocate

		contract to the briber). The firm then chooses whether to report or not		
Li (2012)	T-S	Explore the interaction between groups and gender - whether groups are more likely to demand bribes than individuals.	Students in China and Germany	All male groups are the most corrupt in Germany, while mixed groups are the most corrupt in China.
Rivas (2008)	I-S	Investigates gender effects: Compares different gender roles (firm, official) and same-gender roles	102 students in Spain	Finds no statistically significant effect of gender on the probability of offering a bribe, although the bribe amount is lower if the briber is a woman. Women tend to accept bribes less frequently if the briber is a woman. After accepting a bribe, women in the role of public officials tend to reciprocate less frequently than men. Rivas concludes that men are more corrupt than women and that a greater number of women in positions where corruption occurs could lower the level of corruption.
Schulze & Frank (2003)	I-S	Examine the effect of gender on bribery and whistleblowing activity. Subjects can choose to contract a clean firm or a corrupt one, where the former action results in a donation to a charity. Both parties have the chance to blow the whistle (resulting in confiscation of the bribe, and no damage to society)	One-shot experiment with students in Germany	With respect to whistle-blowing, women's behavior was not significantly different from that of their male colleagues, yet women are markedly more likely to behave opportunistically and less likely to reciprocate
Serra (2012)	T-S	Explores the role of bottom-up monitoring, top-down auditing, and whistleblowing on bribe-seeking behavior in different institutional environments (with different probabilities for punishment and level of fines)	180 students in UK	A combination of bottom-up accountability methods significantly reduced corruption levels, even in a weak institutional environment where both the probability of formal punishment and the fine are low. Top-down auditing may be ineffective in weak institutional environments
Van Velthuisen (2013)	I-S	Examines the conjectured link between wages in the public sector and bribery	76 students in the Netherlands; Subjects in the role of public officials earn either high- or low wages	Public officials earning higher wages accept fewer bribes: 38% average acceptance levels compared to low-wage officials (who accept 91% of bribes on average)

Key: Country-specific (C-S); Individual-specific (I-S); Transaction-specific (T-S)

Based on the above reviewed papers, I will now discuss the experimental findings in terms of (1) country-specific factors, (2) individual-specific factors, and (3) transaction-specific factors.

### Discussion of Review Articles

First, the studies with the purposes of investigating country-specific aspects of bribery using Abbink, Irlenbusch & Renner's (2002) bribery experiment found cross-country differences in subject behavior (Cameron, Chaudhuri, Nisvan & Gangadharan, 2009). Specifically, participants in certain countries were more inclined to accept bribes and more inclined to punish the perpetrators of corrupt acts – however, contrary to popular thought, their findings suggest that subject behavior was not predicted by their respective countries' CPI scores. Similarly, Barr and Serra (2010) report mixed evidence as to whether a subject's (home) country-of-origin could explain his/her behavior in the lab of a host country characterized by a higher CPI score (*i.e.* exhibiting lower corruption levels) – students in the country for a shorter time were more likely to accept bribes than their counterparts who had stayed in the UK for a longer period. These findings suggest that socialization processes may negatively affect the propensity to engage in corrupt acts. The above findings suggest that businesspeople should be wary about solely relying on CPI data as a predictor for likely attempts by host country officials to extract bribes. They additionally suggest that public officials returning to their home nation after a longer sojourn in a cleaner country (*e.g.* studying or working abroad for a relatively long period) may have conformed to the lower corruption norms of the latter, and therefore may be disinclined to seek bribes.

Second, given that country-specific factors may be less reliable as indicators of likely bribe-seeking behavior, it is incumbent to examine other aspects of the reciprocal bribery transaction conducted between two or more persons. In this regard, it is pertinent to examine the potential role of individual-specific factors on potential bribe-seeking

activity. The most salient findings to emerge from these studies are quite mixed. In terms of income, some studies find that the wages of public officials may not provide a sound indicator of the likelihood of being asked for a bribe (e.g. Abbink, 2012), whereas Van Velthuis (2013) reported a negative correlation between public servant wages and bribe acceptance. Regarding gender, the picture is similarly nebulous. Some studies find that males are more corrupt (Lambsdorff & Frank, 2011; Li, 2012) – though not in all contexts, while others find no significant difference in bribery behavior in several settings (Alatas, Cameron, Chaudhuri, Erkal & Gangadharan, 2009a; Rivas, 2008). The above suggests that businesspeople trying to use cues of income (high) or gender (female) as typically regarded in the non-experimental literature may be ineffective in trying to eschew situations where they may be asked to pay a bribe. As some of the above studies suggest that the context of the transaction (such as the availability of monitoring) may moderate the effect of individual-specific factors on bribe-seeking behavior, it is now pertinent to examine the findings of those studies focusing in transaction-specific factors.

Third, the experimental results cast doubt on the role of framing in attenuating incidences of bribe-seeking behavior. In other words, it does not help if a firm frames the situation using moral language in loaded conversations – this is likely to have little effect on a potential bribee (Abbink & Hennig-Schmidt, 2006; Barr & Serra, 2009). However, preferring to transaction business in situations where the public officials are frequently rotated (Abbink, 2004; Banuri & Eckel, 2012b) or where there is an absence of intermediaries (Drugov, Hamman & Serra, 2011) may mitigate incidences of bribe-seeking. The probability and size of the punishment faced by public servants for consummating corrupt acts clearly restrains such behavior in some studies (Abbink, Irlenbusch & Renner, 2002; Engel, Georg & Yu, 2013; Serra, 2012), but not in others (Banuri & Eckel, 2012a).

### Conclusion

The present study seeks to better understand the determinants of bribe-seeking and –giving behavior, which is a problem disproportionately affecting Emerging Markets, and one which arguably constrains their potential given the reluctance of IM firms to engage in highly corrupt environments. However, the extant literature tends to draw on data from surveys, qualitative case studies, and CPI data, which suffer from numerous inherent methodological drawbacks in the particular context in which the illicit acts of bribery are consummated.

For this reason, the highly-controlled environment of laboratory experiments may offer a solution. This study summarizes the findings of a burgeoning group of scholars who use the bribery experiment of Abbink, Irlenbusch and Renner (2002) as a baseline to investigate the influence of country-, individual-, and transaction-specific factors on the propensity of bribes to engage in corrupt acts. The experimental data cast doubt on a number of commonly-held views emanating from the non-experimental literature – for example, that individuals in lower-CPI score countries, males, and low earners are more likely to be corrupt.

The findings from the present study indicate that these relationships are more complex. This is, in itself, an important finding – especially for businesspeople who routinely rely on CPI data, for example, for market selection purposes. Furthermore, the results of the transaction-specific factor studies provide more robust data that business people can expect to face fewer bribe-demand situations when the officials are subject to staff rotation policies, face more efficacious monitoring and more severe punishment. In other words, it would appear that top-down measures may be more effective in combatting bribery, which would suggest the relative efficacy of national institutions may be important signals for international firms seeking to avoid bribe-demand situations.

The present study has certain limitations, which prompt calls for future research. Firstly, though rapidly growing as a consequence of the importance of the issue and increasing preference for laboratory studies – particularly though with large-*N*, the pool of studies derived from the original bribery game remain relatively few in number. More replications of the experimental designs of these extant studies will increase the robustness of the results. Secondly, the studies included emanate from one particular bribery experiment (Abbink, Irlenbusch & Renner, 2002). While the use of a common baseline aids external validity, caution should be applied when trying to generalize to other forms of corruption (e.g. embezzlement) which rely on alternative experimental designs. Thirdly, lab experiments in general have been criticized for not necessarily reflecting the realities “in the field” (Levitt & List, 2007), however, scholars have reported that the findings of lab experiments into corruption apply equally in field experiment environments (Armantier & Boly, 2013), which once again, enhances the external validity of the present findings.

### References

- Abbink, K., Irlenbusch, B. & Renner, E. (2002). An experimental bribery game. *Journal of Law, Economics and Organization*, 18(2), 428-454.



- Abbink, K. (2004). Staff rotation as an anti-corruption policy: An experimental study. *European Journal of Political Economy*, 20(4), 877-906.
- Abbink, K. & Hennig-Schmidt, H. (2006). Neutral versus loaded instructions in a bribery experiment. *Experimental Economics*, 9(2), 103-121.
- Abbink, K. & Wu, K. (2017). Reward self-reporting to deter corruption: An experiment on mitigating collusive bribery. *Journal of Economic Behavior & Organization*, 133, 256-272.
- Alatas, V., Cameron, L., Chaudhuri, A., Erkal, N. & Gangadharan, L. (2009a). Gender and corruption: insights from an experimental analysis. *Southern Economic Journal*, 75(3), 663-680.
- Alatas, V., Cameron, L., Chaudhuri, A., Erkal, N. & Gangadharan, L. (2009b). Subject pool effects in a corruption experiment: a comparison of Indonesian public servants and Indonesian students. *Experimental Economics* 12(1), 113-132.
- Almantier, O. & Boly, A. (2013). Comparing corruption in the laboratory and the field in Burkina Faso and in Canada. *Economic Journal*, 123(573), 1168-1187.
- Argandona, A. (2007). The United Nations Convention against Corruption and its impact on international companies. *Journal of Business Ethics*, 74, 481-496.
- Azfar, O. & Nelson, W. Jr. (2007). Transparency, wages, and the separation of powers: an experimental analysis of corruption. *Public Choice*, 130, 471-493.
- Banuri, S. & Eckel, C. (2012a). The Effects of Sanctions on Bribery: US versus Pakistan. CBEES Working Paper Series 09-01.
- Banuri, S. & Eckel, C. (2012b). Experiments in culture and corruption: a review. In: Serra D, Wantchekon L. (eds.) New advances in experimental research on corruption, Vol 15. Emerald Group, New York, 51-76.
- Banuri, S. & Eckel, C. (2015). Cracking down on bribery. *Social Choice and Welfare*, 45 (3), 579-600.
- Barr, A. & Serra, D. (2009). The Effects of externalities and framing on bribery in a petty corruption experiment. *Experimental Economics*, 12(4), 488-503.
- Barr, A. & Serra, D. (2010). Corruption and Culture: An experimental analysis. *Journal of Public Economics*, 94 (11-12), 862-869.
- Basu, K. (2011). Why, for a class of bribes, the act of giving a bribe should be treated as legal. *India Ministry of Finance Report*.
- Baughn, C., Bodie, N.L., Buchanan, M.A. & Bixby, M.B. (2010). Bribery in international business transactions. *Journal of Business Ethics*, 92 (1), 15-32.
- Becker, G.S. (1968). Crime and punishment: An economic approach. *Journal of Political Economy* 76, 169-217.
- Cameron, L., Chaudhuri, A., Nisvan, E. & Gangadharan, L. (2009). Propensities to Engage in and Punish Corrupt Behavior: Experimental Evidence from Australia, India, Indonesia and Singapore. *Journal of Public Economics* 93 (7-8), 843-851.
- Castro, M.F. (2006). To bribe or not to bribe? An experimental analysis of corruption. Working Paper University of Pavia.
- Dušek, L., Ortmann, A. & Lizal L. (2005). Understanding corruption and corruptibility through experiments: a primer. *Prague Economic Papers*, (2), 147-162.
- Drugov, M., Hamman, J. & Serra, D. (2014). Intermediaries in Corruption: An Experiment. *Experimental Economics*, 17(1), 78-99.
- Engel, C., Georg, S.J. & Yu, G. (2013). Symmetric vs. Asymmetric punishment regimes for bribery. *Max Planck Institute for Research on Collective Goods*, Bonn.
- Fisman, R. & Miguel, E. (2007). Corruption, norms, and legal enforcement: Evidence from diplomatic parking tickets. *Journal of Political Economy*, 115(6), 1020-1048.
- Frank, B., Lambsdorff, J.G., Boehm, F. (2011). Gender and corruption: lessons from laboratory corruption experiments. *European Journal of Development Research*, 23(1), 59-71.
- Husted, B.W. (1999). Wealth, culture, and corruption. *Journal of International Business Studies*, 30(2), 339-359.
- Lambsdorff, J. G. & Frank, B. (2010). Bribing versus gift-giving: an experiment. *Journal of Economic Psychology*, 31, 347-357.
- Levitt, S.D. & List, J.A. (2007). What do laboratory experiments measuring social preferences reveal about the real world? *Journal of Economic Perspectives*, 21(2), 153-174.
- Li, S. Bühren, C. & Frank, B. (2011). Group decision making in a corruption experiment: China and Germany compared. Unpublished manuscript.
- Lowen, A. & Samuel, A. (2012). Bribery and endogenous monitoring effort: An experimental study. *Eastern Economic Journal*, 38(3), 356-380.

- Martin, K., Cullen, J.B., Johnson, J.L. & Parboteeah, K.P. (2007). Deciding to bribe: A Cross-level analysis of firm and home country influences on bribery activity. *Academy of Management Journal*, 50(6), 1401-1422.
- Mauro, P. (1985). Corruption and growth. *Quarterly Journal of Economics*, 110(3), 681-712.
- Rivas, M.F. (2008). An Experiment on Corruption and Gender. Working Paper, The Papers from Department of Economic Theory and Economic History of the University of Granada, No. 08/10.
- Rosenbaum, S.M., Billinger, S. & Stieglitz, N. (2013). Private virtues, public vices: Social norms and corruption. *International Journal of Development Issues*, 12(3), 192-212.
- Sanyal, R.N. (2005). Determinants of bribery in international business: The cultural and economic factors. *Journal of Business Ethics*, 59(1-2), 139-145.
- Sanyal, R.N. & Samanta, S.K. (2004). Determinants of bribery in international business. *Thunderbird International Business Review* 46 (2), 133-148.
- Schulze, G. & Frank, B. (2003). Deterrence versus intrinsic motivation: experimental evidence on the determinants of corruptibility. *Economics of Governance*, 4(2), 143-160.
- Serra, D. (2012). Combining top-down and bottom-up accountability: evidence from a bribery experiment. *Journal of Law, Economics, and Organization*, 28(3), 569-587.
- Treisman, D. (2000). The cause of corruption: A cross-national study. *Journal of Public Economics*, 76(3), 399-457.
- Van Welthuisen, R. (2013). The influence of wages on public officials' corruptibility: A laboratory investigation. *Journal of Economic Psychology* 39, 341-356.
- Wade, R. (1985). The market for public office: Why the Indian state is not better at development. *World Development*, 13(4), 467-497.

# AN INTEGRATED FUZZY AHP-TOPSIS APPROACH TO EVALUATION OF MOBILE SERVICE OPERATORS

*Funda Samanlioglu, Kadir Has University, Turkey*

*Bilge Akkaya, Kadir Has University, Turkey*

*Hayrettin Guler, Kadir Has University, Turkey*

*Tugce Meric, Kadir Has University, Turkey*

Telecommunication industry is one of the main drivers of the economy in Turkey. Invention of smart phones has triggered the number of subscribers, service diversity and also competition in this business. Telecommunication industry became very attractive for both customers and investors. Evaluation and selection of mobile service operators for customers is a multi-criteria decision making (MCDM) problem with many potentially competing qualitative and quantitative criteria. In this study, mobile service operator evaluation process in Turkey is discussed as a MCDM problem. MCDM method and fuzzy Analytic Hierarchy Process (f-AHP) are integrated with fuzzy Technique for Order of Preference by Similarity to Ideal Solution (f-TOPSIS). In the evaluation process, main criteria about prices, quality of technical services, productivity of customer services, and properties of tariffs are taken into consideration along with related sub-criteria. First, importance weights of criteria and sub-criteria are calculated with f-AHP, and then determined weights are used in f-TOPSIS to rank major mobile service operator alternatives in Turkey. During the group decision making process in fuzzy AHP-TOPSIS, pairwise comparisons in f-AHP and evaluation of alternatives in f-TOPSIS are done based on students' responses because they are one of the most affected groups from new developments and competitive environment in the society. As a result, Vodafone is ranked as the best alternative, followed by Turkcell and Avea operators in Turkey.

## Introduction

Mobile communication operator companies operate in a very competitive environment in Turkey. Customers can easily change their mobile service operators and even keep their previous phone numbers after accepting legal regulations for transfer if they are not satisfied with currently provided services. While selecting the most suitable mobile service operator, there are many potentially competing significant qualitative and quantitative criteria to consider so this problem is a MCDM problem by its nature. In this study, the major mobile service operators in Turkey is analyzed and the problem of ranking the operators is solved as a MCDM problem. In order to capture the uncertainty and vagueness in the evaluation process, an integrated fuzzy MCDM method, fuzzy AHP-TOPSIS is implemented.

The Analytic Hierarchy Process (AHP) method, invented by Thomas L. Saaty in 1981 (Saaty, 1981), is a MCDM method, to evaluate alternatives with respect to quantitative and qualitative criteria, using pairwise comparisons in a hierarchical structure. Eventually, a total weighted score for each alternative is obtained, and alternatives are ranked based on the total score. F-AHP, its fuzzy extension, has been developed to capture the uncertainty and vagueness in the evaluation process and it has been applied to various MCDM problems such as evaluations of suppliers (Ayhan, 2013; Kahraman, Cebeci, & Ulukan, 2003), organizational capital measurement indicators (Bozbura & Beskese, 2007), service quality of healthcare systems (Büyüközkan, Çifçi, & Güler, 2011), academic staff (Rouyendegh & Erkan, 2012), and disassembly line task assignments (Avikala, Mishra, & Jain, 2014).

The Technique for Order of Preference by Similarity to Ideal Solution (TOPSIS) was developed by Hwang and Yoon (1981) and then further improved by Yoon (1987) and Hwang, Lai and Liu (1993). The idea behind TOPSIS is that the best alternative is located on the shortest distance to the positive ideal solution and the farthest distance to the negative ideal solution. Its fuzzy version, f-TOPSIS has been applied to various MCDM problems such as evaluations of bridge risks (Wang & Elhag, 2006), plant locations (Yong, 2006), initial training aircrafts (Wang & Chang, 2007), and air carriers (Torlak *et al.*, 2011).

In the literature, integrated f-AHP and f-TOPSIS has been applied to various MCDM problems such as evaluations of hospital websites (Büyüközkan & Çifçi, 2012), third party logistics providers (Kumar & Singh, 2012), research assistant candidates at a university (Vatansever & Oncel, 2014) and risk of green supply chain implementation (Nazam *et al.*, 2015). In all these applications, f-AHP is used to determine the weights of criteria and f-TOPSIS is then used in ranking the alternatives using the weights obtained with f-AHP.

In the literature, the closest research to the presented one are by Tosun, Gungor, and Topcu (2008) and by Erginel and Senturk (2011). Tosun, Gungor, and Topcu (2008) implemented Analytic Network Process (ANP) and Erginel and Senturk (2011) applied fuzzy ANP to evaluate and rank GSM operators. At present, there does not appear to be a research paper in the literature that focuses on mobile service operator selection, implementing integrated fuzzy AHP-TOPSIS. In the next sections, steps of the fuzzy AHP-TOPSIS are presented more in detail, along with a case study realized in Turkey.

### The Fuzzy AHP-TOPSIS

Fuzzy set theory includes classes with unsharp boundaries (Lootsma, 1997). Any crisp theory can be fuzzified by generalizing the concept of a set within that theory to the concept of a fuzzy set (Zadeh, 1994). In this paper, due to its simplicity, triangular fuzzy numbers (TFNs),  $\tilde{1}$  to  $\tilde{9}$  that are shown in Table 1 are used to represent subjective pairwise comparisons of selection process in order to capture the vagueness in f-AHP and in f-TOPSIS calculations. A fuzzy number is a special fuzzy set  $F = \{(x, \mu_F(x)), x \in R\}$ , where  $x$  takes its values on the real line,  $R: -\infty < x < +\infty$  and  $\mu_F(x)$  is a continuous mapping from  $R$  to the closed interval  $[0, 1]$ . A triangular fuzzy number denoted as  $\tilde{M} = (l, m, u)$ , where  $l \leq m \leq u$ , has the following triangular type membership function;

$$\mu_F(x) = \begin{cases} 0 & x < l \\ \frac{x-l}{m-l} & l \leq x \leq m \\ \frac{u-x}{u-m} & m \leq x \leq u \\ 0 & x > u \end{cases} \quad (1)$$

**Table 1. Definition and Membership Function of Fuzzy Number** (Ayağ, 2005)

Fuzzy number	Definition	Membership function
$\tilde{1}$	Equally important/preferred (E)	(1, 1, 2)
$\tilde{3}$	Moderately more important/preferred (M)	(2, 3, 4)
$\tilde{5}$	Strongly more important/preferred (S)	(4, 5, 6)
$\tilde{7}$	Very strongly more important/preferred (VS)	(6, 7, 8)
$\tilde{9}$	Extremely more important/preferred (ES)	(8, 9, 10)

With the interval of confidence level  $\alpha$  ( $\alpha$ -cut), the TFN can be characterized as:

$$\forall \alpha \in [0,1] \quad \tilde{M}_\alpha = [l^\alpha, u^\alpha] = [(m-l)\alpha + l, -(u-m)\alpha + u] \quad (2)$$

Some operations between positive fuzzy numbers are described by  $\alpha$ -cut as (Kaufmann & Gupta, 1988):

$$\forall m_L, m_R, n_L, n_R \in R^+, \tilde{M}_\alpha = [m_L^\alpha, m_R^\alpha], \tilde{N}_\alpha = [n_L^\alpha, n_R^\alpha], \alpha \in [0,1] \quad (3)$$

$$\tilde{M} \oplus \tilde{N} = [m_L^\alpha + n_L^\alpha, m_R^\alpha + n_R^\alpha], \tilde{M} \ominus \tilde{N} = [m_L^\alpha - n_L^\alpha, m_R^\alpha - n_R^\alpha] \quad (4)$$

(5)

$$\tilde{M} \otimes \tilde{N} = [m_L^\alpha n_L^\alpha, m_R^\alpha n_R^\alpha], \tilde{M} / \tilde{N} = [m_L^\alpha / n_L^\alpha, m_R^\alpha / n_R^\alpha]$$

In this study, f-AHP is used to calculate the importance weights of evaluation criteria and sub-criteria and f-TOPSIS is used to rank the alternatives using the weights obtained with f-AHP. In f-AHP and f-TOPSIS calculations, during the group decision making process, 100 students are involved as decision makers (DMs) and the majority of the answers of 100 students are taken into consideration as the linguistic evaluations. As seen in Table 1, there are five linguistic evaluations and since there are 100 DMs, majority is defined as more than 20 DMs giving the same answer for each evaluation in f-AHP and f-TOPSIS.

Computational steps of f-AHP are as follows:

*Step 1:* By using TFNs  $(\tilde{1}, \tilde{3}, \tilde{5}, \tilde{7}, \tilde{9})$ , via pairwise comparisons, construct the fuzzy judgment matrix  $\tilde{A}$  containing fuzzy numbers  $\tilde{a}_{ij}$ .

$$\tilde{A} = \begin{bmatrix} 1 & \tilde{a}_{12} & \dots & \dots & \tilde{a}_{1n} \\ \tilde{a}_{21} & 1 & \dots & \dots & \tilde{a}_{2n} \\ \dots & \dots & \dots & \dots & \dots \\ \dots & \dots & \dots & \dots & \dots \\ \tilde{a}_{n1} & \tilde{a}_{n2} & \dots & \dots & 1 \end{bmatrix} \text{ where, } \tilde{a}_{ij} = 1, \text{ if } i \text{ is equal } j, \text{ and } \tilde{a}_{ij} = \tilde{1}, \tilde{3}, \tilde{5}, \tilde{7}, \tilde{9} \text{ or } \tilde{1}^{-1}, \tilde{3}^{-1}, \tilde{5}^{-1}, \tilde{7}^{-1}, \tilde{9}^{-1}, \text{ if } i \text{ is not equal } j.$$

*Step 2:*  $\alpha$ -cut incorporates the DM's confidence over the judgments.

(6)

$$\tilde{A}^\alpha = \begin{bmatrix} 1 & \tilde{a}_{12}^\alpha & \dots & \dots & \tilde{a}_{1n}^\alpha \\ \tilde{a}_{21}^\alpha & 1 & \dots & \dots & \tilde{a}_{2n}^\alpha \\ \dots & \dots & \dots & \dots & \dots \\ \dots & \dots & \dots & \dots & \dots \\ \tilde{a}_{n1}^\alpha & \tilde{a}_{n2}^\alpha & \dots & \dots & 1 \end{bmatrix}$$

Degree of satisfaction for  $\tilde{A}$  is estimated by the index of optimism  $\mu$ . Larger value of  $\mu$  means higher degree of optimism.  $\mu$  is a linear convex combination (Lee, 1999) defined as:

(7)

$$\tilde{a}_{ij}^\alpha = \mu \tilde{a}_{iju}^\alpha + (1 - \mu) \tilde{a}_{ijl}^\alpha, \forall \mu \in [0, 1]$$

While  $\alpha$  is fixed, after setting  $\mu$  to estimate the degree of satisfaction, the matrix  $A$  is obtained.

*Step 3:* The Eigen vector is calculated by fixing the  $\mu$  value and identifying the maximal Eigen value ( $\lambda_{\max}$ ). The normalized principal Eigen vector is called priority weight vector  $w$ .

(8)

$$Aw^T = \lambda_{\max} w^T$$

*Step 4:* The measure of inconsistency of pairwise comparisons is called the consistency index (CI) and it is calculated as:

(9)

$$CI = \frac{\lambda_{\max} - n}{n - 1}$$

Step 5: The consistency ratio (CR) is used to estimate the consistency of pairwise comparisons, and the CR is calculated by dividing CI by Random Index (RI);

$$CR = \frac{CI}{RI} \quad (10)$$

RI is the average index for randomly generated weights (Saaty, 1981). If the CR is less than 0.10, the comparisons are acceptable, otherwise they are not.

Computational steps of f-TOPSIS:

Assuming there are  $m$  alternatives to rank, and  $n$  sub-criteria, a fuzzy decision matrix is given as:

$$\tilde{D} = \begin{bmatrix} \tilde{x}_{11} & \tilde{x}_{12} & \dots & \tilde{x}_{1n} \\ \tilde{x}_{21} & \tilde{x}_{22} & \dots & \tilde{x}_{2n} \\ \vdots & \vdots & \dots & \vdots \\ \tilde{x}_{m1} & \tilde{x}_{m2} & \dots & \tilde{x}_{mn} \end{bmatrix}, \text{ where } \tilde{x}_{ij} \forall i, j \text{ are linguistic variables that are described by positive TFNs } \tilde{x}_{ij} = (a_{ij}, b_{ij}, c_{ij}) \text{ in}$$

Table 1. Weight vector  $w = [w_1, w_2, \dots, w_n]$  for  $n$  sub-criteria was obtained from f-AHP previously.

Step 1: While  $\alpha$  is fixed, after setting  $\mu$  to estimate the degree of satisfaction, the decision matrix  $D$  with elements  $x_{ij}$  is obtained. Note that, after obtaining  $D$ , the TOPSIS steps (Triantaphyllou, 2000) are used. Normalized

decision matrix  $R$  is obtained with elements  $r_{ij} = x_{ij} / \sqrt{\sum_{k=1}^m x_{kj}^2}$ .

Step 2: Calculate the weighted normalized decision matrix  $V = w \cdot R$  with elements  $v_{ij}$ .

Step 3: Define the positive-ideal solution ( $A^*$ ) and negative-ideal solution ( $A^-$ ).

$$A^* = \left\{ \left( \max_i v_{ij} \mid j \in J \right), \left( \min_i v_{ij} \mid j \in J^- \right), i = 1, 2, \dots, m \right\} = (v_{1*}, v_{2*}, \dots, v_{n*}) \quad (11)$$

$$A^- = \left\{ \left( \min_i v_{ij} \mid j \in J \right), \left( \max_i v_{ij} \mid j \in J^- \right), i = 1, 2, \dots, m \right\} = (v_{1-}, v_{2-}, \dots, v_{n-}) \quad (12)$$

Where,  $J$  is the set of benefit criteria and  $J^-$  is the set of cost criteria.

Step 4: Calculate the separation distances of each alternative from  $A^*$  and  $A^-$ :

$$S_{i*} = \sqrt{\sum_{j=1}^n (v_{ij} - v_{j*})^2}, i = 1, 2, \dots, m \quad (13)$$

$$S_{i-} = \sqrt{\sum_{j=1}^n (v_{ij} - v_{j-})^2}, i = 1, 2, \dots, m \quad (14)$$

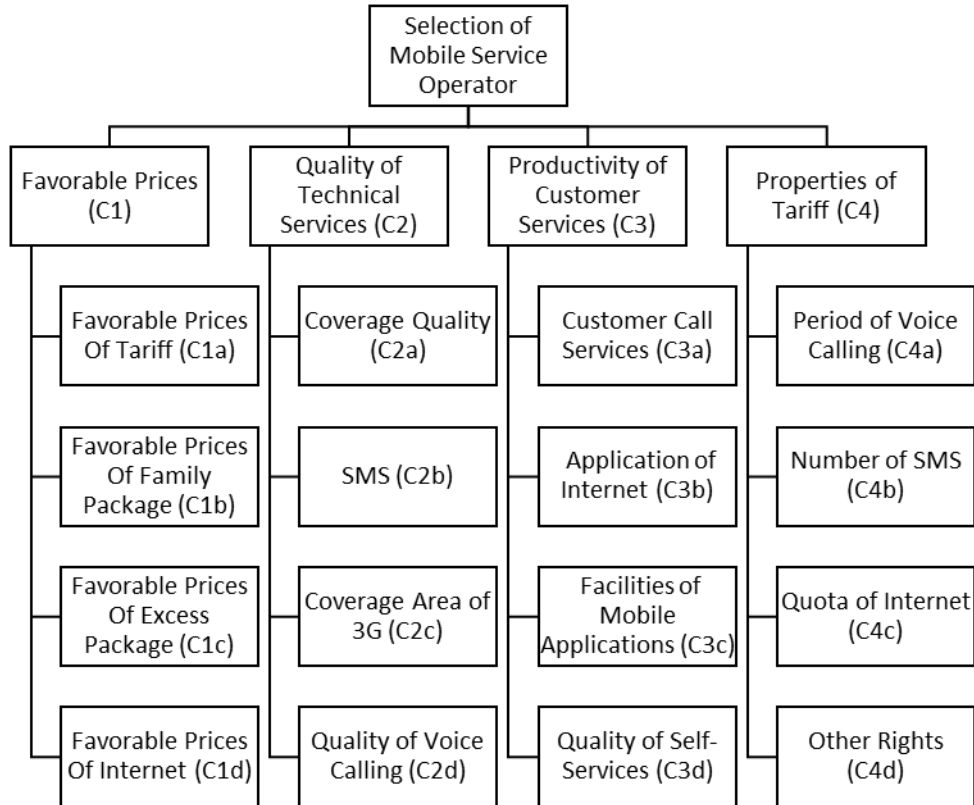
Step5: Calculate the closeness coefficient of each alternative:

$$C_{i*} = S_{i-} / (S_{i*} + S_{i-}), i = 1, 2, \dots, m. \quad (15)$$

Rank the alternatives in decreasing order of closeness coefficient (from best to worst) based on  $C_{i*}$  since as it approaches to 1, an alternative is closer to  $A^*$  and farther from  $A^-$ .

## Case Study

In this study, Turkcell (A1), Vodafone (A2) and Avea (A3) mobile service operator alternatives in Turkey are evaluated based on several quantitative and qualitative criteria. The criteria and corresponding sub-criteria are given in Figure 1.



**Figure 1. Criteria and Sub-criteria for the Selection of Mobile Service Operator**

As the DMs, 100 students are involved and the majority of 100 answers are taken into consideration as the linguistic variables in f-AHP and F-TOPSIS calculations. All the calculations were done in Excel program.

In f-AHP, DMs do pairwise comparisons of all criteria and sub-criteria using the linguistic terms and corresponding membership functions of TFNs that are presented in Table 1. Majority of the answers are taken into consideration and based on this, pairwise comparisons of criteria and sub-criteria are given in Tables 2-6.

**Table 2. Fuzzy Pairwise Comparisons of Main Criteria with TFNs**

	C1	C2	C3	C4
C1	1	$\tilde{1}$	$\tilde{5}$	$\tilde{5}$
C2	$\tilde{1}^{-1}$	1	$\tilde{1}$	$\tilde{3}$
C3	$\tilde{5}^{-1}$	$\tilde{1}^{-1}$	1	$\tilde{1}$
C4	$\tilde{5}^{-1}$	$\tilde{3}^{-1}$	$\tilde{1}^{-1}$	1

**Table 3. Fuzzy Pairwise Comparisons of Sub-criteria of C1 with TFNs**

	C1a	C1b	C1c	C1d
C1a	1	$\tilde{5}$	$\tilde{5}$	$\tilde{7}$
C1b	$\tilde{5}^{-1}$	1	$\tilde{3}$	$\tilde{1}$
C1c	$\tilde{5}^{-1}$	$\tilde{3}^{-1}$	1	$\tilde{1}$
C1d	$\tilde{7}^{-1}$	$\tilde{1}^{-1}$	$\tilde{1}^{-1}$	1

**Table 4. Fuzzy Pairwise Comparisons of Sub-criteria of C2 with TFNs**

	C2a	C2b	C2c	C2d
C2a	1	$\tilde{1}$	$\tilde{3}$	$\tilde{5}$
C2b	$\tilde{1}^{-1}$	1	$\tilde{1}$	$\tilde{3}$
C2c	$\tilde{3}^{-1}$	$\tilde{1}^{-1}$	1	$\tilde{5}$
C2d	$\tilde{5}^{-1}$	$\tilde{3}^{-1}$	$\tilde{5}^{-1}$	1

**Table 5. Fuzzy Pairwise Comparisons of Sub-criteria of C3 with TFNs**

	C3a	C3b	C3c	C3d
C3a	1	$\tilde{1}$	$\tilde{3}$	$\tilde{5}$
C3b	$\tilde{1}^{-1}$	1	$\tilde{7}$	$\tilde{9}$
C3c	$\tilde{3}^{-1}$	$\tilde{7}^{-1}$	1	$\tilde{3}$
C3d	$\tilde{5}^{-1}$	$\tilde{9}^{-1}$	$\tilde{3}^{-1}$	1

**Table 6. Fuzzy Pairwise Comparisons of Sub-criteria of C4 with TFNs**

	C4a	C4b	C4c	C4d
C4a	1	$\tilde{3}$	$\tilde{3}$	$\tilde{5}$
C4b	$\tilde{3}^{-1}$	1	$\tilde{3}$	$\tilde{5}$
C4c	$\tilde{3}^{-1}$	$\tilde{3}^{-1}$	1	$\tilde{1}$
C4d	$\tilde{5}^{-1}$	$\tilde{5}^{-1}$	$\tilde{1}^{-1}$	1

Based on the DMs,  $\alpha$  and  $\mu$  are fixed as 0.5. Substituting  $\alpha = 0.5$  and  $\mu = 0.5$  in Eq. (7), the matrices in Tables 7-11 are determined. Using these matrices, the priority weights ( $w$ ) of criteria and sub-criteria are calculated and given in Tables 7-11. Then, the eigenvector,  $\lambda_{\max}$  is calculated with Eq. (8) and CI and CR values are determined using Eq. (9) and Eq. (10). Note that RI = 0.9 for 4x4 matrices. CR values for each matrix is also given in these tables. Note that since all CR values are less than or equal to 0.1, comparisons are assumed to be acceptable (consistent).

**Table 7. Pairwise Comparisons of Main Criteria**

	C1	C2	C3	C4	weights
C1	1	1.25	5	5	0.47
C2	0.87	1	1.25	3	0.27
C3	0.20	0.87	1	1.25	0.14
C4	0.20	0.35	0.87	1	0.09
$\lambda_{\max} = 4.24$ , CI=0.08, CR= 0.09 <=0.1 consistent					



**Table 8. Pairwise Comparisons of Sub-criteria of C1**

	C1a	C1b	C1c	C1d	weights
C1a	1	5	5	7	0.61
C1b	0.20	1	3	1.25	0.19
C1c	0.20	0.35	1	1.25	0.09
C1d	0.14	0.87	0.87	1	0.10
$\lambda_{\max} = 4.253$ CI=0.084, CR=0.09<=0.1 consistent					

**Table 9. Pairwise Comparisons of Sub-criteria of C2**

	C2a	C2b	C2c	C2d	weights
C2a	1	1.25	3	5	0.41
C2b	0.87	1	1.25	3	0.27
C2c	0.35	0.87	1	5	0.23
C2d	0.20	0.35	0.20	1	0.07
$\lambda_{\max} = 4.23$ , CI=0.07, CR=0.08 <=0.1 consistent					

**Table 10. Pairwise Comparisons of Sub-criteria of C3**

	C3a	C3b	C3c	C3d	weights
C3a	1	1.25	3	5	0.36
C3b	0.87	1	7	9	0.46
C3c	0.35	0.14	1	3	0.11
C3d	0.20	0.11	0.35	1	0.05
$\lambda_{\max} = 4.23$ , CI=0.07, CR= 0.08<=0.1 consistent					

**Table 11. Pairwise Comparisons of Sub-criteria of C4**

	C4a	C4b	C4c	C4d	weights
C4a	1	3	3	5	0.49
C4b	0.35	1	3	5	0.29
C4c	0.35	0.35	1	1.25	0.12
C4d	0.20	0.20	0.875	1	0.08
$\lambda_{\max} = 4.24$ , CI=0.08, CR= 0.09<=0.1 consistent					

As a result, the sub-criteria weights obtained from f-AHP are presented in Table 12. Note that the summation of all the criteria weights is equal to 1. These weights are then used in f-TOPSIS calculations.

**Table 12. Sub-criteria Weights Obtained from F-AHP**

C1a	C1b	C1c	C1d	C2a	C2b	C2c	C2d
0.21	0.06	0.03	0.03	0.06	0.03	0.03	0.01
C3a	C3b	C3c	C3d	C4a	C4b	C4c	C4d
0.07	0.09	0.02	0.01	0.14	0.08	0.03	0.02

In f-TOPSIS phase, DMs rate each alternative based on each sub-criterion using the linguistic terms and TFNs in Table 1. These ratings are presented in Table 13.

**Table 13. Fuzzy Decision Matrix**

	C1a	C1b	C1c	C1d	C2a	C2b	C2c	C2d
A1	$\tilde{5}$	$\tilde{7}$	$\tilde{3}$	$\tilde{7}$	$\tilde{9}$	$\tilde{9}$	$\tilde{9}$	$\tilde{7}$
A2	$\tilde{7}$	$\tilde{7}$	$\tilde{5}$	$\tilde{7}$	$\tilde{7}$	$\tilde{7}$	$\tilde{7}$	$\tilde{9}$
A3	$\tilde{7}$	$\tilde{9}$	$\tilde{9}$	$\tilde{9}$	$\tilde{3}$	$\tilde{3}$	$\tilde{3}$	$\tilde{5}$
	C3a	C3b	C3c	C3d	C4a	C4b	C4c	C4d

A1	$\tilde{7}$	$\tilde{7}$	$\tilde{9}$	$\tilde{9}$	$\tilde{7}$	$\tilde{7}$	$\tilde{7}$	$\tilde{9}$
A2	$\tilde{5}$	$\tilde{7}$	$\tilde{7}$	$\tilde{9}$	$\tilde{9}$	$\tilde{7}$	$\tilde{9}$	$\tilde{9}$
A3	$\tilde{5}$	$\tilde{5}$	$\tilde{3}$	$\tilde{5}$	$\tilde{7}$	$\tilde{7}$	$\tilde{9}$	$\tilde{5}$

Substituting  $\alpha = 0.5$  and  $\mu = 0.5$  in Eq. (7), decision matrix  $D$  is determined as seen in Table 14.

**Table 14. Decision Matrix ( $D$ )**

	C1a	C1b	C1c	C1d	C2a	C2b	C2c	C2d
A1	5	7	3	7	9	9	9	7
A2	7	7	5	7	7	7	7	9
A3	7	9	9	9	3	3	3	5
	C3a	C3b	C3c	C3d	C4a	C4b	C4c	C4d
A1	7	7	9	9	7	7	7	9
A2	5	7	7	9	9	7	9	9
A3	5	5	3	5	7	7	9	5

Decision matrix ( $D$ ) is normalized and the weighted normalized decision matrix ( $V$ ) is obtained with the weights that are presented in Table 12.  $V$  matrix is shown in Table 15.

**Table 15. Weighted Normalized Decision Matrix ( $V$ )**

	C1a	C1b	C1c	C1d	C2a	C2b	C2c	C2d
A1	0.09	0.03	0.00	0.01	0.04	0.02	0.02	0.00
A2	0.13	0.03	0.01	0.01	0.03	0.02	0.01	0.00
A3	0.13	0.04	0.02	0.02	0.01	0.00	0.00	0.00
	C3a	C3b	C3c	C3d	C4a	C4b	C4c	C4d
A1	0.05	0.06	0.01	0.00	0.07	0.05	0.01	0.01
A2	0.03	0.06	0.01	0.00	0.09	0.05	0.02	0.01
A3	0.03	0.04	0.00	0.00	0.07	0.05	0.02	0.00

All the criteria and sub-criteria are considered as benefit criteria and  $A^*$  and  $A^-$  are determined based on Eq. (11) and Eq. (12) as:

$$A^* = (0.13, 0.04, 0.02, 0.02, 0.04, 0.02, 0.02, 0.00, 0.05, 0.06, 0.01, 0.00, 0.09, 0.05, 0.02, 0.01)$$

$$A^- = (0.09, 0.03, 0.00, 0.01, 0.01, 0.00, 0.00, 0.00, 0.03, 0.04, 0.00, 0.00, 0.07, 0.05, 0.01, 0.00).$$

With Eq.(13), Eq. (14), and Eq. (15),  $S_{i^*}$ ,  $S_{i^-}$ , and  $C_{i^*}$  are calculated as seen in Table 16.

**Table 16. Fuzzy AHP-TOPSIS Results**

Alternative	$S_{i^*}$	$S_{i^-}$	$C_{i^*}$	Rankings
A1	0.04	0.04	0.49	2
A2	0.02	0.05	0.68	1
A3	0.05	0.04	0.45	3

Based on the  $C_{i^*}$ , alternatives are ranked from best to worst as A2 (Vodafone), A1 (Turkcell) and A3 (Avea).

## Conclusion

In this study, an integrated f-AHP and f-TOPSIS method, namely fuzzy AHP-TOPSIS, is proposed to evaluate mobile service operator alternatives and a case study evaluating major mobile operator alternatives in Turkey is presented. In summary, f-AHP is used to determine the importance weights of quantitative and qualitative criteria and f-TOPSIS is then used to rank the alternatives. In fuzzy AHP-TOPSIS, DMs express their judgements using linguistic variables and this allows DMs a freedom of estimation. Using fuzzy AHP-TOPSIS, alternatives are ranked at a reasonable time and effort. Based on the results, Vodafone is evaluated as the best major mobile service operator in Turkey, especially for students. Based on these results, managers of mobile service operators might try to use their companies' strengths and weaknesses to improve their performances. By focusing on the evaluation criteria presented in this research, they can expand their strengths and maximize their potential.

Fuzzy AHP-TOPSIS can be used in many benchmarking problems to assess and rank alternatives with respect to quantitative and qualitative criteria. Due to the nature of the comparisons, with fuzzy AHP-TOPSIS, consistent results are obtained and the procedure is simple, flexible and straightforward. In this method, fuzzy logic and linguistic evaluations are used to manage uncertainty and vagueness and this allows DMs more freedom and flexibility in their evaluations. For future research, results of this study may be compared with other fuzzy MCDM methods. Also, network relationships can be studied with fuzzy Analytic Network Process (f-ANP) and f-ANP can be integrated with f-TOPSIS for MCDM ranking problems.

## References

- Ayağ, Z. (2005). A fuzzy AHP-based simulation approach to concept evaluation in a NPD environment. *IIE Transactions*, 37, 827-842.
- Avikala, S., Mishraa P. & Jain, R. (2014). A Fuzzy AHP and PROMETHEE method-based heuristic for disassembly line balancing problems. *International Journal of Production Research*, 52(5), 1306-1317.
- Ayhan, M.B. (2013). A Fuzzy AHP Approach for supplier selection problem: A case study in a gear motor company. *International Journal of Managing Value & Supply Chains*, 4(3), 11.
- Bozbura F.T. & Beskese, A. (2007). Prioritization of organizational capital measurement indicators using fuzzy AHP. *International Journal of Approximate Reasoning*, 44(2), 124-147.
- Büyüközkan, G. & Çifçi, G. (2012). A combined fuzzy AHP and fuzzy TOPSIS based strategic analysis of electronic service quality in healthcare industry. *Expert Systems with Applications*, 39(3), 2341–2354.
- Büyüközkan, G., Çifçi, G. & Güleriyüz, S. (2011). Strategic analysis of healthcare service quality using fuzzy AHP methodology. *Expert Systems with Applications*, 38(8), 9407-9424.
- Erginel, N., & Senturk, S. (2011). Ranking of the GSM Operators with Fuzzy ANP. *Proceedings of the World Congress on Engineering, WCE 2011, VOL. 2, Lecture Notes in Engineering and Computer Science*, 1116-1121.
- Hwang, C.L., Lai, Y.J. & Liu, T.Y. (1993). A new approach for multiple objective decision making. *Computers and Operational Research*, 20, 889–899.
- Hwang, C.L. & Yoon, K. (1981). *Multiple attribute decision making: Methods and applications*. New York: Springer-Verlag.
- Kahraman, C., Cebeci U. & Ulukan, Z. (2003). Multi-criteria supplier selection using fuzzy AHP. *Logistics Information Management*, 16(6), 382-394.
- Kaufmann, A. & Gupta, M.M. (1988). *Fuzzy mathematical model in engineering and management science*. Amsterdam: Elsevier.
- Kumar, P. & Singh, R.K. (2012). A fuzzy AHP and TOPSIS methodology to evaluate 3PL in a supply chain. *Journal of Modelling in Management*, 7(3), 287-303.
- Lee, A.R. (1999). *Application of Modified Fuzzy AHP Method to analyze bolting sequence of structural joints*. UMI Dissertation Services, A Bell & Howell Company.
- Lootsma, F.A. (1997). *Fuzzy Logic for Planning and Decision Making*, Dordrecht: Kluwer Academic Publisher.
- Nazam, M., Xu, J., Tao, Z., Ahmad, J. & Hashim, M. (2015). A fuzzy AHP-TOPSIS framework for the risk assessment of green supply chain implementation in the textile industry. *International Journal of Supply and Operations Management*, 2(1), 548-568.
- Rouyendegh, B.D. & Erkan, T.E. (2012). Selection of academic staff using the fuzzy analytic hierarchy process (fahp): A pilot study. *Tehnički vjesnik*, 19(4), 923-929.
- Saaty, T. L. (1981). *The Analytic Hierarchy Process*. New York: McGraw-Hill.

- Torlak, G., Sevkli, M., Sanal M. & Zaim, S. (2011). Analyzing business competition by using fuzzy TOPSIS method: An example of Turkish domestic airline industry. *Expert Systems with Applications*, 38(4), 3396–3406.
- Tosun O.K., Gungor, A. & Topcu, Y.I. (2008). ANP application for evaluating Turkish mobile communication operators. *Journal of Global Optimization*, 42(2), 313-324.
- Triantaphyllou, E. (2000). Multi-criteria decision making methods. In: E. Triantaphyllou (Ed.), *Multi-criteria decision making methods: A comparative study*, 44, 5-21. New York, NY: Springer. ISSN 1384-6485.
- Vatansever, K. & Oncel, M. (2014). An implementation of integrated multi-criteria decision making techniques for academic staff recruitment. *Journal of Management, Marketing and Logistics*, 1(2), 111-126.
- Wang T-C. & Chang, T.H. (2007). Application of TOPSIS in evaluating initial training aircraft under a fuzzy environment. *Expert Systems with Applications*, 33(4), 870-880.
- Wang Y.M. & Elhag, T.M. (2006). Fuzzy TOPSIS method based on alpha level sets with an application to bridge risk assessment. *Expert Systems with Applications*, 31(2), 309-319.
- Yong, D. (2006). Plant location selection based on fuzzy TOPSIS. *International Journal of Advanced Manufacturing Technology*, 28(7), 839–844.
- Yoon, K. (1987). A reconciliation among discrete compromise situations. *Journal of Operational Research Society*, 38, 277–286.
- Zadeh, L.A. (1994). Fuzzy Logic, neural Network, and Soft Computing. *Communications of the ACM*, 37, 77-84.

# FACTORS INFLUENCING YOUNG AFRICAN CONSUMERS' INCLINATION FOR BRANDED PRODUCTS

*Marius Potgieter, North-West University, South Africa*  
*Farikai Mapanga, North-West University, South Africa*

Brands are ubiquitous and young consumers associate themselves with brands whilst businesses contest through brand value. Consumers are encumbered with a barrage of market manipulated incitements modelling their consumer patterns of behaviour into a constant state of flux. Today's extremely global brand-competitive environment makes marketers duty-bound to be acquainted with the importance consumers place on the factors influencing their brand inclination, specifically that of young African consumers – the focus of this paper. Gaining knowledge about these consumers' brand inclination is important for the crafting of innovative marketing strategies seeing that the homogeneity and heterogeneity of influences enable refining brand positioning and target marketing. A descriptive survey with a self-completing questionnaire was undertaken in Mahikeng and young African consumers up to the age of 30 years were selected on a convenience sampling bases to participate. The data was statistically analyzed. The study disclosed that young Africans are brand conscious and price is the most important influence, followed by promotional offers. No statistical significant differences surfaced between the five populations descriptors and the importance placed on the six influencing factors. Marketing communication focusing on discounts should be directed at young African females and males will be influenced by brand image.

## Introduction

Consumers find themselves in a market environment where they are overwhelmed with possibilities, creating an ideal situation for branding (Franzen & Moriarty, 2009; Kapferer, 2012). Businesses and marketers are confronted with a multitude of factors/influences in the marketing environment, such as new, modified and transformed merchandise. Obtaining loyalty-status is imperative to the dynamic character of consumer demand and their preferences, as well as possible opportunities, threats and challenging influences. Collectively, this places incredible liabilities on the capability of decision-makers who have to make informed decisions and undoubtedly need to adapt their business practices and product-offerings continuously.

Today's marketplace is competitive and evident is the contest amongst rivalling local, regional and international brands. An example of rivalry is the 'Proudly South African' initiative (Proudlysa, 2015) with its own local summits. There is in South Africa a national drive to get consumers to accept and prefer local brands over and above those of regional and/or international brands. This places demands on marketers to formulate marketing strategies and tactics in an attempt to acquire the ideal 'share of market, mind, and the heart' (Kotler, 2000) of the target market in their endeavor to circumvent rivalry.

Businesses and marketers thus need to accomplish objectives through invention, application, and the management of strategic marketing processes. One device in this endeavor is branding. However, results should be measured alongside objectives and inputs (Drucker as cited by MacKenzie, 2017) and tactics should be devised to maximize profitability. Consumers' preferences for brands reflect distinct differences and Wyma *et al.* (2012) indicated that the demographic and psychographic factors of South African consumers should be regarded as influencing factors; and the research done by Mosupye (2014) focused on the Generation X and Y in South Africa and resulted in recommending that unique quality features should be developed for intensifying brand awareness.

Branding and target marketing both are vast topics and cannot be unraveled in one paper or presentation and the focus of this study is only on the importance young African consumers place on selected influences on their brand inclination. The specific objectives for this paper are to: first, obtain a depiction of the research population (young African consumers); second, determine the importance these consumers place on the factors influencing their inclination for branded versus non-branded products; and third, determine if there are any statistical significant relationships between the population descriptors and the factors.

This paper presents the results of an empirical mono-method quantitative cross-sectional survey undertaken amidst young African consumers. This paper was launched with presenting the research topic and objectives before a theoretical review of branding and the factors influencing consumers' inclination are presented. Succeeding this is an elucidation of the technique of research followed, a presentation of the research results, and the managerial consequences derived from the findings. The paper then terminates with a concluding remark.

## Theoretical Review

Consumers are the reason for the existence of a business and thus it is imperative that marketers comprehend consumers' decision making. The African consumer market is still being deliberated because of its complexity and available research is often contractually mandated and kept confidential. This market is evolving and fast-changing and procuring information on these consumers' characteristics and their inclinations, influences and consumption trends and patterns is crucial since anticipating and meeting their needs is a key to success (Lotter, 2016) for any business concern.

The youth market in South Africa is of pronounced importance and it is projected that half of the population of South Africa forms part of the youth market with an annual spend of R111 billion (US\$1.00 = ZAR12.62 on 27/03/2017). The *Sunday Times*' 'Generation Next' Survey classified youth as "all individuals between the ages of 8 and 23 years"; but, it is imperative to take cognizance that the expression 'youth' should not be defined by age alone but also psychographically (Marketing to the Youth in..., 2015).

The image of a brand is the perceived value consumers attach to it and forms "the central factor in positioning the product" (Doole *et al.*, 2016) in any given market. Creating a brand name, symbol or design is an effective strategy for obtaining a pre-emptive position in the market. Today, branding is used as a tool for increasing consumer awareness and loyalty (Chukwuneme, 2012; Karam & Saydam, 2015) and Aaker (2012) emphasizes that the goal of branding is to persuade consumers that the brand name is a substitute for anticipated benefits, a sort of classical conditioning as described by the classical conditioning theory of learning (Mpiganjira *et al.*, 2013). This is supported by the American Marketing Association (AMA, 2015) who delimits a brand as "a name, term, sign, symbol, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors."

A brand can thus be a marker of ownership, a name, a term, a design or a symbol (Kotler, 2010) and a brand can likewise be a product, a service or a concept. Sardar (2012) describes two different views of a brand: firstly, the product plus view – a brand is seen as an addition to a product, an identifier; and secondly, the holistic view – the focus is on the brand itself and considered to be more than just the product.

Branding, as professed by Kapferer (2014), is bequeathing products with power. This involves creating mental structures and helping consumers organize their knowledge about products and services in a manner that clarifies their decision-making. Branded products are thus those product items that have a distinctive name and/or symbol such as a logo, trade mark or packaging specifically designed to single products out (Subhani *et al.*, 2012). In contrast to this, non-branded products have no recognition in the market by a name or identity of any one seller or group of sellers and are treated as commodity items. The primary functions of a brand is to provide convenience and clarity in decision-making, providing a guarantee of performance and communicating a set of expectations, thereby offering certainty and facilitating the buying process. Brands can also be used to ensure compliance with group/peer-pressure instead of being ostracized for not exhibiting 'acceptable' brands. Thus, marketers can use the operant conditioning learning theory by stressing the consequences consumers will have to suffer if they do not comply with expectations (Mpiganjira *et al.*, 2013). Remarkably, Keller (2012) said that a brand is the summation of all elements of the marketing mix.

Young consumers' interconnectivity through social-media should also be regarded as an influence on their brand decisions. Sasmita and Suki (2015) pointed out that the highest contributors to the number of smartphone sales are the main users of social-media, and that young consumers are also highly exposed to an array of brands. Marketers thus should integrate social-media and brand-fan-pages (Jahn & Kunz, 2012) into brand strategies when considering that brand names are very important to many young consumers who require information about the quality, origin, and the value of products (Moolla, 2010).

Inclinations, according to Schiffman and Kanuk (2010), are behavioural tendencies and brand inclination is described as a consumer's predisposition towards a brand that fluctuates conditionally on salient beliefs that are elicited at a particular time; the consumer's prejudice towards a certain brand; and in the magnitude to which a consumer favors a branded versus a non-branded product. Specific theories marketers need to keep in mind in terms of their consumers' perceptions are Gestalt psychology, (stimuli interpretation), neuropsychology (brain functioning), and depth psychology (understanding the unconscious mind), as described by Mpiganjira *et al.* (2013). Vecchio and Annunziata (2015) explained in a research paper published how consumers form inclinations for various goods and services by using theories of adoption.

The description of the expression 'brand inclination' for the purpose of this paper is: biased behavioural tendencies reflecting a consumer's predisposition towards branded versus non-branded products. Brand inclination can be a measure of brand loyalty where a consumer will choose a particular brand amongst other branded products

presented (Baines *et al.*, 2011; Cant & Van Heerden, 2013). Lamb *et al.* (2011) articulated that brand inclination is the degree to which a consumer prefers one brand over another.

Consumers have positive and negative experiences almost every day and these experiences are prompted by peer pressure, their own styles, beliefs, behaviors, and also their interests. In order to advance their general quality of life, young consumers will explore means for advancing positive experiences and to avoid/reduce the impact of probable negative experiences. This is where the appealing benefits and qualities of branded products should be communicated so that the brands can succor young consumers in recognizing and electing products that will provide a constructive experience. Mullins *et al.* (2005) indicated that brands offer a time-saving advantage to consumers and that brands are a storehouse of trust that matters more as choices proliferate.

Many products with tempting attributes are competing for the attention of consumers during the decision-making process (Catalin & Andreea, 2014) and three processes are identified as being intertwined in choice behavior. These processes, as explained by Keller (2008), are: psychological, sociological, and lastly economic processes. Within these processes, young consumers tend to select brands congruent with their self-image and identity. Mullins *et al.* (2005) and Bian and Moutinho (2011) both suggest that consumers' values, goals and vision for their life, along with aesthetic style, may also be an influence on product and brand inclination. Knowledge of and how to use the theoretical viewpoints of consumer personality (psychodynamic, traits, biological, and socio-cognitive viewpoints (Mpinganjira *et al.*, 2013)) will be of indispensable value to brand marketers. In addition to this is the social exchange theory (predicting the behavior for any individual in any situation in terms of behavior (profits) and rewards (costs) of interaction; and the following four theories of consumer behavior: theory of reasoned action, the Engel Kollet Blackwell (EKB) model, the motivation-need theory, and lastly impulse buying.

Consumers today have a progressive concern for prestigious brands since such brands are associated with hedonic and social values (Baek *et al.*, 2010; Choi *et al.*, 2011) and such consumers are referred to as prestige brand seekers (Kepferer 2014). The prestige market relentlessly expands as consumers are enticed by prestigious brands, and many businesses invest into capturing more-and-more prestige brand seekers (Naik *et al.*, 2008).

Consumers no longer focus on functional value alone when making a purchasing decision (Randheer & Al-Motawa, 2013) because there are a number of factors that have an influence and impact on consumers' choices. Following is an explication of the factors unveiled by the theoretical review.

### **Factors Influencing Consumer Brand Inclination**

There is a profusion of approaches in literature for categorising the influences on consumers' behaviour and brand inclination and that of Nijssen and Douglas (2008), indicating that social and social class, culture and psychological factors are strong influences on consumers' behaviour, is followed the purpose of this paper. In light of this, subsequently is an expansion of factors to explicate how it could be an influence on young African consumers' inclination for branded versus non-branded products?

#### *Social Influences*

Social factors include a consumer's family, small groups, social roles and status. Literature is explicit that buyer inclination is influenced by the reference groups consumers belong to and can be social, economic, or professional groups used to evaluate opinions and beliefs, and their own thoughts and actions. Thus, a reference group is a valuable societal entity for self-evaluation and attitude construction and consumers readily consent to information provided by their peer groups when evaluating product attributes such as quality, performance and style. Keller *et al.* (2011) asserted that group norms (or standards) could direct the attention of its members to new styles or products. Kotler (2012) also professes that group norms do afford a frame of reference in the first stage of the consumer decision-making process. Group influence is thus present in brand inclinations and brand choices.

Sociology also designates that there is a connexion between the social class and consumption patterns of consumers. Consumers' buying inclination is often determined rather by their social class or to which they aspire to belong to (Truong *et al.*, 2010), than their income. Consumers belonging to the middle class customarily place more significance on rationality and exhibit a greater sense of choice making; whereas consumers belonging to a lower class tend to display non-rational purchases and display only a partial sense of choice-making.

Social influences, as suggested by Anojan and Subaskaran (2015), are two-dimensional in nature. Firstly, social influences may be an injunctive influence – pressure to comply; or secondly, it may be a descriptive influence arising from people internalising social norms as their own (Norman *et al.*, 2005; Vogel & Wanke, 2016). Vogel and Wanke further suggest that the closer a consumer identifies with an external group or party, the stronger the social influences will relate to behaviors.

### *Social Class*

Social class governs the retail outlets consumers patronize, the media and media vehicles they are exposed to, and their merchandise purchased (Lin, 2010). Social class is relatively homogeneous and enduring divisions in a society which are hierarchically ordered and whose members share similar values, interests and behaviour. Social class is not determined by a single factor but should be measured as a combination of occupation, income, education, wealth and other variables.

### *Cultural Factors*

Cultural factors is understood as comprising of a set of rudimentary values, perceptions, wants and behaviour attained from a consumer's family and other significant establishments (Aaker, 2012). Culture thus epitomises an overall social heritage (Davies, 2011), a typical procedure of environmental alteration by an entire society of people (Smit & Wandel, 2006). Conversely, Lamb (2013) states that culture includes a set of learned beliefs, values, attitudes, morals, customs, habits and forms of inclination that are mutual to a society and transferred from cohort to cohort. Lamb additionally point out that culture is alive, moving and ever-changing, and reacting to internal and external pressures. Marketing literature (that of Kotler & Armstrong, 2010; Keller *et al.*, 2011 and Kapferer, 2012) describe cultural influence as a force that determines the patterns of consumer consumption and decision-making. This denotes that a considerable measure of consumer behaviour could be denoted to culture. Cultural establishments such as family, schools, religion, language, customs, and traditions are significant guidelines marketers should be acquainted with.

Of importance is monitoring technological advances, education and travel as this could influence culture or even induce change which in turn could have a substantial consequence on brand inclinations. To confound matters, subcultures occur with a dominant culture, each with its own set of values, beliefs, attitude, habits and inclination patterns.

### *Psychological Factors*

A person's buying choices are also influenced by the following psychological factors: motivation, perception, learning, and also beliefs and attitudes. A motive is a need that is adequately persistent to direct a consumer to pursue satisfying conscious needs, as ascertained by Mpinganjira *et al.* (2013). For example, consumers can be enthused by the uniqueness of a specific product (Chan & Wong, 2012). In addition, there are also self-satisfaction motives (Li *et al.*, 2012) triggering consumers to obtain products for their own contentment. Motivated consumers take action and that action is influenced by how a situation is perceived and two consumers with the same motivation and in the same situation probably will act rather differently as the situation is perceived differently. Perception is the process by which consumers select, organise and interpret information to form a meaningful depiction of their environment. Consumers often form dissimilar perceptions of the same stimulus because of three perceptual processes – selective exposure, selective distortion, and selective retention. Selective exposure implies that marketers must endeavour to entice the consumer. The results of an online survey conducted by Doyle (2002) at the turn of the century already indicated that information quality, user interface quality and security perceptions affect information satisfaction and relational benefits; that in turn are significantly related to each consumer's commitment and actual purchase behaviour, and this most likely is still valid today. Furthermore, Doyle pointed out that important product decisions in any marketing context are product, variety, product performance, product features, product design, product presentation, sizes, and others. Kotler (2012) stated that consumer surveys often reveal that quality is an important, if not the most important, decision factor for consumers and product quality stands for the ability of a product to perform its functions according to expectations.

The discussion above presented the factors influencing a consumer's brand inclination and a closer look will now be taken at the battle between branded versus non-branded merchandise.

### **Branded versus Non-branded Products**

A number of recent studies scrutinised the probability of enhancing the understanding of the loyalty structure of brands based on various product attributes or variants (Trinh & Phau, 2012). Regarded from this standpoint, any product category encompasses subcategories fashioned around product attributes and each one of these subcategories performs differently, in terms of loyalty, obtaining its own attribute-based loyalty level (Chrysochou *et al.*, 2012). Managing consumer loyalty thus encompasses dealing with a bundle of attributes, with the brand name being only one constituent (Koniewski, 2012). Similarly, Ganlari (2016) is confident that consumers select products according to the brand name. Some studies have tried to explain the relationship of consumption based on the attributes of a product (Forbes, 2008; Min *et al.*, 2012; Babin & Harris, 2017).



Consumers, as implied in literature, have copious possibilities to select and buy from a countless assortment of merchandise. Understanding branded versus non-branded products and young consumers' inclinations are consequently imperative since it involves a substantial large segment of the market. The battle between branded versus non-branded products is captivating in all markets with different consumer inclinations for branded versus non-branded products. While brands can signal reputation and serve as proxies for trust, consumer inclinations for attributes may favour either branded or non-branded products. Lazzi and Santovito (2016) indicate in their research results that some consumers appear uncertain when there is an absence of a brand while some non-brand-oriented consumers assign greater standing to the attributes of a product, with emphasis on those attributes concerning the product model (for example; fit, comfort, and design).

It has since been observed that there is still merchandise, branded or not, that do maintain its own characteristics, which make it differentiable from others. In the case of unbranded merchandise, the absence of a brand requires a consumer to take note of the characteristics of a product, as well as the benefits it can generate. Several studies have investigated the emotions that are provoked by non-branded products (especially food products) within a product category and it is manifested that products elicit emotions for their specific sensory characteristics in the absence of any other information (Spinelli *et al.*, 2014; Porcherot *et al.*, 2015; Thomson, & Crocker, 2015). Literature also includes some studies of the role of product attributes in the assessment of alternatives when for example, purchasing jeans (Bu *et al.*, 2013; Maggioni *et al.*, 2013).

Nonetheless, the presence of a brand affects the reputation of a business and its products, becoming a proxy for trust. For this reason, the varying degrees of credibility accrued by a brand can generate different perceptions amongst consumers based on the information attained, causing them to distinguish both between one branded product and another, *and* between branded and non-branded products. What distinguishes a branded product from a non-branded product is the overall perception developed by consumers regarding the product's characteristics, the name it bears, its meaning, as well as the business associated with that brand (Lazzi & Santovito, 2016).

It is thus deduced that a consumer's perception of a product's attributes, when assessing alternatives, can be modified depending on the consumer's proclivity to purchase branded or non-branded products (Mohtar & Abbas, 2014; Abbas & Mohtar, 2016). A consumer's expectations of a brand is based on the cognizance of the characteristics 'guaranteed' and this can transform the perception of a product's attributes and the subsequent purchasing inclination. For instance, Vecchio and Annunziata (2015) verified the existence of a positive relationship between a brand and its quality perception and an increase in its confidence. Consequently, the discoveries of a study undertaken by Azad and Safaei (2012) are indicative of the positive relationships between exclusive name and quality perception, between exclusive name and word-of-mouth advertising, between quality perception and fidelity, between word-of-mouth, advertising and brand name and between brand name image and brand name.

Literature refers mainly to consumer behaviour founded on rational principles (Kotler, 2012). Indeed, a product is understood to be the sum of a number of attributes that enable it to meet the needs that prompted the purchase in the first place. Depending on the weight accorded to each attribute, as first noted by Fishbein and Azjen (1975) and further explained by Schiffman and Kanuk (2010), different market segments can be generated, reflecting different consumer behaviours. It, therefore, is essential to comprehend how prospective consumers evaluate the attributes of a product, as well as what part the brand fulfils in this regard.

Although marketers cannot straightforwardly schematise the behaviour of consumers, given the specific characteristics of each individual, it can be contended that the process of choosing a product depends on a consumer's inclination for either branded or non-branded goods (Mohtar & Abbas, 2014; Spinelli *et al.*, 2015). The expectations a consumer develop concerning a given brand, taken into consideration awareness of the characteristics it is able to provide, can modify the perception of the attributes and, thus, the inclination arising from the evaluation process.

Although literature contains examples of hostility towards brands for some time already (Bannister & Saunders, 1978; Arvidsson, 2005) and "unmarketing" (Stratten, 2013), it confirms the existence of a positive relationship between a brand and the perception that quality will increase trust (Keller, 2012). Interestingly, after brand awareness has been established, consumers tend not to explore additional informational attributes and are inclined to purchase the known brand, even if it is lower in quality (Aaker, 2012; Kepferer, 2014). This is probable seeing that the cost and effort related with updating product information across a set of competitors is greater than the benefit a consumer anticipates to receive as a consequence (Ubilava *et al.*, 2011).

However, demographic characteristics including age, gender, occupation, income, education and the number of people living in a household all could affect the purchasing inclinations and patterns of consumers. Furthermore, as individual demographic characteristics change, so will the demand for the type and number of products. This allows marketers to identify consumer segment groups to target with more focused marketing campaigns. Martensen's (2007) study on teenagers' satisfaction with and loyalty to mobile phones established that teenagers are far more

satisfied with their mobile phones than what adults are and that mobile phones conform to children's expectations at a much higher degree. However, this study also revealed that brands are occasionally not able to convert consumers into loyalists who will absolutely commend these products to friends. It is further evident that young consumers' loyalty is lower than that of experienced adults. This has been also recorded by Sahay and Sharma's (2010) that brand relationships are indeed significant for dissimilar categories of young consumers.

### **Research Method**

A descriptive empirical survey, in concurrence with the explanations of Berndt and Petzer (2011), Bless *et al.* (2013), Kumar (2014) and Saunders *et al.* (2016), was conducted in South Africa and the research population (N) targeted was young African consumers. It was, due to various limitations, not practical to construct a population frame of all units of analysis and a purposive non-probability convenience sample, as suggested by Babbie (2010:208) and Bernard (2013) in such a case, of 150 young African consumers (n) in Mahikeng, the provincial capital of the North West province, was selected as sub-set from the research population. The term African, as used in this case, refers to a person from African origin and who is black, thus excluding for example Europeans, Indian, and Coloureds. Mahikeng, as the provincial capital of the province and gateway to Botswana and Namibia, and having a university with a large international contingent of staff, is ideal for conducting African-specific research. However, referring to Africans does not imply that the results are representative of all 54 countries making up the continent of Africa. Sample members were chosen on the basis of being black Africans, irrespective of their country of origin, their immediacy to the researcher, and also on their inclination to contribute, as recommended by David and Sutton (2011:231), Cant and Van Heerden (2013:144), and Remler and Van Ryzin (2015). Sample selection ensued at public expanses where consumers are reachable, such as parking areas, taxi ranks, and bus terminuses. A structured questionnaire was used as research instrument to acquire a more considered response devoid of the intrusion or apparent pressure of an interviewer, as recommended by Bradley (2010:120).

This study was initiated with a comprehensive exploration of available and accessible secondary sources to obtain and extract relevant information needed and an extension of this was an exhaustive search of relevant publications, research articles, and electronic databases. However, information deficiency necessitated obtaining primary empirical data and a quantitative survey was conducted in order to compare the influence of various factors on the brand inclination of young African consumers.

This study is by nature descriptive and contains quantitative elements and a self-completing questionnaire (Saunders *et al.*, 2016) with sufficiently clear instructions, as recommended by Berndt and Petzer (2011:32), was used as research instrument to ensure that the primary information necessary was acquired from the selected sample members seeing that this is a cross-sectional study and data collection was not continual. The questionnaire comprised of various sections dealing with the descriptors and the factors influencing young African consumers' brand inclination in terms of the stated objectives. Six factors influencing brand inclination were used in a five-point three-directional Likert scale and the questionnaire was pilot-tested and refined before it was distributed. Content validity of the constructs in the questionnaire was verified by referring to academic material and contemporary research published in relevant journals.

Initial data editing was embarked on together with fieldwork as the questionnaires were scanned for completeness when collected, as recommended by Aaker *et al.* (2011:335). A total of 124 completed questionnaires were returned and edited and four questionnaires were discarded. The remaining 120 usable questionnaires (resulting in an 80% response rate of the total sample) were coded and the data was captured and statistically analyzed with descriptive and inferential statistical tests. Following is a presentation of the results that were uncovered.

### **Research Results**

The research results of this study are presented in the form of discussions, figures and tables after the dataset was statistically analyzed with SPSS.

#### **Composition of the Research Population**

A depiction, as per the first objective of this paper, was obtained to facilitate understanding the composition of the study population, young African consumers. This depiction also forms the bases for further comparative statistical analyses. The population descriptors and the aggregated results obtained are exhibited in Table 1.

**Table 1. Research Population Composition**

Descriptor	Frequency (%)	Statistics
Gender:		Mode – 1
Male	64.0	Observed minimum/maximum – 1/2
Female	35.0	G <sub>1</sub> – 0.59
Age (years):		Mean – 1.78
16-20	50.0	Standard deviation – 0.86
21-25	21.7	Range – 2
26-30	28.3	G <sub>1</sub> – 0.43
Occupation:		Mode – 1
Student	26.7	G <sub>1</sub> – 0.32
Managerial	15.8	
Clerical	20.0	
Artisan	15.0	
Self-employed	12.5	
Professional	10.0	
Income:		Median – 3
R1 – R 2500	19.2	G <sub>1</sub> – 0.02
R2 501 – R4 500	15.0	Range – 5
R 4 501 – R10 000	17.5	Observed minimum/maximum – 1/6
R10 001 – R15 000	20.8	
R15001 – R20 000	16.7	
R20 001 +	10.8	
Brand consciousness:		Median – 2
Yes, I am	30.8	G <sub>1</sub> – -0.77
Not sure	34.2	Range – 2
Not at all	35.0	Observed minimum/maximum – 1/3

The realized sample size is 120 respondents and most were males, causing gender to be positively skewed ( $G_1=.59$ ). The common age represented in the sample was between 16-20 years (50.0%). All of the participants were African (thus no ethnic group classification) and students (26.7%, mode = 1) and administrative workers (20.0%) are represented the most. The sample consisted of young consumers whom have a disposable income of between R10 0001-R15 000 (20.8%) and income is negatively skewed ( $G_1 = 0.02$ ) because cumulatively 51.7 percent of the participants indicated an income below R10 000.00, and this is closely followed by 19.2 percent who earn between R1 and R 2500.00 per month. Furthermore, noticeable is the almost uniform distribution of the brand consciousness of the participants.

### Importance of Factors Influencing Brand Inclination

A five-point three-directional Likert scale ranging from least important (-2) to most important (+2) was used and participants had to rate the importance they place on each one of five influences in terms of their brand inclination. The results obtained are presented in Table 2 and subsequently discussed.

The results obtained indicate that the price of a product is the most important influence (73.3%) and this is followed by promotional offers and then discounts (59.2%). Of importance is product design and this is followed by quality and lastly brand image. The Means indicate that the importance of all the factors are listed in the second highest category presented (+1) and the Standard Deviations (SD) indicate that 68.3 percent of all the scores are between  $\pm 1$  SD, all tending towards positive and that none of the factors can thus be disregarded as an important influence. The Median in all cases correspond with the percentiles; design, brand image, and quality are in +1, and price, discounts, and promotional offers are in +2, as well as within the 50th percentile.

Cross tabulating gender, age, occupation, income and brand consciousness with the factors as listed above, the Pearson Chi-square test revealed that only two statistical significant differences exist between age and quality ( $p = 0.01$ ), and between brand consciousness and once again quality ( $p = 0.01$ ). This is confirmed by Phi and Cramer's V where  $p < 0.05$ .

**Table 2. Factors Influencing Brand Inclination (%)**

Factor	-2	-1	0	+1	+2	Mean	Media	SD	Percentile
Price	3.3	1.7	3.3	18.3	<b>73.3</b>	1.57	2.0	.905	2
Product design		0.8	1.7	<b>59.2</b>	38.3	1.35	1.0	.560	1
Discounts	0.8	1.7	1.7	36.7	<b>59.2</b>	1.52	2.0	.698	2
Promotion	1.7	2.5	3.3	30.0	<b>62.5</b>	1.51	2.0	.840	2
Brand image	3.3	4.2	5.0	<b>50.8</b>	36.7	1.13	1.0	.934	1
Quality				<b>51.7</b>	48.3	1.48	1.0	.502	1

An independent samples *t*-test at a 95% confidence interval was conducted between males and females and equality of variances are assumed since Levene's Test for Equality of Variances indicted an exact  $p \geq 0.05$  in all cases. On average, males indicated that price ( $M = 1.57$ ,  $SE = .107$ ), design ( $M = 1.38$ ,  $SE = .064$ ), image ( $M = 1.19$ ,  $SE = .15$ ) and quality ( $M = 1.51$ ,  $SE = .057$ ) is more important to them. Females indicted that discount ( $M = 1.63$ ,  $SE = .082$ ) and promotional offers ( $M = 1.60$ ,  $SE = .11$ ) are of more importance to them. However, the differences are not significant as  $p \geq 0.05$  in all cases for the *t*-test for Equality of Means.

### Result Interpreted

The African consumer market is highly competitive and marketers are obliged to use best-practice strategies and tactics, and also to be resourceful and devise means to accomplish goals. The youth market is different and have aspirations which should be reflected by brands and all marketing communication and collateral. The research results obtained from this study clearly indicate that many young consumers do have spendable income and of specific importance for marketers is that these consumers lean towards being brand conscious, although they are also price conscious but will react to promotional offers and discounts. These influences should ideally be integrated into all brand marketing strategies and tactics when communicating with the target market in an attempt to institute not only brand loyalty but to build brand ambassadors. Marketers should also note that there are gender differences should they want to attempt creating a gender-image for their brands and these differences should be reflected in the product design and image of brands directed at the African youth market. Of note is that males are quality conscious whilst females are more tuned into discounts (bargain hunting) and it is recommended that specific targeted marketing messages should be formulated to depict these differences.

### Conclusion

Understanding young African consumers is not easy, not all individuals fall neatly into behavioural models or typographical classifications and it is not realistic to assume that accurate descriptions of their brand inclinations and/or influences will remain constant from one to the next buying situation or for any given period of time. Despite these apprehensions, categorizing young African consumers into groups enable marketers to accurately aim specific marketing messages and products/services successfully at designated target markets.

The research results and findings obtained are specific to the research participants and it cannot be generalized that this will be representative of all young consumers on the African continent, due to the limitations of this study. It is thus recommended that the study should be extended to obtain comparative information from other geographical areas and countries as the perspectives of different groups could differ.

To conclude, young African consumers' brand inclinations are influenced by the fluctuating degree of importance they place on several influencing factors.

## References

- Aaker, D.A. (2012). *Strategic marketing management*. New York: John Wiley & Sons.
- Aaker, D.A., Kumar, V., Day, G.S. & Leone, R.P. (2011). *Marketing research*. 10th ed. Asia: John Wiley & Sons.
- Abbas, M. & Mohtar, S.B. (2016). Factors influencing consumer resistance to innovation: relationship between relative advantage, attitude towards existing products, social influences and self-efficacy. *Researchers World*, 7(1).
- Ahmad, K., Rustam, G.A. & Dent, M.M. (2011) Brand preference in Islamic banking. *Journal of Islamic Marketing*, 2(1), 74-82.
- AMA (American Marketing Association). (2015). Common Language Marketing Dictionary. Retrieved from <https://www.ama.org/resources/Pages/Dictionary.aspx> [Accessed 13 March 2017].
- Arvidsson, A. (2005). Brands: a critical perspective. *Journal of Consumer Culture*, 5(2), 235-258.
- Azad, N. & Safaei, M. (2012). The impact of brand value on brand selection: Case study of mobile phone selection. *Management Science Letters*, 2(4), 1233-1238.
- Babbie, E. (2010). *The practice of social research*. 12th ed. Wadsworth: Cengage Learning.
- Babin, B.J. & Harris, E. (2017). Business and economics. Boston: Cengage.
- Baek, T.H., Kim, J. & Yu, J.H. (2010). The differential roles of brand credibility and brand prestige in consumer brand choice. *Psychology and Marketing*, 27(7), 662-678.
- Baines, P., Fill, C. & Page, K. (2011). *Marketing*. 2nd Ed. New York: Oxford University Press.
- Bannister, J.P. & Saunders, J.A. (1978). UK consumers' attitudes towards imports: the measurement of national stereotype image. *European Journal of Marketing*, 12(8), 562-570.
- Bernard, H.R. (2013). *Social research methods, qualitative and quantitative approaches*. 2nd ed. Los Angeles: Sage.
- Berndt, A. & Petzer, D. (2011). *Marketing research*. Cape Town: Pearson Education.
- Bians, X. & Moutinho, L. (2011). The role of brand image, product involvement, and knowledge in explaining consumer purchase behaviour of counterfeits: direct and indirect effects. *European Journal of Marketing*, 45(1/2), 191-216.
- Bless, C., Higson-Smith, C. & Sithole, L. (2013). *Fundamentals of social research methods: an African perspective*. Cape Town: Juta.
- Bradley, N. (2010). *Marketing research, tools and techniques*. 2nd Ed. New York: Oxford University Press.
- Bu, K., Kim, D. & Son, J. (2013). Is the culture-emotion fit always important: self-regulatory emotions in ethnic food consumption? *Journal of Business Research*, 66(8), 983-988.
- Catalin, M.C. & Andreea, P. (2014). Brands as a means of consumer self-expression and desired personal lifestyle. *Procedia – Social and Behavioural Sciences*, 109, 103-107.
- Cant, M.C. & Van Heerden, C.H. (2013). *Marketing management: a South African perspective*. 2nd ed. Cape Town: Juta and Company Ltd.
- Chan, T.Y. & Wong, C.W. (2012). The consumption side of sustainable fashion supply chain: Understanding fashion consumer eco-fashion consumption decision. *Journal of Fashion Marketing and Management: An International Journal*, 16(2), 193-215.
- Choi, Y.G., Ok, C. & Hyun, S.S. (2011). Evaluating relationships among brand experience, brand personality, brand prestige, brand relationship quality, and brand loyalty: an empirical study of coffeehouse brands. In Proceedings of the 16th Graduate Student Research Conference in Hospitality and Tourism. Retrieved from [http://scholarworks.umass.edu/gradconf\\_hospitality/2011/Presentation/22/](http://scholarworks.umass.edu/gradconf_hospitality/2011/Presentation/22/) [Accessed: 27 March 2017].
- Chukwuneme, N.V. (2012). Product branding as a tool for increasing consumer loyalty in the telecommunication industry in Nigeria. Enugu Campus, University of Nigeria (MBA dissertation).
- Crysochou, A., Krystallis, A., Mocanu, A. & Lewis, L. (2012). Generation Y preferences for wine: an exploratory study of the US market applying the best-worst scaling. *British Food Journal*, 114(4), 516-528.
- David, M. & Sutton, C.D. (2011). *Social research, an introduction*. 2nd ed. Los Angeles: Sage.
- Davies, A. (2011). Voices passed. *Journal of Historical Research in Marketing*, 3(4), 469-485.
- Doole, I., Lowe, R. & Kenyon, A. (2016). *International marketing strategy: analysis, development and implementation*. 7th ed. Hampshire: Cengage Learning.
- Doyle, G. (2002). *Media ownership: the economics and politics of convergence and concentration in the UK and European media*. Sage.
- Fishbein, M.A. & Azjen, I. (1975). *Belief, attitude, intention and behaviour: An introduction to theory and research*. Reading: Addison-Wesley.

- Forbes, S.L. (2008). The influence of individual characteristics, product attributes and usage situations on consumer behaviour: an exploratory study of the New Zealand, Australian, UK and US wine markets. Lincoln University (PhD thesis).
- Franzen, G. & Moriarty, S. (2009). *The science and art of branding*. New York: ME Sharp.
- Ganlari, D. (2016). A study on consumer buying behaviour of mobile phones. *Journal of Management in Practice*, 1(1), 1-26.
- Jahn, B. & Kunz, W. (2012). How to transform consumers into fans of your brand. *Journal of Service Management*, 23(3), 344-361.
- Kapferer, J.N. (2012). *The new strategic brand management: Advanced insights and strategic thinking*. 5th ed. London: Kogan Page Publishers.
- Karam, A.A. & Saydam, S. (2015). An analysis of improving brand awareness and its impact on consumer behavior via media in North Cyprus (A case study of fast food restaurants). *International Journal of Business and Social Science*, 6(1), 66-80.
- Keller, K.L. (2012). *Strategic brand management: Building, measuring, and managing brand equity*. 4th Ed. New Jersey: Prentice-Hall.
- Keller, K.L., Parameswaran, M.G. & Jacob, I. (2011). *Strategic brand management: building, measuring, and managing brand equity*. India: Pearson Education.
- Kgosiemang, R. (2015). What South African consumers look for in a brand? *SME South Africa: a lifeline to SME success*. Retrieved from <http://www.smesouthafrica.co.za/16275/What-South-African-consumers-are-looking-for-in-a-brand/> [Accessed: March 8, 2017].
- Koniewski, M. (2012). Brand awareness and customer loyalty. Brand loyalty: straight ahead. *PMR Research*. Retrieved from <http://www.research-pmr.com/userfiles/file/wp/Brand-Awareness-and-Customer-Loyalty.pdf> [Accessed: March 27, 2017].
- Kotler, P. (2000). *Marketing management*. Millennium edition. Upper Saddle River: Prentice Hall International.
- Kotler, P. (2010). *Marketing management*. New Jersey: Pearson.
- Kotler, P. (2012). *Kotler on marketing*. London: Simon and Schuster.
- Kotler, P. & Armstrong, G. (2010). *Principles of marketing*. New Jersey: Pearson Prentice-Hall.
- Kumar, R. (2014). *Research methodology: a step-by-step guide*. 4th ed. Los Angeles: Sage.
- Lamb, M.E. (2013). *A father's role: cross cultural perspectives*. New York: Routledge.
- Lamb, C.W., Hair, J.H., McDaniel, C., Boshoff, C., Terblance, N., Elliot, R. & Klopper, H.B. (2011). *Marketing*. Cape Town: Oxford University Press.
- Lazzi, A. & Santovito, S. (2016). Branded versus non-branded: differences in consumer preferences. *International Journal of Marketing Studies*, 8(1), 57.
- Li, G., Li, G. & Kambele, Z. (2012). Luxury fashion brand consumers in China: Perceived value, fashion lifestyle, and willingness to pay. *Journal of Business Research*, 65(10), 1516-1522.
- Lin, L. (2010). The relationship of consumer personality trait, brand personality and brand loyalty: an empirical study of toys and video games buyers. *Journal of Product and Brand Management*, 19(1), 4-17.
- Lotter, M.J. (2016). A conceptual framework for segmenting niche tourism markets. Tshwane University of Technology (D Tech thesis).
- MacKenzie, G. (2017). *If you can't measure it, you can't improve it*. GuavaBox Blog. Retrieved from <http://www.guavabox.com/blog/if-you-cant-measure-it-you-cant-improve-it> [Accessed: March 12, 2017].
- Maggioni, I., Montagnini, F. & Sebastiani, R. (2013). Young adults and ethical consumption: an exploratory study in the cosmetics market. In *Proceedings of the 12th International Conference, Marketing Trends*. Retrieved from: <http://www.marketing-trends-congress.com/archives/2013/pages/PDF/815> [Accessed: February 17, 2016].
- Mappinganjira, M., Dos Santos, M.A.O., Botha, E., Du Toit, D., Erasmus, A.C., Maree, T. & Mugobo, V.V. (2013). *Consumer behaviour: South African psychology and marketing applications*. Cape Town: Oxford University Press.
- Marketing to the Youth in South Africa: Changing the Rules of Engagement. (2015). The Strategy Department. Retrieved from [www.thestrategydepartment.co.za/wp](http://www.thestrategydepartment.co.za/wp) [Accessed: March 7, 2017].
- Martensen, A. (2007). Tweens' satisfaction and brand loyalty in the mobile phone market. *Young Consumer*, 8(2), 108-116.
- Min, S., Overby, J.W. & Im, K.S. (2012). Relationships between desired attributes, consequences and purchase frequency. *Journal of Consumer Marketing*, 29(6), 423-435.
- Moolla, A.I. (2010). A conceptual framework to measure brand loyalty. North-West University (PhD thesis).
- Mohtar, S. & Abbas, M. (2014). Teenager's preference and choice behaviour towards branded or unbranded products. *Journal of Business and Management*, 16(7), 98-1-3.

- Mosupye, S.S.L.N. (2014). Generational differences in South African consumers' brand equity perceptions. University of Pretoria (MCom dissertation).
- Mpinganjira, M., Dos Santos, M.A.O., Botha, E., Du Toit, H.D., Erasmus, A.C., Maree, T. & Mugobo, V. (2013). *Consumer behaviour: South African psychology and marketing applications*. Cape Town: Oxford.
- Mullins, J.W., Walker, O.C., Boyd, H.W. & Larreche, J.C. (2005). *Marketing management: A strategic decision approach*. New York: McGraw-Hill Irwin.
- Naik, P.A., Prasad, A. & Sethi, S.P. (2008). Building brand awareness in dynamic oligopoly markets. *Management Science*, 54(1), 129-138.
- Nijssen, E.J. & Douglas, S.P. (2008). Consumer world-mindedness, social-mindedness, and store image. *Journal of International Marketing*, 16(3), 84-107.
- Nornam, P., Clark, T. & Walker, G. (2005). The theory of planned behaviour, descriptive norms, and the moderating role of group identification. *Journal of Applied Psychology*, 35(5), 1008-1029.
- Porcherot, C., Petit, E., Giboreau, A., Gaudreau, N. & Cayeux, I. (2015). Measurement of self-reported affective feelings when an aperitif is consumed in an ecological setting. *Food Quality and Preference*, 38, 277-284.
- Proudly, S.A. (2015). Why buy local. Retrieved from: <http://www.proudlysa.co.za/consumer-site/consumer.html> [Accessed June 27, 2017].
- Randheer, K. & Al-Motawa, A.A. (2013). Structuring brand image with value, quality and awareness moderated by perceived fitness: a cross cultural study. *Editorial Advisory Board*, 1, 22.
- Remler, D.K. & Van Ryzin, G.G. (2015). *Research methods in practice: strategies for descriptive and causation*. 2nd. ed. Los Angeles: Sage.
- Sahay, A. & Sharma, N. (2010). Brand relationship and switching behaviour for high used products in young consumers. *Vikalpa*. 35(1), 15-30.
- Sardar, R. (2012). Brand preference of passenger cars in Aurangabad district. *International Journal of Multidisciplinary Research*, 2(3), 431-442.
- Sasmita, J. & Suki, N.M. (2015). Young consumers' insight on brand equity: Effects of brand association, brand loyalty, brand awareness, and brand image. *International Journal of Retail and Distribution Management*, 43(3), 276-292.
- Saunders, M., Lewis, P. & Thornhill, A. (2016). *Research methods for business students*. 7th ed. Harlow: Pearson.
- Schiffman, L.G. & Kanuk, L.L. (2010). *Consumer behaviour*. New Jersey: Pearson Prentice Hall.
- Smit, B. & Wandel, J. (2006). Adaptation, adaptive capacity and vulnerability. *Global Environment Change*, 16(3), 282-292.
- Spinelli, S., Masi, C., Dinnella, C., Zoboli, G.P. & Monteleone, E. (2014). How does it make you feel? A new approach to measuring emotions in food product experience. *Food Quality and Preference*, 37, 109-122.
- Stratten, S. (2013). Canadians Connected 2012: CIRA Symposium and Annual General Meeting. *UnMarketing*. Retrieved from <https://www.youtube.com/watch?v=hzy1-eueuQE> [Accessed: March 27, 2017].
- Subhani, M.I., Hasan, S.A. & Osman, A. (2012). A battle between branded and me too branded (unbranded) products. *American Journal of Scientific Research*, 49, 108-112.
- Thomson, D.M. & Crocker, C. (2015). Application of conceptual profiling in brand, packaging and product development. *Food Quality and Preference*, 40, 343-353.
- Trinh, V.D. & Phau, I. (2012). The overlooked component in the consumption of counterfeit luxury brand studies: materialism – a literature review. *Contemporary Management Research*, 8(3), 251-264.
- Truong, Y., McColl, R. & Kitchen, P.J. (2010). Uncovering the relationships between aspirations and luxury brand preference. *Journal of Product and Brand Management*, 19(5), 346-355.
- Ubilava, D., Foster, K.A., Lusk, J.L. & Nilsson, T. (2011). Differences in consumer preferences when facing branded versus non-branded choices. *Journal of Consumer Behavior*, 10(2), 61-70.
- Vecchio, R. & Annunziata, A. (2015). Willingness-to-pay for sustainability-labelled chocolate: an experimental auction approach. *Journal of Cleaner Production*, 86, 335-342.
- Vogel, Y. & Wanke, M. (2016). *Attitudes and attitude change*. Hove: Psychology Press.
- Wyma, L., Van der Merwe, D., Bosman, M.J.C., Erasmus, A.C., Strydom, S. & Steyn, F. (2012). Consumers' preferences for private and national brand food products. Retrieved from [http://www.repository.up.ac.za/bitstream/handle/2263/19810/Wyma\\_Consumers](http://www.repository.up.ac.za/bitstream/handle/2263/19810/Wyma_Consumers) (2012).pdf?sequence=1 [Accessed: May 24, 2017].

# LACK OF AFRICAN COMPETITIVENESS: WHO TO BLAME?

*Giuseppe Calignano, University of Stavanger, Norway*

*Terje I. Vaaland, University of Stavanger, Norway*

Firms located in developing countries generally encounter difficulties in meeting the challenging standards of the oil and gas supply chain. Starting from this consideration, the present study aims to reveal whom the Tanzanian firms blame for their lack of competitiveness (government, foreign companies, and local firms). Quite surprisingly, this study reveals that more motivated and well-connected firms blame the government and – to a lesser extent – foreign companies, whereas less motivated firms tend to blame themselves. These results contradict the premises of theories about motivation and, therefore, lead to interesting implications for each of the actors involved in local content dynamics.

## Introduction

Resource-extractive industries are important in the development of emerging economies in order to transfer natural resources for the benefit of the host country's society. The discoveries of minerals and petroleum resources make the extractive industry the fastest growing sector in emerging economies, and subject to governmental ambitions (Tordo *et al.*, 2013). The potential host-country benefits can be measured in terms of local employability and economic growth, thereby leading to various sets of enablers. The first is a direct taxation of resource exploitation, *i.e.* the taxation of profit and equity for oil/gas, in which a certain share of resources are paid back in kind. The second is through the establishment of, for example, a national oil company, in which the host country actively takes part as a technological and commercial actor along with local private or international oil companies. The third enabler concerns a direct participation in the industry through local firms in the host country. Imported goods and services can be reduced, local employment increased and local profit can be taxed and infused into host country budgets by creating competitive local suppliers to the industry.

This paper focuses on the third enabler, *i.e.* local industry participation, and was conducted in a developing country with rich petroleum resources, a significant foreign-dominated industrial participation and a rather weak host-country industrial base. In this context, the local industrial base is generally inferior to more competitive global suppliers. The global suppliers are well connected with international oil companies (IOCs), thus dominating the global oil and gas industry. Therefore, access to the industrial supply chain is perceived by the local firms as being hampered by: (1) very high qualification requirements from the buyer side (IOCs), which also requires significant process changes and adequate resources, and (2) the existence of effective long-term business relationships between global suppliers and IOCs operating in the host country.

Governments of host countries often impose legal acts, policies or expectations, hence pushing IOCs to include local firms in their operations and, consequently, reduce the importing of goods and services from abroad. This mechanism is called “local content” (Heum, 2008; Owusu & Vaaland, 2016). Although some indigenous firms located in countries such as Tanzania, Uganda, Ghana, Nigeria and Angola are actually able to compete with foreign companies, the industrial base in these countries will generally not be competitive unless local firms improve and professionalize their operations. As a result, successful local content is associated with the intra- and inter-organizational improvements of local firms. Furthermore, it can be assumed that the motivation to improve local firms is associated with the actors they “blame” because of a lack of local content. More specifically, three different alternatives were proposed in this study: (1) Local firms blaming themselves, thus acknowledging their own responsibility for a lack of competitiveness and local content; (2) Local firms blaming the government for a lack of power and the enforcement of local content requirements; and, (3) Local firms blaming IOCs for imposing unrealistic criteria for their inclusion in the supply chain, thus hampering local content.

Our assumption is that “blaming others” (*i.e.* government and IOCs) indicates that a firm's competitiveness primarily lies outside its boundaries. In other words, the buyer side should reduce the quality of their requirements or accept a higher price premium than foreign suppliers. Similarly, the government should force the IOCs to include less competitive local suppliers thanks to its position of “resource owner” and train local firms, even though they are not yet in line with standards and industrial expectations from the “buyer” side.

The present case study was carried out in a Tanzanian industrial context with the aim of finding an association between the characteristics of local firms and: (1) “blaming others” (government or IOCs) for non-inclusion in the



supply chain and a lack of local content, or (2) “blaming themselves”, thereby acknowledging their own responsibility in terms of inadequate improvement processes and innovation-enhancing local content.

The paper is organized as follows: Section 2 provides a literature review and conceptual background, upon which the entire paper is built. In Section 3, the methodology adopted in the study is thoroughly explained. Section 4 illustrates the results of the analysis, which are then discussed in Section 5. Lastly, Sections 6 and 7 present major implications, some limitations and a conclusion.

## Literature review

In the following subsections, the role of IOCs, government and local firms in relation to achieving local content will be presented.

### Local Content

Local content can encompass backward linkages (i.e. commercial relations between the IOCs and the supply chains), lateral linkages (i.e. developing capacities to impact other sectors of the economy while allowing local firms to participate in the petroleum supply chain) and forward linkages (e.g. the facilitation of processing and exporting resources; Marcel *et al.*, 2016; Hansen *et al.*, 2009).

*Local content requirements*, synonymously referred to as *domestic (or national-) content requirements*, can be defined as a “requirement that the investor purchase a certain amount of local materials for incorporation in the investor’s product” (WTO, 2011). This concept indicates the extent of involvement and participation of human and material resources of the host country (Ovadia, 2014). A key concept is “in-country value”, i.e. “the total spending retained in the country that benefits business development, contributes to human capability development and stimulates productivity in the [...] economy” (Marcel *et al.*, 2016:3).

Most African oil and gas nations have introduced local content laws and policies through which foreign companies are legally required or encouraged to actively purchase a certain percentage of goods and services from indigenous companies (Ovadia, 2014; Owusu & Vaaland, 2016). These actions aims to “*involve and enhance the domestic knowledge base through arrangements that allow for a dynamic industrial and technological development, that gradually expands domestic competence and capabilities to competitive levels*” (Heum, 2008:4).

The main task of local content is to increase the participation of indigenous companies in the oil and gas industry. Therefore, indigenous companies should be linked with IOCs to help them build capability through training, industry-led forums and workshops, company assessments, regular feedback from multinational enterprises (MNEs), etc. In turn, this may help to create industrial development in other areas of the economy, even beyond the oil and gas industry (Heum *et al.*, 2003, 2008).

The rationale behind local content requirements is to nurture local industry to push their economy towards a higher economic level of industrial development (Veloso, 2006). More specifically, it is assumed that linkages between IOCs and the host country’s industry create spillover effects in terms of knowledge transfer. Giroud (2007) emphasizes the beneficial vertical (backward) linkages between foreign MNEs and local suppliers, going beyond a pecuniary exchange since they also generate technical, informational, financial, organizational and managerial externalities (e.g. Ivarsson & Alvstam, 2009; Giroud, 2007). Marcel *et al.* (2016:3) emphasize the purpose “*to increase the value generated by the exploitation of a resource that remains in the domestic economy; and to develop linkages between the oil sector and the rest of the economy*”.

### The Role of IOCs

IOCs possess wide-ranging technological, management and financial resources of value to the host country and represent, together with their foreign suppliers, the entrance point for indigenous companies (Heum *et al.*, 2003; Silvestre & Dalcol, 2009; Mwakali *et al.*, 2011). Their resources are connected with physical investments, the implementation of more effective managerial practices and the transfer of best practice technologies (Teka, 2012; Silvestre & Dalcol, 2009). Among other things, IOCs can contribute to the development of the industrial base of the host country in terms of technology transfer and local supplier development; they can also stimulate entrepreneurship and support educational and research establishments (Sherman, 2008; Adewuyi & Oyejide, 2012). IOCs can transfer competence to the local supplier in order to meet international standards and non-negotiable performance requirements, and thereby close existing competence and compliance gaps (Olaoye, 2005; Abifarin & Heck, 2002). IOCs are not only dependent on their global suppliers and a well-functioning host country supplier base, but also on governmental institutions (i.e. resource management) that award licenses and determine operational conditions. Development and the inclusion of local companies in their supply chain can be compensated for with favorable licenses in the long term. Previously, IOCs have been accused of not supporting *local content*

initiatives, and even disregarding the development interests of host countries to the benefit of their high-profit levels; therefore, pressure has had to be put on them to achieve *local content*, particularly in developing countries (Klueh *et al.*, 2009).

From a local firm perspective, it is argued that the IOCs may hamper local content in five ways (Bridge, 2014; Vaaland, 2015): (1) IOCs generally have a practice of “bundling” a number of smaller contracts into larger ones, since there is a preference for suppliers providing a range of services. This mechanism limits the number of contractors they have to deal with. Moreover, this practice can easily exclude small and medium enterprises (SMEs) that may be capable of fulfilling certain parts of a bundled contract, but lack the financial and technical capacity to take the responsibility for the complete scope. (2) Cash traps, in which long credit lines and payment procedures within the IOCs strangle the liquidity in undercapitalized local firms that suffer from high interest rates and a lack of running capital. (3) Future tenders and development plans are made public “too late”, consequently representing an information asymmetry in which the local firm lacks information on future demands. This reduces the available time for planning and preparations to qualify for tendering for an inexperienced local firm compared with a global legacy supplier. (4) Pre-qualification criteria employed by IOCs are based on international standards evolved over time in a highly competitive business environment, whereas the majority of these criteria are justified to ensure safe, efficient and ethically sound petroleum operations. Some of these criteria are assumed to reflect non-critical issues hampering local participation. (5) The trend in the industry is to move towards Engineering, Procurement and Construction contracts. Under this contracting arrangement, projects are primarily contractor managed, with the contractor taking on more costs, risk and control. The problem with this arrangement is that it tends to reduce the level of industry engagement at the local level, based on a perceived industry preference to work with known contractors to reduce project risk. Thus, a local firm can provide strong arguments in support of claiming that the business practice of IOCs hampers local content and local industrial participation.

### **The Role of Government**

The public regulators sustain a broad range of activities in safeguarding the general well-being and economy of the host country, including making policies and controlling the general business environment of the country. Institutional tasks related to the oil and gas industry include three fundamental responsibilities: policy-making, technical control and resource management, and commercial participation (Heum, 2008). Finding the proper mix between incentives and regulation is an important duty of the industrial regulator in order to foster local participation through foreign companies (Kasuga, 1999; Toredó *et al.*, 2013).

According to Vaaland (2015), governmental institutions have a direct impact on *local content* development in terms of implementing a legal framework that guides the national *local content* policy, but its most important contribution consists of creating an investment climate that favors development of the country as a whole. Government policy will have a great bearing on the commitments that IOCs are willing to make, e.g. the power to award licenses, approve projects and the authority to reward a good performance relative to the *local content* policy (Heum *et al.*, 2003). *Local content* policies, supervision and the monitoring of policy implementation are considered important parts in increasing local industrial participation (Bakare, 2011; Ihua *et al.*, 2011; Justi *et al.*, 2009). Some scholars argue that these institutions should further encourage industrial dynamics, facilitate technology transfer and attract R&D activities through the development of industrial clusters and geographical agglomerations of firms (Silvestre & Dalcol, 2009; Majocchi & Presutti, 2009).

From a local firm perspective, it is argued that the government may hamper local content in three ways: (1) In many African countries, the economic conditions for local industry, such as tariffs and exchange rate policies, do not support industrial development. Local economic and industrial policies do not provide protections that enable nascent local industries to grow and compete (Ilori *et al.*, 2002), i.e. when duty-free industrial zones favor imported finished goods, while raw materials for local industrial production are heavily taxed. (2) The legal system and their institutions suffer from a variety of challenges, sometimes originating from the traditional culture, and impact negatively on society. The legal system may lack accountability and suffer from corruption, which in turn inhibits investments (Vaaland *et al.*, 2012; Nwosu *et al.*, 2006; Ilori *et al.*, 2002). (3) A deficient public infrastructure can discourage investments, which can lead to low *local content* (Nwosu *et al.*, 2006). An unstable electricity supply (e.g. in Nigeria) virtually forces all large companies to invest in backup generators with a view towards avoiding temporary shutdowns (Ilori *et al.*, 2002), which contribute to reduce the ability of companies to meet deadlines. In this respect, Britz *et al.* (2006) argue that a big barrier to Africa’s entry into the new knowledge economy is not a lack of computers or access to the Internet, but the inability to provide and maintain infrastructures that would effectively deliver the necessary products and services.

Hence, the ability to create capabilities including national policy frameworks (e.g. local content policies), social and business enabling infrastructure, as well as a sound fiscal and legal system, is therefore critical for reaching the

potential of developing policy and enforcing the active participation of indigenous companies (Ibrahim, 2008; Nwosu *et al.*, 2006; Boscheck, 2007; Britz *et al.*, 2006).

### **The Role of Local Firms**

Although the aim of *local content* requirements and policies is to stimulate the inclusion of local firms in the supply chain, implementation requires local firms to comply with international branch standards. The inclusion of local companies into the petroleum value chain cannot be forced by legal acts imposed by public regulators toward IOCs if local companies cannot deliver the quality and dependability required of competitive industrial suppliers (Vaaland *et al.*, 2012; Ihua *et al.*, 2011). Nonetheless, the local industrial base in a developing country context is hampered by disadvantages compared with their global competitors (Vaaland & Ishengoma, 2016). The development of indigenous suppliers, particularly in technology-intensive areas, is hampered by the fact that they are SMEs, and are poorly linked to natural resource-based industries (Torres-Fuchslocher, 2010) and learning organizations (Ishengoma & Vaaland, 2016; Ojewale *et al.*, 2001). The industrial base in countries such as Tanzania has yet to provide adequate suppliers and employees with internationally required qualifications (URT, 2014).

There are many definitions for a local company, including “locally owned and locally based” and “foreign owned, but locally based” (Tordo *et al.*, 2013). A narrow definition is the following: (1) companies registered in the host country with a majority of local ownership, (2) possessing appropriate expertise and financial viability, which (3) has proven to be a contributor to economic growth in its area of operation (Nwosu *et al.*, 2006). In this definition, “pro-forma” joint ventures between a foreign company and local interests are excluded. According to Nwosu *et al.* (2006), such joint ventures are often established for matching local content requirements without real value creation. Indigenous companies include all local commercial actors directly or indirectly involved in the various levels of value creation and position in the supply chain. The disadvantages of African firms highlighted in prior studies include an array of issues, ranging from unfavorable macro environmental conditions to intra-business attitudes, structures and processes.

### **Interconnectedness between Stakeholders**

As indicated above, three major stakeholders are crucial for enhancing and enabling local content, both individually and in terms of the interconnectedness between them. For example, the lack of investments in adequate physical assets in less competitive firms is hampered by the government’s lack of relevant capital providers, and is further inhibited by the IOC’s cash traps, thereby delaying payments to local suppliers. Corruption, a weak financial market and banking system, and an unreliable infrastructure and legal system cannot be changed at the business level. On the other hand, local content can never be realized unless the firm itself takes the responsibility for improving their business processes and structures. Given the existing business enabling environment, macroeconomic conditions and cultural gaps between the internationally oriented buyer side (*i.e.* IOCs and associated global suppliers) and the host-country firms, some firms realize their own responsibility to improve their resource base, business activities and value creation (as perceived from the buyer side). The lack of competitive local suppliers can - to a certain extent only - be directly related to “others” outside the domain of the individual firm and the local industrial network in which the firm is embedded. The tendency to *blame others* (*i.e.* the IOC including their global suppliers and/or the government) for hampering local content, compared to *blaming the local firm itself*, is an adequate indication of the motivation to sustain improvement processes and, in the end, a realism in enhancing local content, regardless of favorable conditions imposed by government and IOCs. Thus, companies “blaming themselves” could be regarded as potential business champions, and as such, fulfilling the objective of *local content*.

### **Other Variables: Company Size, Location, Business Activities and Degree of “Openness”**

This study aims to identify four characteristics of firms related to the three groups of sources hampering local content. These characteristics include the: (1) *size* and (2) *location* (*e.g.* urban or rural district) of companies, and (3) *business activities* (*e.g.* physical production and manufacturing, services or a trading company). These three variables represent the basic characteristics of a company. The last variable is *openness*, which represents the extent to which a firm collaborates with other companies in order to sustain and improve business activities (either Tanzanian companies or foreign companies). Based on the aforementioned characteristics of a firm, the small-scale disadvantages and weak resource base are critical factors in sustaining competitiveness, which can be reduced through collaborative arrangements. The concepts of interdependencies, trust and commitment are core elements in the industrial network approach (Håkanson & Snehota, 1995, 2006; Ford *et al.*, 2003). These factors are assumed to have a significant effect on collaborative experience among the focal firms. As a result, a lack of collaborative experience is an effect of a manifested autonomy within the firm, a weak inter-firm trust and/or a lack of commitment.

The resource base and, in turn, competitive force are influenced by the ability to create a “network” and build inter-organizational trust and commitment. This means that the resource base of a “weak” indigenous firm can be significantly strengthened through inter-firm collaborations, thus implying that a third dimension (e.g. actor bonds) is in place.

The actor bonds involve trust, commitment and mutuality, and describe the firm’s social interaction aspects (Håkansson & Snehota, 1995, 2006). Strong actor bonds enable firms to share information and resources with each other, which represents a precondition for collaboration. Moreover, trust is a core issue in building and strengthening actor bonds.

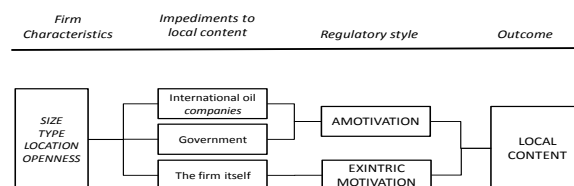
### Impediments to Local Content and Motivation

It is argued above that the three groups of impediments to local content, as perceived from local firms, are associated with firms’ ability to innovate and, in the end, realize the desired outcome of *local content*. The ability and willingness to innovate and therefore strengthen competitive force can be related to firms’ motivation to change. To be motivated means *to be moved* to do something. According to most theories of motivation, underlying attitudes and goals give rise to action (Ryan & Deci, 2000; Mikkelsen, 2016). In Self-Determination Theory, different types of motivation based on different reasons or goals that give rise to an action are distinguished (Ryan & Deci, 1995). Whereas intrinsic motivation refers to doing something because it is inherently interesting or enjoyable, extrinsic motivation refers to doing something because it leads to a separable outcome – one feels externally propelled into action (Ryan & Deci, 2000). The latter has an instrumental value entailing a feeling of choice and compliance with external control that represents intentional behaviour.

Ryan and Deci (2000) propose a taxonomy of human motivation in which two regulatory styles are particularly relevant in the context of *local content*: *amotivation* and *extrinsic motivation*. The first is the state of lacking an intention to act in which a firm lacks intentionality and a sense of causation resulting from not valuing an activity, not feeling competent enough to do it, or not believing it will yield a desired outcome (Ryan & Deci, 2000). In plain language, a local firm is unmotivated to innovate and strengthen a competitive force to comply with internationally based inclusion criteria for a supplier, and will blame government or the IOC for the compliance gap. An extrinsically motivated firm is associated with the salience of extrinsic rewards or punishments, and subject to an externally perceived locus of causality (Ryan & Deci, 2000). Hence, the firm realizes its own responsibility for change, and directs the blame of non-compliance and non-competitiveness towards the firm itself.

### Conceptual Model

In summing up, the relationship between the perceived impediments to local content and motivation in terms of regulatory styles and outcomes (*i.e.* local content) is conceptualized in the following conceptual model.



**Figure 1. Conceptual Model**

### Methodology

#### Data Collection

The survey was conducted in Dar es Salaam and Mtwara in 2015. Dar es Salaam (an urban location) is the country’s commercial city, which hosts the headquarters for most IOCs operating in Tanzania, while most of the country’s petroleum extraction activities take place in Mtwara (a rural location). The companies to be included were based on a list of 200 companies that represent the fastest growing medium-sized companies in Tanzania (KPMG, 2015). The selected respondents had an annual turnover between 0.5–9.3 million USD (equivalent to TZs 1 billion–20 billion). The questionnaires were filled in by one research group member during physical meetings with each company’s

informant. Out of 120 targeted companies, 110 (92%) companies/questionnaires were considered complete, with 82 located in urban Dar es Salaam and 28 in rural Mtwara. With respect to the nature of businesses, 52 firms were service-related businesses, 37 companies related to physical production and 21 related to trade activities. The aim of the questionnaire was to collect data about the actors blamed by Tanzanian firms to explain their lack of competitiveness (*e.g.* government, IOCs and local firms) and the characteristics of the firms making up our sample, according to the conceptual model illustrated above (see Figure 1) and as outlined in Table 1.

### Analytical Tools and Procedures

Due to the use of binary data (*i.e.* 1 = yes and 0 = no), methods such as Yule's Q and hierarchical clustering (with Yule's Q scores) were adopted to examine the association between "blaming someone" (government, IOCs or local firms) and each of the variables considered. These variables include: (1) a willingness to invest time and money in learning programs, (2) networking (number and geography of collaborations), (3) dimension (small, medium or large companies), (4) location (urban or rural), and (5) sector (physical producer, trade, services) of the firms under analysis (see Table 2).

**Table 1. Description and Specific Features of Variables**

Variable	Description	Specific Features
Motivation/1	Willingness to spend time in a learning program. How many days in total such a program should have.	(1) 5 Days (2) 10 Days (3) 15 Days (4) 20 Days (5) 30 Days (6) 45 Days
Motivation/2	Willingness to pay a portion of a learning program cost. How much?	(1) Pay nothing, someone else should pay. (2) Pay 250K TSh per participant (3) Pay 500K TSh per participant (4) Pay 750K TSh per participant (5) Pay 1,000K TSh per participant (6) Pay more than 1,000K TSh per participant
Networking	Formalized collaborations based on improvement processes in the last three years (number and location of partners).	(1) Alone, as a pure internal process (2) One foreign partner (3) One local partner (4) Two or more local partners (5) Two or more foreign partners
Dimension	Dimension of firms based on number of employees.	(1) Small (0-9) (2) Medium (10-249) (3) Large (more than 249)
Location	Location of firms	(1) Urban (2) Rural
Sector	Sector of firms	(1) Physical production (2) Trade (3) Services

Yule's Q is an index measuring the association between binary variables, which ranges between -1 (maximum negative association) and 1 (maximum positive association). Considering the following 2x2 contingency table, in which values in each cell represent the frequency of an event (i.e. same response patterns with regard to blaming someone and each of the aforementioned characteristics of firms in our case study):

	Yes	No	Total
Yes	A	B	a+b
No	C	D	a+c
Total	a+c	b+d	N

Yule's Q is given by:

$$Q = \frac{ad - bc}{ad + bc}$$

Following Bohrnstedt and Knoke (1991), the association between binary variables calculated by means of Yule's Q can be interpreted as follows:

0 to .24	“virtually no relationship”
.25 to .49	“weak relationship”
.50 to .74	“moderate relationship”
.75 to 1.0	“strong relationship”

The adoption of this method enabled us to measure the degree of association between the characteristics of the Tanzanian firms comprising our sample and the actors who were blamed due to the lack of competitiveness and consequent impossibility of these firms to access the oil and gas supply chain.

The various Yule's Q scores measuring single correlations between blaming government, IOCs and local firms, and the variables related to the characteristics of the Tanzanian companies (see Table 2), were used to create a taxonomy of firms “blaming” someone. Following Calignano and Vaaland (forthcoming), hierarchical clustering was identified as the best method to identify groups of variables demonstrating similar response patterns. The right number of clustered variables to include in our analysis was determined by means of the interpretation of the related dendrogram (e.g. a tree diagram graphically illustrating the hierarchical arrangement of clusters).

## Findings

### Association between “Who-To-Blame” and Characteristics of Firms

Tanzanian firms fairly equally blame local firms (42 mentions), government (39) and IOCs (29). However, interesting differences were observed with regard to the characteristics of the companies making up our sample, with a statistical method such as Yule's Q coefficient used to examine them. As explained above, a Yule's Q coefficient was adopted to reveal the association between the actors blamed by the Tanzanian firms under analysis, as well as the characteristics related to their motivation, to help meet the standards of the oil and gas supply chain, networking, sector, dimension and location. Table 3 shows the single correlation between blaming government, IOCs or local firms, and the aforementioned features of the Tanzanian firms. One of the most interesting results is that firms that are willing to spend more time and money in learning programs, in aiming to improve their competencies and capabilities, tend to blame government. Conversely, less “motivated” firms show a tendency to blame local companies. In fact, a significant correlation was found between, on the one hand, blaming government and spending, respectively, above 1,000K Tsh and 45 days in learning programs, and, on the other, between blaming local companies and paying nothing. Moreover, blaming IOCs is primarily correlated to a moderate level of motivation (e.g. investing 10 or 20 days in a learning program) and the urban location of firms. Medium-sized enterprises show a tendency to blame government, whereas a significant correlation was found between blaming local firms and large companies. From the sectoral viewpoint, virtually no relationships were observed between the variables under analysis.

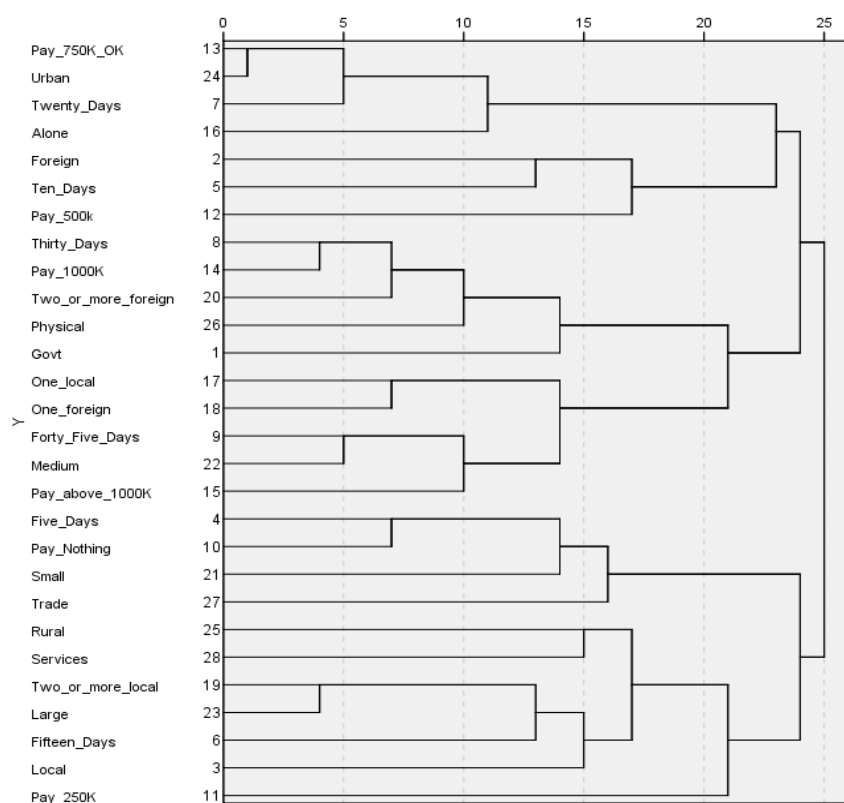
**Table 2. Association between Variables (Method: Yule's Q Coefficient)**

		Government	IOCs	Local
<b>Motivation/1</b>	5 Days	-0.18	-0.02	0.20
	10 Days	-0.26	<b>0.36*</b>	-0.09
	15 Days	-0.06	-0.28	0.20
	20 Days	<b>0.30*</b>	<b>0.49*</b>	-1.0
	30 Days	0.08	-0.13	0.02
	45 Days	<b>0.51**</b>	-0.19	-0.45
<b>Motivation/2</b>	Pay Nothing	-0.23	-0.05	<b>0.25*</b>
	Pay 250K	0.021	-0.16	0.11
	Pay 500K	<b>0.33*</b>	0.06	-0.43
	Pay 750K	-0.14	0.10	-0.04
	Pay 1,000K	<b>0.58**</b>	0.17	-1.00
	Pay above 1,000K	-0.05	0.19	-0.12
<b>Networking</b>	Alone	-0.03	-0.08	0.09
	With one external local company	-0.18	-0.02	0.20
	With one foreign company	-0.36	-0.46	-0.13
	With two or more local companies	0.23	-1.00	<b>0.25*</b>
	With two or more foreign companies	<b>0.41*</b>	0.04	-0.51
<b>Dimension</b>	Small	-0.22	0.09	0.14
	Medium	<b>0.27*</b>	0.04	-0.30
	Large	-0.12	-0.36	<b>0.35*</b>
<b>Location</b>	Urban	0.11	<b>0.31*</b>	-
	Rural	-	-	0.13
<b>Sector</b>	Physical	0.16	0.09	-0.27
	Trading	-0.06	0.07	-0.00
	Services	-0.11	-0.16	0.24

Legend: \*Weak Relationship, \*\*Moderate Relationship

#### Association among all Variables: A Cluster Analysis

After having revealed the association between single variables related to blaming someone and the characteristics of the surveyed firms, respectively, a further level of analysis was added in order to create a taxonomy of Tanzanian firms. As explained earlier, hierarchical clustering based on a previously calculated Yule's Q coefficient was used to group variables showing similar response patterns. The analysis of the dendrogram below (Figure 2) enabled us to identify five major clusters and find an association not only between blaming someone and single variables, but also among all the variables making up each cluster in order to classify firms blaming government, IOCs and local firms, respectively.



**Figure 2. Hierarchical Arrangement of Clusters (Dendrogram)**

*Source: Elaborated by authors*

The findings of the cluster analysis strengthen the results of the Yule's Q coefficient, and clearly reveal further associations among some of the variables under investigation. More specifically, the cluster analysis enabled us to show a correlation between groups of firms blaming someone and their predisposition to improve the firm's capabilities, degree of networking and other features (*i.e.* dimension, location and sector). In Table 4, the arrangement of the three clusters, including agents to blame (*e.g.* government, IOCs and local firms), are displayed. What we can observe is that blaming the government is mainly associated with a high level of motivation (a willingness to spend a substantial amount of time and money in training programs; *i.e.* 30 or 45 days, and 1,000K TSh or more) and a significant degree of networking (primarily multiple international connections, but also ties established with single local firms). Moreover, medium-sized enterprises and physical producers also tend to blame the government.

Conversely, a lack of motivation (spending far less time and money in training programs (*i.e.* 15 days and 250K TSh) is clearly associated with blaming local companies. Similarly, firms showing a good degree of local networking (*i.e.* collaborations with two or more other local partners), in addition to large, rural and services companies, pin the blame on themselves to explain their lack of competitiveness.

Finally, fewer associations were found between blaming IOCs and the characteristics of firms making up our sample. Blaming IOCs is primarily associated with a moderate willingness to invest time and money in learning programs (*i.e.* 20 days and 750K TSh). However, despite the fact that no other clear correlations were found, the findings related to blaming foreign IOCs indirectly confirm a tendency bonding more motivated Tanzanian companies over blaming someone different from local firms for their inability to meet the oil and gas supply chain standards.

It must be stressed that a cluster analysis revealed that government, IOCs and local firms belong to three distinct clusters. This can be considered as a crucial element since it enables us to determine that non-overlapping response



patterns were found, and that the various characteristics of the firms comprising our sample are clearly associated with a single “blamed” actor. These findings strongly contribute to making our analysis particularly interesting, as well as constructing a clear and reliable taxonomy of Tanzanian firms under analysis (Tables 3 and 4).

**Table 3. Clustered Variables; Method: Hierarchical Clustering with Binary Variables - Yule’s Q Coefficient**

		<b>Government</b>	<b>IOCs</b>	<b>Local</b>
Motivation/1	5 Days 10 Days 15 Days 20 Days 30 Days 45 Days	X X	X	X
Motivation/2	Pay Nothing Pay 250K Pay 500K Pay 750K Pay 1,000K Pay above 1,000K	X X	X	X
Networking	Alone With one external local company With one foreign company With two or more local companies With two or more foreign companies	X X X		X
Dimension	Small Medium Large	X		X
Location	Urban Rural			X
Sector	Physical Trading Services	X		X

According to this taxonomy and as summarized in Table 4, there is a sharp tendency of the more motivated surveyed firms to blame actors other than themselves. More precisely, moderately motivated firms tend to blame IOCs, whereas highly motivated companies blame the government due to the general lack of competitiveness of Tanzanian firms. High degrees of connections with foreign partners, in addition to other relevant characteristics such as dimension (medium-sized enterprises) and sector (physical producers), are also correlated with blaming government. On the other hand, less motivated firms with a good degree of local connections blame themselves due to their failures. These characteristics are also associated with large companies, firms operating in the services sectors and rural location.

**Table 4. Taxonomy of Tanzanian Firms Blaming Government, Iocs and Local Firms**

Who to blame	Motivation	Networking	Dimension	Location	Sector
Government	Highly motivated	High degree of International connections	Medium-sized enterprises	-	Physical producers
IOCs	Moderately motivated	-	-	-	-
Local firms	Poorly motivated	Good degree of local connections	Large companies	Rural areas	Services firms

### Discussion

Local content is about the share of value creation attached to the local industrial base, and is one important measure of to what extent natural resources are transformed into the host-country economy. In an extreme situation, local content requirements can force an IOC to include a local firm as a vendor or contractor regardless of the local firm's cost/performance gaps in relation to alternative (international competitive) suppliers. This extreme situation would require a quite unrealistic power asymmetry in favor of the host country compared to the IOCs, e.g. an extreme high profitability in the oil and gas field, and a high competition to participate among IOCs. It is therefore more realistic to assume that the degree of local content is dependent on a motivation to compete and an ability to reduce cost/performance gaps in relation to alternative foreign suppliers. However, competitiveness is an effect, and not a cause. Competitiveness is related to the motivational aspect, which we have operationalized into the "who-to-blame" construct. To "blame others" beyond the firm boundaries for a lack of one's own industrial participation is assumed to be a far weaker motivational asset than directing the responsibility inward and towards internal improvement processes. Even so, this argument is not supported by our findings. Contrary to our expectations the firms exhibiting the strongest motivational indicators blame the government for the lack of local content.

The motivational aspect has been measured and operationalized through two factors: (1) a firm's extent of networking and collaboration with other firms, both local firms and foreign business partners, and (2) a firm's willingness to invest in an improvement program in collaboration with an IOC that represents the buyer's side of the business dyad, i.e. no prior experience with inter-firm collaboration and no willingness to contribute financially (*i.e.* cost sharing with an IOC) exhibit no motivation to change. It can further be argued that a lack of motivation to change implies that a lack of local participation in the oil industrial supply chain is related to "blaming others". One may therefore question why a local firm should invest in collaborative improvement activities if the external constituents determine their fate. Whereas this assumption might sound reasonable, the findings indicate that the assumption has to be significantly modified.

The findings indicate that the firm which exhibits the strongest motivation to improve, both in terms of inter-firm collaboration and networking, and a willingness to invest in further improvement, are those who blame either the IOCs and the government for the lack of local content. Why are the most motivated firms directly responsible for the lack of competitiveness away from themselves and towards external actors? There are some possible explanations:

First, the supply strategies of the IOCs are configured towards readily available global suppliers, rather than including less competitive local firms. Regardless of the local firm's efforts to improve, the threshold for being included is too high. Vaaland (2016) suggests two major obstacles: (1) the lack of a planning horizon for the local firm to allow investments in the resource base to comply with a tender; (2) a cash trap associated with bundled contracts, in which the contracts are simply too big for a local company to financially fund and participate. The company size is generally very small compared to their global counterparts fighting for the same contracts. One could argue that local content requirements imposed on an IOC can stimulate the IOC to breed and train local firms, but a cost conscious IOC can still insist on keeping up with global industry standards, and thus avoid taking on the cost burden of developing local firms.

A second reason is related to the role of government. The findings indicate that the host-country government is even a more significant reason for the lack of local firm inclusion. This can be related to weak local content regulations and policies, or a lack of enforcement of the existing regulations. One should bear in mind that the

government's ability to enforce local content compliance is dependent on what Nygaard and Dahlstrom (1992) claim to be a strategic position and power asymmetry between the host country and the IOC. For example, the lower the oil or gas price, the less relative the power of the host country in relation to the IOC. In other words, a highly profitable and attractive oil and gas field gives the host country a good reason to enforce strict concession requirements on the IOC, thereby allowing local content to be realized.

Whereas the concept of local content is related to the share of local participation (the share of the pie), it is possible that the informants also have considered the "size of the pie". In other words, the informants indicate that their potential business volume is more hampered by a lack of governmental proactivity in developing the oil and gas industry as a whole, rather than demanding a certain local share of the industry. This can be illustrated by one particular aspect in Tanzania related to a proposed new gas terminal planned to be built somewhere along the Tanzanian coastline. This project, which implies heavy investments with a significant involvement of local businesses, has been significantly delayed through tiresome political processes and delays. The lack of a final decision on where to geographically locate the new gas terminal can be one reason to blame the government instead of the firm itself.

Another interesting finding is that the unmotivated firm in terms of a reluctance to invest or collaborate to enhance competitiveness seems to blame themselves rather than external actors. One should intuitively expect that there is no reason to improve if IOCs and government are blocking the opportunities. One such possible reason for such a fatalistic view on the market environment: The firms are too far away from being competitive, and that they realize that their competitive forces and resource base are too far away from meeting international standards required for oil and gas involvement.

### **Implications**

The results of our study showed that, quite surprisingly, more motivated firms tend to blame the government. This result can be interpreted as a reprimand of more potentially competitive firms toward local authorities. The message seems to be clear: We are doing our part, now it is your turn. The major implication of this result is that the government should increase what we have called the "size of the pie" (i.e. total business volume in the oil and gas sector) by means of rules, policies and regulations aiming to enhance the weak industrial framework and local content, and create a favorable environment.

Moderately motivated firms blame IOCs. The major implication of this finding is that IOCs are called to participate more actively in the local industry environment. It is widely accepted that training programs and regular feedback from IOCs can trigger new industrial development paths capable of going also beyond the oil and gas sector (Heum *et al.*, 2003, 2008). It is evident that these linkages are potentially beneficial not only for the local actors (government and local firms), but for the system as a whole (therefore including also IOCs).

Meeting the challenging standards of the oil and gas supply chain is a demanding task. Despite the apparent sense of resignation of many local firms (see previous section), a glimmer of optimism can be tracked down from the fact that less motivated firms blame themselves. They seem to be aware of their shortage of competitiveness and an inadequate willingness to create a sound network of relationships. However, these firms are now called to put words into action by improving in terms of competencies, skills and resources, hence making them more competitive and, consequently, reliable partners in the eyes of IOCs.

### **Limitations and Conclusion**

This explorative study aimed at correlating the actors blamed by the Tanzanian firms with their degree of motivation, networking and features. The most interesting result is that the most motivated and proactive firms in terms of collaboration and improvement focus appear to blame the government for a lack of industrial participation. These firms are willing to invest most in collaboration and development activities and have the highest density of collaborative arrangements with foreign firms. This is contrary to our expectations, where we would assume that firms exhibiting a competitive attitude would avoid blaming external constituents such as government and the IOCs (as customers), and focus more on further improvement to qualify for inclusion in the petroleum supply chain. This emphasizes the importance of the government in breeding a business enabling environment in which local content is embedded.

Nonetheless, the findings are not exempt from limitations. Despite that this study was able to demonstrate a clear correlation among blaming someone and several characteristics of firms, little is known about the reasons why companies with given features tend to blame specific actors. Our discussion of the results is based on a speculative approach and grounded in previous literature. Additional qualitative in-depth interviews should be conducted in

coming analyses with the aim to obtain accurate information about the reasons that lead firms with different features to blame different actors. Moreover, future studies should aim not only to find a correlation between blaming someone and the characteristics of firms, but to push forward the analysis to a higher level with the aim of seeking a causality between the variables adopted in this study and economic inputs and outcomes, such as level and types of innovation, public policies, turnover, creation of new jobs, etc.

## References

- Abifarin, O. & Heck, M.A. (2002). Implementing an operator-service company common HSE management system in Nigeria. SPE International Conference on Health, Safety and Environment in Oil and Gas Exploration and Production, Kuala Lumpur, Malaysia, 20-22 March 2002. SPE 7452.
- Abereijo, I.O., Ilori, M.O., Taiwo, K.A. & Adegbite, S. A. (2007). Assessment of the capabilities for innovation by small and medium industry in Nigeria. *African Journal of Business Management*, 1(8), 209-217.
- Adewuyi, A.O. & Oyejide, T. (2012). Determinants of backward linkages of oil and gas industry in the Nigerian economy. *Resource Policy*, 37(4), 452-460.
- Bakare, A.S. (2011). Local content policy in the oil sector and the capacity of utilization in the Nigerian manufacturing industry. *Business and Management Review*, 1(6), 82-92.
- Biggs, T., & Shah, M.K. (2006). African SMES, networks, and manufacturing performance. *Journal of Banking & Finance*, 30, 3043-3066.
- Bohrnstedt, W. & Knoke, D. (1991). *Basic social statistics*. F.E. Peacock Publishers, Itasca.
- Boscheck, R. (2007). The governance of oil supply: An institutional perspective on NOC control and the questions it poses. *International Journal of Energy Sector Management*, 1(4), 366-389.
- Bridge (2014). Procurement principles and supply chain interaction, The National Content Workshop, Feb 18-19 29014, Entebbe, Uganda.
- Britz, J.J., Lor, P.J., Coetzee, I.E.M. & Bester, B.C. (2006). Africa as a knowledge society: A reality check. *The International Information & Library Review*, 38, 25-40.
- Damman, S., Akon-Yamga, G. & Mohammed, K.S. (2011). Developing local content: Knowledge, attitudes and practices among Ghanaian supply companies. SINTEF-STEPRI Report, Accra.
- Dartey-Baah, K., Amponsah-Tawiah, K. & Aratuo, D. (2014). Rent-seeking resource and institutional challenges in Ghana's nascent oil economy. *International Journal of Law and Management*, 56(5), 363-386.
- Deci, E.L. & Ryan, R.M. (1985). *Intrinsic motivation and self-determination in human behavior*. New York: Plenum.
- Ford, D., Gadde, L-E., Håkansson, H. & Snehota, I. (2003). *Managing business relationships*, Wiley, Chichester.
- Frynas, J.G. (2001). Problems of access to courts in Nigeria: Results of a survey of legal practitioners. *Social & Legal Studies*, 10(3), 397-410.
- Giroud, A. (2007). MNEs vertical linkages: The experience of Vietnam after Malaysia. *International Business Review*, 16, 159-176.
- Hansen, M.W., Pedersen, T. & Petersen, B. (2009). MNC strategies and linkage effects in developing countries. *Journal of World Business*, 44, 121-130.
- Helmsing, A.H.J. (2001). Externalities, learning and governance: New perspectives on local economic development. *Development and Change*, 32(2), 277-308.
- Heum, P. (2008). Local content development – experiences from oil and gas activities in Norway. Working Paper No. 02/08, Institute for Research in Economics and Business Administration, Bergen, Norway.
- Hillier, D., Pindado, J., de Queiroz, V. & de la Torre, C. (2011). The impact of country-level corporate governance on research and development. *Journal of International Business Studies*, 42(1), 76-98.
- Håkansson, H. & Snehota, I., (1995). *Developing business relationships*. London: Routledge.
- Håkansson, H. & Snehota, I. (2006). No business is an island: The network concept of business strategy. *Scandinavian Journal of Management*, 22, 256–270.
- Ibrahim, M.J. (2008). Growth prospects of oil and gas abundant economies: The Nigerian experience (1970-2000), *Journal of Economic Studies*, 35, 2, 170-190.
- Ihua, U.B., Olabowale, O.A., Eloji, K.N. & Ajayi, C. (2011). Entrepreneurial implications of Nigeria's oil industry local content policy. Perceptions from the Niger Delta region. *Journal of Enterprising Communities: People and Places in the Global Economy*, 5(3), 223-241.
- Ishengoma, E. & Vaaland, T.I. (2016). Can Industry-University Linkages Increase Student Employability? *Education + Training*, 58(1), 18-44.

- Ivarsson, I. & Alvstam, C.G. (2009). Learning from foreign TNCs: A study of technological upgrading by local suppliers to AB Volvo in Asia and Latin America. *Intl. J of Technology Management*, 48(1), 56-76.
- Justi, A.C.A., Guedes, F.P., Filho, J.R.F., Valle, M.R., Goncalves, R., Moro, R. & Almeida, A.B.S. (2009). Pre-Salt: The Brazilian opportunity to take local industry to the next level. Offshore Technology Conference, Houston, USA. 4-7 May 2009. OTC 19992.
- Kasuga, H. (1999). International business alliances: An incomplete contract approach. *Japan and the World Economy*, 11, 497-515.
- Klueh, U.H., Pastor, G. & Segura, A. (2009). Policies to improve the local impact from hydrocarbon extraction: Observations on West Africa and possible lessons for Central Asia. *Energy Policy*, 37, 1128-1144.
- Majocchi, A. & Presutti, M. (2009). Industrial clusters, entrepreneurial culture and the social environment: The effects on FDI distribution. *International Business Review*, 18, 76-88.
- Marcel, V., Tissot, R., Paul, A. & Omonbude, E. (2016). A Local Content Decision Tree for Emerging Producers. Research Paper (July 2016). Energy, Environment and Resources Department, Chatham House The Royal Institute of International Affairs.
- Mikkelsen, A. (2016). Hva bør ledere og HR medarbeidere vite om motivasjon? In A. Mikkelsen & T. Laudal (Eds.), *Strategisk HRM 2*. Oslo: Cappelen (43-45).
- Mutula, S. (2008). Local content development projects in Africa. South African. *Journal of Library & Information Science*, 74(2), 105-115.
- Mwakali, J.A., Heum, P., Ekern, O.F., Byaruhanga, N.M., Koojo, C.A. & Bigirwenkya, N.K. (2011). Enhancing national participation in the oil and gas industry in Uganda. The National Content Study in the Oil and Gas Sector in Uganda. Final report, Sept. 2011, Ministry of Energy and Mineral Development of Uganda.
- Nwosu, H. U., Nwachukwu, I.N., Ogaji, S.O.T. & Probert, S.D. (2006). Local involvement in harnessing crude oil and natural gas in Nigeria. *Applied Energy*, 83, 1274-1287.
- Nygaard, A. & Dahlstrom, R. (1992). Multinational company strategy and host country policy, *Scandinavian Journal of Management*, 8(1), 3-13.
- OECD (2005). *The measurement of scientific and technological activities. Oslo manual, Guidelines for collecting and interpreting innovation data*. 3rd edition, Organisation for Economic Co-operation and Development. OECD Publishing,
- Okejiri, E. (2000). Foreign technology and development of indigenous technological capabilities in the Nigerian manufacturing industry. *Technology in Society*, 22, 189-199.
- Olaoye, D. (2005). Competence for managing HSE in deep offshore operations - relevance requisite for indigenous contractors. 29<sup>th</sup> annual SPE International Technical Conference and Exhibition, Abjua, Nigeria, Aug 1-3, 2005. SPE98805.
- Ovadia, J.S. (2014). Local content and natural resource governance: The cases of Angola and Nigeria. *The Extractive Industries and Society*, 1, 137-146.
- Owusu, R.A. & Vaaland, T.I. (2016). Local content in the oil and gas industries in Africa: How can a weak industrial base be included in the value chain? *International Journal of Energy Sector Management*, 10(4), 594-616.
- Parrilli, M.D. (2004). A stage and eclectic approach to industrial district development: Two keys for “survival” clusters in developing countries. *European Planning Studies*, 12(8), 1115-1131.
- Ryan, R. M. & Deci, E.L. (2000). Intrinsic and extrinsic motivations: Classic definitions and new directions. *Contemporary Educational Psychology*, 25, 54-67.
- Sherman, R. (2008). The strategic value of defining the local business enabling environment. SPE International Conference on Health, Safety and Environment in Oil and Gas Exploration and Production, Nice, France, 15-27 April 2008. SPE111879.
- Silvestre, B.D.S. & Dalocal contentol, P.R.T. (2009). Geographical proximity and innovation: Evidence from the Campos Basin oil & gas industrial agglomeration - Brazil. *Technovation*, 29, 546-561.
- Solli, H. (2007). Means to learn and control. The effect of BP business standards on local supplies in the oil industry in Azerbaijan. *Norwegian Journal of Geography*, 61(1), 34-37.
- Tordo, S., Warner, M., Manzano, O.E. & Anouti, Y. (2013). *Local content policies in the oil and gas sector*. A World Bank Study, no.78994, Washington: World Bank.
- Torres-Fuchslocher, C. (2010). Understanding the development of technology-intensive suppliers in resource-based developing economies. *Research Policy*, 39, 268-277.
- Vaaland, T.I., Soneye, A.S.O. & Owusu, R.A. (2012). Local content and struggling suppliers: A network analysis of Nigerian oil and gas industry. *African Journal of Business Management*, 6(15), 5399-5413.

- Vaaland, T.I. (2015). Petro-stimulated corporate citizenship in developing countries: A framework and a research agenda. *Journal of Corporate Citizenship*, 59.
- Vaaland, T.I. & Ishengoma, E. (2016). How can university-industry linkages enhance innovation? *Education+Training*, 58(9), 1014-1040.
- Veloso, F.M. (2006). Understanding Local Content Decisions: Economic Analysis and an Application to the Automotive Industry, *Journal of Regional Science*, 46(4), 747-772.
- World Bank (2013). *Nigeria Economic Report. Doing business in a more transparent world. The International Bank for Reconstruction and Development*. The World Bank. Washington: World Bank.
- WTO (2011). [www.wto.org/english/thewto\\_e/...e/local\\_content\\_measure\\_e.htm](http://www.wto.org/english/thewto_e/...e/local_content_measure_e.htm) -

# AN INVESTIGATION INTO THE BUDDING SHARING ECONOMY IN AN EMERGING MARKET

*Cashandra Jasson, University of Johannesburg, South Africa*  
*Kevin Muiruri, University of Johannesburg, South Africa*

In recent times, largely as a result of advancements in information technology and changing consumer needs, traditional methods of doing business are being challenged by the emergence of software platforms that enable individuals to share goods and services at a given cost. Collaborative consumption also referred to as shared economy, entails individuals offering or renting underutilized assets or services to other individuals usually at a specified price. Enabled by the internet, it is now possible for these assets and services to be disaggregated as peer-to-peer services. The collaborative economy has increasingly grown in recent years to become an integral part of modern society where millions of consumers are utilizing it worldwide. It has raked in billions of dollars in revenue worldwide and is expected to grow substantially. Sharing economy companies such as Uber and Airbnb have grown enough to pose a threat to traditional business models. The purpose of this paper is to investigate the shared economy practices as well the concerns it has brought about. In emerging markets the sharing economy for instance seen to have a higher potential in revenue generation though there has been little study conducted. This may prompt further research in investigating the emerging market potential in exploiting the sharing economy in terms of revenue generation while addressing its concerns.

## Introduction

Airbnb was started in 2008 in the USA. Its business model entails bringing together on an internet platform travelers looking for cheap accommodation and homeowners with excess space. Travelers range from leisure to business customers and offerings range from a couch in a room, to exclusive accommodation in castles and even igloos (Forgacs & Dimanche, 2016). Since the introduction of this innovation, other accommodation alternatives have appeared, such as Priceline, Vacation Rentals by Owner (VRBO), Homestay, HomeAway, Roomarama and the upmarket OneFineStay (Southan, 2017). This innovation has developed beyond accommodation however, and has resulted in offerings extending beyond spare rooms. Recently an array of services have become available, including ridesharing applications, the best known being Uber. Uber was conceptualized by Silicon Valley entrepreneurs and provides additional transport options to individuals as well as an opportunity for vehicle owners to generate revenue from their vehicle, making it available for more than just regular personal consumption (Berold, 2014). Besides the obvious rental offering of accommodation and cars, there are also the options of renting camping spaces for holidays or parking in the cities (The Economist, 2017).

The above business model is referred to as the sharing economy, and it involves collaborative consumption or simply individuals renting underused or idle assets to each other (The Economist, 2017). In accommodation terms, it entails an internet enabled marketplace where travelers can rent a room from private individuals and not from an establishment formally registered as a hotel or guesthouse (Interian, 2015). In transportation services terms, it means that vehicle owners not necessarily registered as commercial taxis are connected with passengers looking for a ride somewhere, via a cellphone application (Berold, 2014). In general terms, it allows tangible and intangible assets to be disaggregated as services (The Economist, 2017).

Almost in tandem with the growing interest from consumers and the consumer peer-to-peer market, concerns have emerged about online platforms and how these should be regulated. (Edelman & Garadin, 2016). According to Forgacs and Dimanche (2016) the sharing economy and the smart platforms where transacting takes place present an income threat to the traditional hotel and lodging industry as even business travelers now make use of Airbnb (Southan, 2017) and to city management as taxable hotel revenue declines (Levi & Goldman, 2012). Similarly, there are calls for reform, and for regulation and taxation of short-term rentals and making the rental market a priority over the tourist market (Lee, 2016). There are also more severe threats such as the eventual disappearance of the middle class in Los Angeles. Due to the continued reduction of the already limited rental housing stock, rental prices increase driven by demand, and the middle class renters move to find more affordable accommodation in other cities (NBC News, 2017).

In the light of the opposing views of regulators, consumers and suppliers of shared services, the question arises whether the phenomenon of the sharing economy is truly generating national revenue, distributing it evenly or destroying it. If regulated well and done early, perhaps the sharing economy can alleviate the desperately needed

increase in entrepreneurial activity, which in an emerging country like South Africa is still lower than in the rest of sub-Saharan Africa (Herrington, & Kew, 2016). The objective of this conceptual paper is to investigate the phenomenon of the shared economy and to present findings of literature studied in the western world and to a limited extent in emerging markets. The contribution of this paper is the theoretical and practical value added. On a theoretical level, the paper adds to the body of knowledge on the sharing economy in emerging markets, which is a growing, albeit slowly. On a practical level, this research adds possible solutions to the phenomenon that is in its infancy in South Africa, an emerging economy. This paper is one of the first scholarly contributions that offer a better understanding of the sharing economy and how it impacts the tourism industry of emerging markets. This paper offers researchers a well-documented investigation into the current practices and an opportunity for further research, particularly in the emerging context, where few articles have seen the light.

## Literature Review

### The Efficiencies Made Possible by the Sharing Economy

The onset of the sharing economy may be attributed to a combination of the global economic downturn, advances in technology and in particular, internet-based sharing applications (simply called 'apps'), as well as the creative thinking of individuals who are capitalizing on unused space, assets or capacity (Griffith, 2016). Early estimates have it that the revenues from the sharing economy will exceed US\$ 20 billion by 2020 (Interian, 2015). In conventional rental markets, owners hold assets to rent them out, however in recent times, startup technological firms have established this new form of markets in which owners sometimes utilized their assets and at other times rent them out. These markets are regarded as peer-to-peer or sharing economy markets. Rental by consumer-owners has been present for long, although confined mostly to expensive goods such as vacation homes and often they were shared among family and friends, with or without payment. The peer-to-peer systems in present times are open markets and the goods or services are shared at a cost (Horton & Zeckhauser, 2016).

The shared economy describes a new wave of business models that have challenged the traditional models, broken down industry categories and made the most of limited resources. The proverbial of these are the transport service giant Uber and the accommodation service Airbnb. The sharing economy however extends further into sectors such as finance, investment, and everyday tasks, such as renting a lawnmower (Allen & Berg, 2014). The sharing economy is defined as an economic model, founded upon sharing, merchandising as well as renting products and services in a manner that facilitates access over ownership. It can include business-to-consumer (B2C), business-to-business (B2B), or peer-to-peer transactions (Pluess, Kim, Lee & Pelaez, 2016).

Botsman and Rogers (2010) define the sharing economy as an economic system primarily focused on the sharing of underutilized assets or services at a given cost or for a given fee that comes directly from individuals. Juul (2015) states that the shared economy, also known as collaborative, peer or access economy cannot be defined by a single definition, however it can be described as an economic model dependent on network technologies that enables products and services to be exchanged in ways that have not been possible before. Another way of looking at the sharing economy can be that in conventional traditional markets, consumers buy products and services that they own while in the sharing economy suppliers share their resources briefly with consumers, whether at a fee or not. Anybody can share things from products such as bicycles, cars, and property, to time, skills and competencies (Dervojeda, Verzijl, Nagtageal, Lengton & Rouwmaat, 2013).

Airbnb was started in 2008 by two art students in San Francisco, USA (Forgas & Dimanche, 2016; The Economist, 2017). Although Airbnb has emerged as the most prominent example of the home sharing model, other such service providers have entered the sharing economy, such as The Priceline Group (Fastcompany.com, 2017). The Priceline Group offers similar services, under the trade names of Booking.com, Kayak and Open Table (Fastcompany.com, 2016). The shareholders of both Airbnb and the Priceline Group earn a service fee charged to the guest and the host (Dervojeda *et al.*, 2013).

The traditional mode of businesses and other organizations produce services offered by organizations to consumers, so called B2C. However, the sharing economy has introduced peer-to-peer offerings. Generally, this form of sharing goods and services is usually facilitated through online mediums that match demand and supply. These platforms in a number of cases are developed and managed by private organizations known as peer-to-peer organizations or sharing economy organizations. The sharing economic model is known as a peer to peer model whereby peers who are mostly individuals offer and request goods and services. The platform acts as a facilitator between them (Juul, 2015). The sharing economy has been on a rising growth path in recent years and has gained the interest of stakeholders globally. Technology is crucial in the sharing economy and numerous sharing platforms have emerged providing individuals the opportunity to share goods and services. The pervasiveness of mobile



devices in recent times has led to a digital revolution that serves as a catalyst for growth in the sharing economy (Gururaj, 2015).

The appeal of the sharing economy lies in the fact that sharing platforms create a win-win situation for all stakeholders. The sharing economy has many benefits, such as facilitating on demand access to goods and services, efficient utilization of underutilized assets leading to a multiplier effect such as increased employment, digital literacy and the rise of micro entrepreneurship (Gururaj, 2015). Some critics however lament the notion that Airbnb is causing a dual problem, *i.e.* firstly reducing the already limited supply of affordable housing and thereby increasing the price, and secondly, creating ‘cottage hotels’, in residential areas not zoned for commercial, but for residential purposes (Lee, 2016). The biggest disruption to the tourism industry however, has been the decline of bookings in traditional hotels. In 2015 alone, almost 60 percent fewer hotels rooms were booked (Forgacs & Dimanche, 2016). This has caught the hotel industry off guard and although they may be able to fight a price war, there is also the competitive advantage of a sense of authenticity and the local experience that only the neighborhood landlord can provide.

### **Revenue Generated by the Sharing Economy**

The business interest in these sharing platforms is ever-increasing. For instance Airbnb alone has attracted almost \$2.4 billion in investment in 2016 and it is expected to reach US\$ 20 billion by 2020 (Southan, 2017). Organizations such as Avis have invested \$500 million for the U.S-based car sharing service Zip-car. Such financial investments have contributed to a positive economic revolution that has gained significant attention (Malhotra & Marshall, 2014). Berg and Allen (2014) estimate the consumer peer-to-peer rental market to be approximately \$26 billion in 2014. The shared economy is estimated to have grown at 25 percent in 2013 with over \$3.5 billion in revenue worldwide, resulting in significant potential to foster economic growth and improve living standards.

For instance Uber, which was valued at \$50 billion, now ranks higher than 80 percent of all organizations on the Standard and Poor’s index. Consumers cite that the benefits from Uber are availability, convenience, low cost and seamless transacting. For the drivers, there is enhanced economic opportunity and higher earnings (Schor, 2015). In certain major US cities, it is already cheaper to use Uber (which has now become a verb) than own a vehicle (Berold, 2014). The potential market revenue for the shared economy worldwide is growing. According to PriceWaterhouseCoopers (2015) the five key sectors, which are accommodation, travel, car finance, staffing and music and video streaming, have the potential to increase global revenue from 15 billion dollars to 300 billion dollars by 2025. The benefits, however, reach more than the hosts, who use the additional income to pay home loans or rent, or buy groceries. Local businesses benefit as a result, also from the tourists who shop there (Finweek, 2015).

Uber and Airbnb seem to be at the forefront of introducing the sharing economy on the African continent, and in emerging economies like Nigeria and South Africa, creating job opportunities and capitalizing on the growing middle class and its increasing disposable income (Jackson, 2016). This income is not taxed and approximately 15% is payable to Airbnb (Burmeister, 2013). While there is money to be made, renting out a room in one’s apartment, or an entire house may hold certain inherent risks. Guest on premise injury or damage to property need to be considered, which results in additional expenses to the host (Sojini, 2016). Ridesharing poses the risk of accidents or opportunistic behaviour on the part of the driver, although Uber has structures and systems in place that will yield a response following on a customer complaint (Edelman & Geradin, 2016).

### **Regulation and Compliance**

The sharing economy has created value for consumers who are comfortable and feel secure to trade online and to property owners who are prepared to share their personal space (Burmeister, 2013). It enables local entrepreneurs to add a new dimension to the tourist industry, such as hosts offering tour guide services. This introduces the dimension of compliance and meeting regulatory requirements (Sojini, 2016).

Lines (2015) states that Airbnb remains unregulated in the state of Arizona where concerns center on issues such as health and safety, tax evasion and property value preservation. In a city like Los Angeles, California, the already short supply of rental accommodation is aggravated and the housing market is distorted by short-term rentals for the sake of its positive effects on tourism and the economic activity (Lee, 2016). The city management of Los Angeles filed a lawsuit against the owners of Airbnb and intends to regulate short term rentals and issue large fines to unregistered homeowners transgressing city laws (Johnson, 2016). Airbnb is fighting back in the federal court, opposing the city’s registration process (NBC News, 2017). Certainly the registration and verification of hosts will introduce an administrative burden to Airbnb, which will be difficult to regulate and execute (NBC News, 2017).

Despite residential development the stock of affordable rental accommodation in Los Angeles is not meeting the demand. This can be attributed to a shortage of funds and the foreclosure crisis in 2010 which turned more than 100,000 former homeowners to the rental market (Lee, 2016). At the same time, the tourism sector is developing

and city authorities are losing the battle against finding a balance between vacation rentals and rental property stock (Slee, 2016). Digital applications of the sharing economy are still new and despite having positive reception there have been concerns as well. Dillahun and Malone (2015) point out that platforms such as Airbnb make it easier to racially discriminate online because it requires hosts and users to provide photos. Questions in addition have been raised about the concern for the worker, legal liability and insurance. Addressing these issues will require innovativeness in changing economic fields, public policy as well as information technology.

Rental income exceeding USD74 500 per year is taxable and Airbnb is expected to pay 14 percent VAT to the South African Revenue Service (Sojini, 2016). Airbnb collects income tax on behalf of the Internal Revenue Services (IRS) in the USA and provides information to registered hosts on how to keep accurate tax records, tax deductible expenses, and how to report tax revenue from rental income (EY, 2017). A new rule in the city of San Francisco, New York State and Chicago require Airbnb hosts to register as such with the city authorities, yet only about 20% have done so (Slee, 2016). Taxes are used by governments to promote and ensure a more equitable and fair distribution of wealth. Yet, individuals' willingness to comply with the laws results in a divergence between the intended impact of a tax and its actual impact (Mayiek & Yego, 2015).

The term 'sharing' may imply a commercial relationship, which in a strict sense may mean both parties are contributing to the expense or sharing the benefits. This term needs to be clarified for the purposes of lawmakers. While on the one hand these software platforms introduce cost savings and efficiencies, on the other hand they introduce negative externalities to non-customers, for example pedestrians who are exposed to the risk of unsafe, unlicensed, uninsured or underinsured Uber drivers, to the same extent as a user of the service. Similarly, the neighbors of Airbnb hosts could experience negative externalities in the form of consuming neighborhood parking spaces or other shared resources (Edelman & Geradin, 2016). A more serious externality is the permanent removal off the market of rental property stock and the city centers becoming deserted, as tourists now prefer accommodation outside the city in Airbnb establishments (Slee, 2016).

Edelman and Geradin (2016) express concern about inconsistencies in the application of minimum requirements for commercial services providers and for providers using software platforms. Taxis must meet certain legislative requirements or risk losing their permit to operate. This includes that vehicles be of a certain make, mileage or age. Yet, this requirement is not imposed on ridesharing platforms such as Uber. Hotels need to install fire retardant bedding or suppression systems like fire extinguishers and sprinklers, this rule does not apply to Airbnb establishments (Edelman & Geradin, 2016). Regulation may be able to protect consumers by introducing minimum standard requirements.

Farronato & Levin (2015) also point out that there are issues that need to be addressed with regard to the shared economy. The rise of organizations such as Uber and Airbnb for instance has led to the call on them to be regulated. This is because some of these software platforms have in some instances failed to protect their end consumers despite their assurances. Trust is at the center of the shared economy and sometimes this trust can be misguided since the business model of the shared economy relies on low cost checks. For the shared economy the key tenets such as efficiency, trust and value proposition must be sufficiently satisfied. Gujuraj (2015) supports this and states that in order for the sharing economy to make progress in markets such as India, sharing platforms have to address a few issues. These issues include trust between individuals involved in a transaction, a technological platform that provides fair pricing, verified listings and background checks.

The issues surrounding the shared economy are mainly regulatory and consumer protection issues resulting from informal production of goods and services, potentially unfair competition with business to consumer service providers and market strength of peer to peer operators. More nuanced and less radical approaches call for innovation and brilliant forms of regulation attempting a compromise to ensure consumers protection and safety without undermining innovation. Possible solutions can be through information based regulation of metrics and performance, cooption of sharing organizations within a city's or country structure of governance, slow deregulation of incumbent firms if needed as opposed to traditional regulation approach to the sharing economy (Codagnone & Martens, 2016). When there is a new collaboration between the peer's business model and the traditional business model, it enables organizations to grow more quickly, learn faster and deliver better product and services. (Chase, 2015).

### **Emerging Markets and the Shared Economy**

Small and medium enterprises are the fastest growing business segment in many emerging economies according to Mayiek and Yego (2015). In emerging markets, the stakes are high in the sharing economy since there is a higher willingness to participate in sharing communities. In emerging markets comprising of Asia-Pacific, Latin-America, Middle-East Africa, the willingness participation is at 67 per cent whereas in North-America and Europe it is 33 per cent (Nielsen, 2014). Examples to support this are: Go-Jek, the Indonesian 'Uber' for motorcycles launched in 2011

now has over 10,000 riders. Similarly, other models have emerged in Africa such as Safe Boda. Another example PrepClass, a Nigerian education platform enabled independent tutors to provide more than 14,000 hours of lessons with average pay of \$6 per hour (Price Water House Coopers, 2015).

Emerging markets are particularly poised to benefit from this growth because since digital economies are where digital sharing will prosper. This model of the sharing economy converts emerging markets liabilities into scarce assets and plentiful labor into opportunities. Analysis conducted estimate that emerging markets are 40-50% more likely to engage in digital sharing given the right access to the right tools. In one sector, digital sharing in finance delivered approximately \$34 billion to entrepreneurs and small businesses in over 45 countries in 2015 through lending and investment. (Dalberg, 2016). In Africa, where youth unemployment is high, it is anticipated that the sharing economy will be dominated by the young people (Jackson, 2016).

Cuba is one of the fastest growing market for Airbnb, according to Griffith (2016). The increase in tourist arrivals from the USA creates big opportunities for Cuban homeowners, although access to basic amenities such as running water and advance amenities such as internet access greatly challenge the establishment. The country however needs the entrepreneurs whose income has increased from \$23 to \$250 per month.

In Africa, online payments may still present problems. Whereas easy payment services, internet access and the rule of law lead to higher levels of trust and confidence in online transacting, it is not the case in Africa (Jackson, 2016). Uber has had to adapt its model in Africa, where many still don't have access to debit and credit cards. The Kenyan capital of Nairobi is the second city in the world where Uber accepts cash payments (Jackson, 2016). In addition, the expense of creating infrastructure is prohibitive in more than 50 African countries, each with its own challenges and online payments still in its infancy. The young consumer class is however pushing for solutions and the sheer size of the market may soon result in innovative answers fit for the continent (Botha, 2015). Africa is the one continent where the rate of cell phone adoption is the highest in the world. In South Africa, 94 percent of the population has a cell phone and the well-developed cellphone infrastructure (Botha, 2015).

### **The Response of the Hospitality Industry**

In the past, both hotels and Airbnb could operate in relative harmony. Lately though, hotels are starting to fight back (Southan, 2017). The hotels have formed a lobby group and finance the fight to have Airbnb regulated. Airbnb is targeting business travelers, who are more lucrative and travel more frequently than leisure travelers. Hotel chain AccorHotels has acquired OneFineStay and Oasis Collections, and bought more than 2,000 homes in major European, UK and US cities, which offer high end hotel features such as concierges, quality linens and free iPhones on loan. At the same time hotel employees are trained to interact with guests in a homier manner. Satellite organizations, offering complementary products and services have also emerged as the sharing economy is gaining momentum. Organizations offer to take professional photos, screen guests, manage queries and restock the refrigerator (Griffith, 2016). Of late, blogs have become available comparing prices and offering alternatives to Airbnb accommodation (Forgacs & Dimanche, 2016).

Some unfortunate incidents at Airbnb, for example houses that got damaged, unprofessional conduct on the part of the hosts and bad customer experiences may inadvertently result in hotels regaining market share, should they use the opportunity to turn such incidents into a competitive advantage for themselves (Forgacs & Dimanche, 2016). Owners of taxi businesses have joined Uber to benefit from their brand. The traditional service providers are not necessarily doomed, provided they can learn from the success of the newcomers and come up with innovative solutions.

### **Discussion**

The disruption caused by the likes of Airbnb, Uber and Dollar Shave Club are not new. Over the years many such disruptions to accepted business concepts have resulted in either the industry giants joining the disruptive trend or buying out the new entrant, thereby eliminating the competitive threat. Unilever bought the Dollar Shave Club, a startup that disrupted the razor blade industry by offering men razor blades delivered to their doors, in exchange for a USD 3 per month subscription (Cao & Mittelman, 2017).

At the same time, the governments of emerging countries actively encourage entrepreneurial behaviour and job creation, both of which are major stimulants of economic growth, wealth distribution and reduction of social ills such as crime. Shared accommodation and transportation services may both create jobs and encourage entrepreneurial activity in an economy where it is much needed. However, in South Africa, government policy is frequently cited as one of the drawbacks to the development of entrepreneurial activity (Herrington & Kew, 2016). A tax introduced on peer-to-peer entrepreneurs is likely to discourage compliance if the cost of compliance is increased due to the burdensome process of registering as a peer-to-peer provider. Legislation intended to regulate the shared economy may have a further dampening effect on entrepreneurial activity, and encourage tax evasion, if

not handled correctly. While legislation is needed to regulate the already volatile taxi and ridesharing rivalry any delay on the part of government to regulate it may result in further antagonism. Regulation is needed to protect the interests of all parties involved in the shared economy as well as the hotel and taxi industries, the mainstream providers of such services.

The findings of this study are summarized in the Table 1, which contrasts the findings in the form of a SWOT analysis.

**Table 1. SWOT Analysis**

<b>Strengths</b>	<b>Opportunities</b>
<ul style="list-style-type: none"> <li>• Consumers gain value for money by sharing goods and services and paying competitive prices for the service.</li> <li>• Home owners are able to offer underutilized resources thus using it more productively, for instance renting a spare room or a vehicle.</li> <li>• Sharing platforms have generated business interest that has a positive impact in the economy with the potential to improve economic growth and living standards.</li> </ul>	<ul style="list-style-type: none"> <li>• Niche opportunities are growing through specialized sharing sites e.g. Trusted house sitters that caters for travelers who are partial to animals</li> <li>• Big companies and venture capitalists have great potential to join in as the reputation of the sharing economy becomes increasingly stable and successful</li> <li>• Large segments of the population such as baby boomers and teens are not yet buying into the sharing economy. These segments represent future opportunities for the sharing economy.</li> </ul>
<b>Weakness</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• A number of sharing economy businesses are not meeting legal regulations, which has led to issues with authorities.</li> <li>• The sharing economy has also negatively impacted mainstream businesses, like hotels who feel their profits have been adversely affected by upstarts such as Airbnb.</li> <li>• Through selling and buying, online shoppers are not totally protected from fraud and malpractices. Buyers may be exposed to inferior merchandise and sellers may find troublesome buyers. There are still gaps in ensuring transaction safety and reliability.</li> </ul>	<ul style="list-style-type: none"> <li>• Subsequent strikes and protests against some shared economy platforms such as Uber have highlighted the issues regarding regulating the sharing economy and working with established competition.</li> <li>• As a result of the sharing economy not being regulated, concerns about health and safety regulations have been raised as well as the difficulty to enforce and check. This may negatively affect their customer reach.</li> <li>• There is however also a growing threat of overregulation by local and state governments which may hamper the progress and growth of the shared economy.</li> </ul>

## Conclusion

As shown, the authors have done research on the shared economy and how it has challenged the traditional business models as well as the challenges experienced in the shared economy. The authors have also shown the effect the shared economy has on emerging markets. However, further research is required to investigate what measures and initiatives emerging markets can implement to address its challenges. The corrective measures and improvements needed to address the same have not been discussed in depth. These need to be further interrogated in order to find ways of exploiting emerging markets potential in generating higher revenues thus benefiting the overall economy.

The authors suggest that further research needs to be conducted into the sharing economy. The many challenges faced by the policy makers of emerging economies are different from those in developed economies as was uncovered during the research above. At the time of the study, no formal corrective measures had yet been suggested or found to be emerging from recent research. This first round of the research is therefore descriptive. For that reason it is suggested that during a next round, an empirical study is conducted, which will add analytical rigor, perhaps developing an empirical model for use by policy makers. Given the unique conditions in an emerging market, investigating the true potential of the sharing economy, especially while it is in its early stages of development will add value to the overall economy.

## Implications for Managers

The sharing economy may not replace traditional trading or shopping patterns entirely, however it may cause some transformation or disruption (The Economist, 2017). There are calls for regulatory bodies such as city councils to regulate peer-to-peer businesses (Lee, 2016; The Economist, 2017). While in a city like Los Angeles, the affordable housing crisis is resulting in lobby groups and researchers calling for an outright ban on short term rentals, in other US cities the authorities are welcoming short-term rentals and charging hotel occupancy taxes (Lee, 2016). Although the sharing economy causes other economic concerns such as increased rent, reduced rental space, and an eventual disappearance of the middle class it does create financial benefits for tourists and hosts. Certain lobby groups have managed to get peer-to-peer taxi businesses banned (The Economist, 2017) and claims of unfair practices against metered taxis as well as an unwillingness of government to intervene has seen violence erupt between members of the taxi association in SA and Uber drivers (Gwangwa & Makhubu, 2017).

From this research, managers from incumbent organizations will be better equipped in identifying how new entrants could undermine their current business models and how to invest in exploiting these gaps themselves. The sharing economy is similar to any other disruptive threat that has been made easier by rising penetration and comfortable online exchanges. As for the entrepreneurs in the shared economy, they may be better informed of the risks and concerns involved. This may prompt them to take actions that address their concerns which may include government involvement. They may also be in a better position to exploit the revenue creation opportunities brought about by the shared economy, especially in emerging markets. Future research, especially empirical research, will be helpful to shed further light on this topic. While current research points to the success stories and benefits to entrepreneurs and small businesses, it is not known if hosts are expected to register as such, if they comply with legislation and what challenges they may experience with both Airbnb management and their local authorities.

## References

- Allen, D. & Berg, C. (2014). *The Sharing Economy: How overregulation could destroy an economic revolution*. Institute of Public Affairs. Unpublished manuscript.
- Berold, K. (2014). Start-ups: Introducing Uber. Available at [www.finweek.com](http://www.finweek.com) Accessed on 10 January 2017.
- Botsman, R. & Rogers, R. (2010). *What's Mine Is Yours: The Rise of Collaborative Consumption*. New York: Harper Business.
- Burmeister, B. (2013). Befriend the trend: Homeowners turned entrepreneurs. Available at [www.finweek.com](http://www.finweek.com) [Accessed on April 10, 2017].
- Bylund, P. (2017). 3 ways the sharing economy changes entrepreneurial opportunity. Available at: <https://www.entrepreneur.com/article/254725> [Accessed on April 27, 2017].
- Cao, J & Mittelman, M. (2017). Why Unilever Really Bought Dollar Shave Club. Available at: <https://www.bloomberg.com/news/articles/2016-07-20> Accessed on 27 April 2017.
- Chase, R. (2015). How people and platforms are inventing the collaborative economy and reinventing capitalism. Headline publications. London, UK.
- Codagnone, C. & Martens, B. (2016). *Scoping the Sharing Economy: Origins, Definitions, Impact & Regulatory Issues*. Manuscript in preparation.
- Dalberg. (2016). Digital sharing for global growth. Available at: <http://www.digitalsharing.com> [Accessed on April 14, 2017].
- Derjovoda, K., Verzijl, D., Nagtegaal, F., Lengton, M. & Rauwmaat, E. (2013). *The Sharing Economy: Accessibility Based Business Models for Peer to Peer Markets*. Business Innovation Observatory. European Commission.
- Dillahunt, T. & Malone, A. (2015). The promise of the sharing economy among disadvantaged communities. *Association for Computing Machinery Journal* 14(2), 531-540.
- Edelman, B.G. & Garadin, D. (2016). Efficiencies and regulatory shortcuts: how should we regulate companies like Airbnb and Uber. *Stanford Technology Law Review*, 19, 293-328.
- Ernst & Young (2017). Airbnb. General Guidance on the taxation of rental income. Available at [www.ey.com](http://www.ey.com) [Accessed on March 31, 2017].
- Farronato, C. & Levin J. (2015). The sharing economy. New opportunities, new questions. Credit Suisse Group. ISCO29A
- Botha, J. (2015). Why Tech companies love Africa. Finweek, Available online at [www.finweek.com](http://www.finweek.com) [Accessed on March 10, 2017].

- Forgacs, G & Dimanche, F. (2016). Revenue challenges for hotels in the sharing economy: Facing the Airbnb menace. *Journal of Revenue and Pricing Management*, 15(6), 509–515
- Griffith, E. (2016). Airbnb's Coup in Cuba. *Fortune.com*. Available at [www.fortune.com](http://www.fortune.com) [Accessed on Jan 10, 2017].
- Gururaj, R. (2015). The rise of the sharing economy: The Indian landscape. Earnest & Young LLP. EYIN1510-114.
- Gwangwa, V. & Makhubu, N. (2017). Violence flares as meter taxis slam 'unfair' Uber. Available at <http://www.iol.co.za> [Accessed on April 21, 2017].
- Herrington, M. & Kew, P. (2016). Global Entrepreneurship Monitor: South African Report.
- Horton, J. & Zeckhauser, R. (2016). *Owning, Using & Renting: Some Simple Economics of the Sharing Economy*. Manuscript in preparation.
- Jackson, T. (2016). Spotting the potential in sharing. *African Business*. IC Publications Ltd.
- Johnson, B. (2016). Interview. *Fortune.com*. Available at [www.fortune.com](http://www.fortune.com) [Accessed on Jan 10, 2017].
- Juul, M. (2015). *The Sharing economy & Tourism Accommodation*. *European Parliamentary Research Service*. Unpublished manuscript.
- Lee, D. (2016). How Airbnb short-term rentals exacerbate Los Angeles's affordable housing crisis: Analysis and policy recommendations. *Harvard Law & Policy Review*, 10, 229-253.
- Levi, A. & Goldman, H. (2017). Airbnb: to tax or not tax a rented bed. *Bloomberg.com*. Available at [www.bloomberg.com](http://www.bloomberg.com) [Accessed on April 12, 2017].
- Lines, G.E. (2015). Hej, not hejda: Regulating Airbnb in the new age of Arizona vacation rentals. *Arizona Law Review*. 57(4), 1164-1167
- Mayiek, M.K. & Yego, S.C. (2015). Factors influencing tax compliance behaviour of SMEs. *International Journal of Research in Commerce and Management*, 6(6), 95-97.
- Malhotra, A. & Marshall, A. (2014). The dark side of the Sharing Economy Idiots and How to lighten it. *Communications of the ACM* (11), 24-27.
- NBC News Channel (2017). Airbnb heads to federal court over lawsuit. Available at <http://www.nbcbayarea.com/investigations/Airbnb-Heads-to-Federal-Court-Over-Lawsuit-Against-San-Francisco-396103051.html> [Accessed on April 14, 2017].
- Nielsen. (2014). Is sharing the new buying? Reputation and Trust are emerging as new currencies. Available from [www.nielsen.com/lb/en/.../2014/global-consumers](http://www.nielsen.com/lb/en/.../2014/global-consumers) [Accessed on April 14, 2017].
- Pluess, J., Kim, E., Lee, M. & Pelaez, P. (2016). An Inclusive Sharing Economy: Unlocking Business Opportunities to support Low Income and Underserved communities. Manuscript in preparation.
- PriceWaterhouseCoopers. (2015). The sharing economy - sizing the revenue opportunity. Available at: <http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy> [Accessed on April 17, 2017].
- Schor, J. (2015). The Sharing economy. Reports from Stage one. Unpublished paper
- Slee, T. (2016). *Airbnb is Facing an Existential Expansion Problem*. Harvard Business School Publishing.
- Sojini, L. (2016). Can you make money from Airbnb? Finweek. Available at [www.finweek.com](http://www.finweek.com) [Accessed on April 10, 2017].
- Southan, J. (2017). Here to stay. Available at [www.businesstraveler.com](http://www.businesstraveler.com) [Accessed on January 10, 2017].
- The Economist (2017). April Edition. Viewed online at <http://www.economist.com/news/leaders> [Accessed on April 10, 2017].

# PREPARING A GLOBAL WORKFORCE: DEVELOPING DIGITAL COMPETENCIES TO PREPARE STUDENTS FOR POST- GRADUATION EMPLOYMENT

*Miriam Russell, SUNY Empire State College, USA*  
*Constance Rodriguez, SUNY Empire State College, USA*  
*Lorette Pellettiere Calix, SUNY Empire State College, USA*  
*Patrice Prusko, Cornell University, USA*

Colleges and universities today need to prepare their students to be successful in a global workplace. In the business world, students will be expected to use digital tools with correspondents and teams across multiple time zones, communicating with multi-cultural teammates in meetings via online conferencing software through the use of digital collaboration tools. This paper provides an overview of digital communication tools used for collaboration, virtual meetings and training. These tools encourage virtual collaboration, communication and community building, and promote cross-cultural understanding while improving English language communication skills. SUNY Empire State College International Program courses are used as an example of how online learning platforms, video and audio-based virtual meeting software, cloud-based document creation and sharing services are used. A comprehensive compilation of digital tools is categorized for file sharing, collaborative work, social media and networking as they intersect with business practices. Documented benefits illustrate how college programs bring digital learning into their business programs. Aspects of synchronous and asynchronous communication tools add to the global learning experience. Faculty as well as student views of selected cloud-based tools are included, along with a discussion of how they provide important digital literacy skills and enhanced cultural intelligence.

## Introduction

College students in business programs need to be prepared to interface with the global business world, and therefore need to develop digital competencies. This overview provides an analysis of the digital tools and skills needed to succeed in the global workplace. A simple online search of phrases such as “top skills employers require,” shows that communication skills are consistently in the top ten. Until recently, that included only face-to-face communication for one-to-one or group meetings and the ability to write proper business documents such as cover letters, memos or email. Today it includes participating in a chat session, editing team-produced documents and with the advent of high quality internet connections, participating in or leading multi-attendee video conferences. Cross cultural competencies are also essential in a global business environment.

Digital literacy includes the ability to use technology to create and evaluate content and perform tasks using a range of digital tools (US Digital Literacy n.d.). Employers expect new employees will be able to effectively communicate across time zones and cultures in a digital work environment. In addition, employers also expect a certain level of etiquette and knowhow in the professional virtual online meeting environment (Houlihan, 2017).

Users of all ages have similar technology and communication challenges while signing into an online meeting; they might possibly forget that they are seen by an audience, and often have to deal with unstable connections or hardware problems. While younger students are frequently referred to as ‘digital natives’, they still may find learning how to navigate a new tool both functionally and effectively daunting. Students who are learning in their non-native language may become uncomfortable joining a video session and using their microphone due to a lack of confidence in their fluency in English. Others may have cultural compunctions against appearing in face-to-face meetings. For these reasons, it is important for learners have the opportunity to practice using these tools to develop digital competencies while in school.

Colleges and universities are charged to provide experiences for students to achieve success that will contribute to their success across the global workplace. Knowledge of how students will use digital tools in the workplace challenges instructors to develop learning experiences that provide appropriate practice. This paper emphasizes the importance of Globally Networked Learning Experiences (GNLE), and provides specific examples of digital communication tools, how they can be used in a course, and applied in the workplace.

## **Cross Cultural Competency**

Employees may never leave their own country; however, there is an increasing probability that they will have to work in some way with people from other countries and cultures, either through relationships established through the import/export of products and services, offshore outsourcing, or work on virtual global teams. Colleges and universities can help to prepare their graduates for that workplace reality through courses that introduce appropriate technology, include international content and considerations, and by providing opportunities for students to interact with people from other countries and cultures. Moran *et al.* (2014:25), stressed the importance of these experiences in the following observation: Through cross-cultural experiences, we become broader minded and tolerant of cultural “uniqueness.” When this is coupled with some formal study of the concept of culture, we not only gain new insights for improving our human relations, but we become aware of the impact of our native culture. Cultural understanding may minimize the impact of culture shock and maximize intercultural experiences, as well as increase professional development and organizational effectiveness.

Many institutions use study abroad programs to increase student awareness and sensitivity to international issues, as well as understanding of different cultures and points of view. However, only a small percentage of students participate in study abroad programs, and many groups are underrepresented. There is little diversity in race, gender and ethnicity nor access for non-traditional, lower socioeconomic groups, those with disabilities and first generation college students (Fischer, 2012). A Globally Networked Learning Experience (GNLE) uses technology to connect students in different countries with the goal of developing cross-cultural competencies and enabling all students to have a meaningful international learning experience. This can be as simple as a short-term shared discussion (minimum 2-3 weeks), or as complex as a term-long co-taught course.

The most meaningful GNLE include several elements: (1) Shared discussion forums - An icebreaker discussion to build excitement and give learners a chance to informally get to know one another and learn about each other's culture, and later topical shared discussion forums; (2) An informal communication tool where students can share thoughts and messages outside of the formal course activities; (3) Multiple synchronous virtual meetings where the students can see one another and ask one another questions; (4) If possible, some kind of shared task or assignment that students will do with a partner or teammates from both countries, and, (5) Critical reflection throughout the experience, and (6) An anonymous final evaluation of the experience (Prusko & Calix, 2016).

Colleges and universities interested in internationalization of their curriculum can promote GNLE as part of the internationalization strategy, but individual instructors interested in providing this type of learning experience for their students can develop and model them on their own. The tools and methods discussed in the remainder of this paper can help instructors incorporate GNLE into their courses. Research supports the value of international learning experiences in the development of workplace skills, which underlines the desire of employers to hire employees with those experiences. The Erasmus impact study (2014) shows: (1) Compared to 37 percent in 2006, in 2013, 64 percent of employers consider experience abroad important; (2) Students increased development of their workplace skills, such as: knowledge of other countries, ability to interact and work with individuals from other countries, foreign language proficiency and communication skills; (3) Staff report an increase in good practices and skills (70%), beneficial effects on the quality of teaching (81%), international cooperation (92%) and research (69%); and, (4) As discussed previously, only a small percentage of students are able to participate in traditional study abroad experiences, and GNLE can help to bridge that gap. According to the 2017 American Council on Education (ACE) report, *Mapping Internationalization on U.S. Campuses*, increasing numbers of higher education institutions have realized this, and are using digital technology to expand opportunities. Between 2011 and 2016, the percentage of higher education institutions offering GNLE has grown from about 20 percent to 32 percent (ACE, 2017).

## **Communication Skills**

According to Mayer (2011), “technology and network access points allow for connection, but the bigger issue remains—lack of clear communication.” We cannot assume that those who use these technologies have the right communication skills. Indeed, to ensure quality communication, the communicators must be aware of the best practices and have the skills to deliver messages successfully. Equally important, in today's international business environment, English language proficiency is required as well as digital proficiency. This adds another level of complexity to cross-cultural communication. Students can improve these competencies while giving effective presentations, participating in discussions based on their readings and writing persuasive research papers. Empire State College's International Program classes contain students as distant from each other as Turkey and the Dominican Republic, who communicate synchronously in virtual meetings in English. This type of activity enables students to practice and reinforce their English language and digital communication skills.



Historically, communication has been a critical skill in the workforce, and today, there is the additional need to understand how to navigate technology, both functionally and effectively. Development of verbal, written and nonverbal communication skills continues to be a challenge for colleges and universities. The Management Study Guide lists important considerations for Native English speakers when communicating with speakers of other languages and cultures: (1) Avoid long or complex sentences; (2) Do not present someone with too many points at once; (3) Avoid idioms or colloquialisms, slang, jargon; (4) Review everything you write to try and determine if a non-native speaker may have difficulty understanding the meaning; (5) When in doubt lean toward the formal side; (6) Begin communication with a preliminary statement, such as thanking someone for his or her last communication; and, (7) Humor is notoriously culture-specific: Many things that pass for humor in one culture can be seen as grossly offensive in another (Management Study Guide.com, 2012)

Since most businesses are using some form of digital technology to communicate, it is critical that learners become literate in these technologies. In addition, they need to integrate these now commonly used tools with other collaborative office productivity tools such as Google Docs, Office 365 and other cloud-based file sharing applications. While tools like wikis, blogs and social networking platforms are not discussed in depth in this paper, they are commonly used in the workplace (Marion *et al.*, 2016).

### **Collaboration**

The ability to work effectively in teams is a competency valued by global employers (Adams, 2013). Employees across all industries can generally expect to find themselves working as part of a team. As observed by Rose (2011), “employers are looking for those who can collaborate well with others, not behave like divas.” America’s Job (Hcareers n.d.). Working on global teams requires the development of more complex cross cultural and digital collaboration competencies (America’s Job, n.d.). In teamwork, adaptability also means adjusting to the personality and work habits of co-workers and supervisors. Each person possesses their own set of strengths and adapting personal behaviors to accommodate others is part of what it takes to work effectively as a team. By viewing change as an opportunity to complete work assignments in a more efficient manner, adapting to change can be a positive experience. New strategies, ideas, priorities, and work habits can foster a belief among workers that management and staff are both committed to making the workplace a better place to work (Loretto, 2017).

The use of collaborative tools and virtual team assignments in courses gives students additional opportunities to develop the relevant skills needed for successful teamwork in academic and business environments. If students learn to use tools provided by Google Drive, for example, they will easily adapt students should know the etiquette for writing a proper business note. This includes brevity, proper use of “reply all,” and knowing that all e-mails have the potential to be forwarded” along with a sense of when to make a phone call instead of the more permanent emails or blog posts. Table 1 provides a comparison of the tools used by the authors, along with those used by students in informal settings as well as those most commonly found in the business environment<sup>1</sup>

Both Google Drive and Office 365 provide tools that enable collaboration with colleagues on presentations, spreadsheets, and forms. They also provide depositories to archive shared documents and calendars for scheduling. Google Drive is free, and therefore more accessible. Equally important, these tools can be edited by collaborators asynchronously or simultaneously. When combined with phone calls or other voice tools, all collaborators can edit and discuss the text synchronously. Project managers as well as instructors can help their teams develop competence in these collaborative tools by requiring team projects use them.

When working in virtual teams, members need to be able to share feedback on their work and projects, often asynchronously because of time zone differences. Sometimes common document editing tools need to be supplemented with more extensive commentary or discussions that take place asynchronously. In the global workplace, asynchronous voice comments provide more than one mode to convey information across time zones. For example, Russell, Keane & McCrea (2017) surveyed students who had received voice comments on their written assignments. Results of their survey among respondents revealed more qualitatively positive reviews than negative from students who received voice comment feedback. The majority (75%) of respondents (n. 27) preferred voice comments, over written comments alone. The same preferences were found in another study of student feedback preference for audio feedback using Audacity audio software MP3 feedback files (Lunt & Curran, 2009) Asynchronous voice tools also allow for a more efficient use of time. As a student observed, “It is quick...a new approach on hearing both in voice, but not taking up time of both when one or the other is occupied, they can both respond in their own time (Russell *et al.*, 2017).

Asynchronous recordings allow employees separated by geography to communicate in conversations using both text and voice posts to reply, resulting in increased understanding between speakers of languages other than English. Non-native English speakers might have a greater command of spoken language (Russell *et. al.*, 2017). After

receiving voice comment feedback on a writing assignment, one student observed, “The voice message is understood better by me. English is my second language and the wording could be slightly difficult to understand.” Marketers and others who need to communicate effectively on a global level may be expected to use voice comments and text asynchronously as well as synchronously (Ashe-Edmunds, 2017). For example, when products like ads and fliers are created by a team spanning time zones, asynchronous communication tools are essential. These comments can be accessed during individual office hours for those team members who may be away from their screens in meetings or sleeping in another time zone.

**Table 1. Tools Comparison**

Category	Used by authors	Used by students	Used in Business*
<b>Video/Audio Meetings (group one-to-one interactive or one to many (livestream))</b>	Zoom, Skype, Google Hangouts, Blackboard Collaborate, BlueJeans	FaceTime, FaceBook Live, Periscope, YouTube	GoToMeeting, Cisco Webex, Zoom, Skype, join.me, Adobe Connect
<b>File Sharing</b>	OneDrive, Sharepoint, Dropbox, Google Docs	Google Docs, Dropbox, Google Drive	SharePoint, Dropbox, Google Docs
<b>Collaborative work</b>	Google Docs, Wikis, Google or Office 365 Calendar, Word Clouds	Google Docs, Microsoft Live (Office 365)	Microsoft Live (Office 365), Google Docs, Wikis, Google or Office 365 Calendar
<b>Social Media/Networking</b>	FaceBook, LinkedIn, Blogs	FaceBook, SnapChat, Twitter, Tumblr	Twitter, Yammer
<b>Other</b>	Kaizena, Doodle, LearnScape, WhatsApp, Email, Course messaging, Faculty Website	Pinterest, WhatsApp, Email, Course Messaging	Email, Slack, Basecamp

*Source: Angeles (2017), Martinez, J. & McLaughlin (2017)*

Workplaces regularly adopt new tools and technology. Although students and faculty may become comfortable with present-day virtual collaboration tools, caution must forewarn both to expect change as well as refinement. Employers value a mindset that tolerates change and a willingness to explore newer tools as the global workplace moves ahead.

### **Virtual Meetings**

In the workplace, virtual meetings are a routine way of doing business. They enable a company to create teams with the most effective and expert members, independent of their locations without the expense, time, and environmental impact of travel. Because of the ease and low cost of virtual meetings, communication can even be enhanced, as meetings can be held as needed, without significant logistical complications. There are many virtual meeting tools used in business. Some are designed for best use with conference type situations, and others for smaller groups. Including virtual meetings as part of the classroom methodology, using any virtual meeting tool, helps students become familiar and comfortable with this type of technology.

After using Zoom, Skype, Hangouts, Collaborate, Google Docs or other tools a few times, they gain confidence and a greater willingness to participate. (Calix *et al.*, 2016) This is evidenced as they begin to smile and nod when they understand something they hear or see on the shared whiteboard on the presenter’s desktop. When they move to

their first job, it is more likely that this confidence will provide them with a greater ability to participate than their peers who have not been in an online meeting. It is expected they will then be able to jump to leading team meetings rather than just attending.

In addition to preparing students for the workplace, i[i]nstructors who have incorporated virtual meetings into their courses felt they increased student engagement, contributed to student learning, and felt more connected to their students and added to overall satisfaction with the course. In Table 2, experience in the classroom has demonstrated the most important element for successful course meetings is using tools that allow participants to see and hear one another. Students reported feeling more connected because they could see and hear one another .and when they couldn't, they tended to limit their communications (Pellettiere-Calix & Torcivia-Prusko, 2014).

**Table 2. Virtual Meetings**

<b>Faculty Views on the Importance of Virtual Meetings</b>	<b>%</b>
Contribute to the student learning experience	100
Increase student engagement with course work	83
Help instructors feel substantially more connected to the students	71
Greater instructor satisfaction with courses including virtual meetings	83

*Source: Pellettiere-Calix & Torcivia-Prusko (2014)*

The success of student conversations in virtual meetings is dependent upon the quality of the audio. Other important factors are: stability of the connection, ease of access and usability. Screen Sharing and whiteboards are also important features to enable collaboration. For example, English language learners' can work together to jointly develop a thesis statement by typing on the whiteboard. This contributes to language learning as well as building virtual collaboration skills. In addition, screen sharing can be used for web tours, to view and discuss videos and share student work. Using these tools for student presentations mimics workplace situations in which they will have to present to colleagues in virtual meetings. Participating in virtual meetings in an academic setting helps students become familiar with using those tools as well as developing virtual meeting etiquette skills. These are important for the workplace, and contribute to successful virtual meetings in professional settings.

### **Online Learning**

Students preparing for a global workplace may benefit from online learning experiences. Darwin Green, (2016) in US News & World Report article, enumerated four areas in which online learning helps students prepare with real-world skills: (1) Co-workers may never meet in person, therefore, written communication may be the primary form of interaction. Online learning can help refine written communication skills and help people become comfortable working with people they have never met face-to-face, (2) Online programs rely on self-discipline, which helps develop employees with initiative and the self-motivation to complete tasks without close supervision, (3) Learning time management is key. While there may be a course schedule, online students learn to set their own deadlines and goals to stay on schedule, creating self-motivated and efficient employees, and (4) Online programs familiarize students with technology, making them comfortable working with technology in the workplace

There are a variety of learning management systems (LMS) that provide a platform for students to discuss course topics and submit their writing assignments and quizzes for feedback and grades. All of these help students become more proficient with online communication and the use of technology to complete their work. Even instructors who teach traditional face-to-face courses can add some online elements to facilitate student familiarity with online tools. Some of these digital activities include: group collaboration on documents (blogs, Google Docs, etc.), online discussion forums, virtual sharing of course documents and resources, virtual team collaborations and GNLE.

In addition to the skills enumerated above, many workplaces use digital training modules, especially when they have a workforce spread throughout many geographic locations and time zones. If training participants have

previous familiarity with online learning, their training experiences will be more efficient and more effective since they already know how to navigate an online learning platform.

In contrast to virtual meetings, the asynchronous discussion threads in virtual platforms afford the luxury of time before responding. According to Meyer (2003), “Many students spoke in favor of the threaded discussions as they allowed the student to reflect on what was said and to take their time to develop a useful response.” Taking the time to reflect, an advantage in any field, could make a huge difference in the business world where almost all communications are “on the record.” Tcherepashnenets (2015), recognized the advantage of having extra time to respond in asynchronous discourse, but cautioned that when socializing for cross cultural purposes, synchronous chats or meetings are preferable. Obviously, a variety of synchronous as well as asynchronous modes of communication are needed to provide the benefits of communication between individuals in diverse cultures as well as opportunities for feedback to individuals.

In addition to the skills enumerated above, many workplaces use digital training modules, especially when they have a workforce spread throughout many geographic locations and time zones. If training participants have previous familiarity with online learning, their training experiences will be more efficient and more effective since they already know how to navigate an online learning platform.

### Conclusion

Colleges and universities can better prepare students for the global workplace through experiences with the digital environment afforded by appropriate technology and cross-cultural experiences. As observed by one of our students: In international business, you can’t always be face-to-face with the person you are communicating with. Technology has really helped to shorten the gap and make communication easier. I feel like in the classes we were constantly having problems with technology: a microphone wouldn’t work, the video wouldn’t stream, or the Internet connection was not stable. But that is the way it is. While doing my internship at [name removed], I had to communicate with other countries every day and I would have the same problems. I have learned that I need to be patient and deal with the occasional flaw in technology because it is key to communicating with other countries. (Panama student, 2013)

Students will continue to use these collaborative tools in their post-graduation employment, and having learned netiquette along with the best meeting practices throughout their studies, our students are more confident and ready to work efficiently with team members across the world. As college instructors working with students from various countries and cultural backgrounds, the authors conclude that virtual collaborative tools enhance the learning experience and prepare students for the global workforce.

### References

- Adams, S (2013). The 10 skills employers most want in 20-something employees. *Forbes Magazine*. [Accessed on Oct. 11, 2013].  
<https://www.forbes.com/sites/susanadams/2013/10/11/the-10-skills-employers-most-want-in-20-something-employee>
- American Council on Education (ACE). (2017). Mapping internationalization on U.S. campuses. Retrieved from <http://www.acenet.edu/news-room/Pages/Mapping-Internationalization-on-U-S-Campuses.aspx> [Accessed on June 19, 2017].
- Angeles, S. (2017). 14 Collaboration Tools for Small Business. Retrieved from Business News Daily: <http://www.businessnewsdaily.com/6176-communication-tools.html> [Accessed on April 10, 2017].
- Ashe-Edmonds, S. (2017). Traditional marketing communication tools. (n.d.). Retrieved from <http://smallbusiness.chron.com/traditional-marketing-communication-tools-61325.html> [Accessed on May 29, 2017]
- America’s Job Exchange. (n.d.). What do employers want from their employees? <http://www.americasjobexchange.com/career-advice/what-employers-want>. [Accessed June 4, 2017].
- Calix, L., Rodriguez, C. & Camacho, L. (2016). Inspiring Innovative Learning Community Building through Online Meetings. Russell, M. Empire State College. USA
- Erasmus Impact Study (2014). effects of mobility on the skills and employability of students and the internationalization of higher education institutions Retrieved from [http://ec.europa.eu/dgs/education\\_culture/repository/education/library/study/2014/erasmus-impact\\_en.pdf](http://ec.europa.eu/dgs/education_culture/repository/education/library/study/2014/erasmus-impact_en.pdf)
- Fischer, K. (2012). Colleges are urged to try new approaches to diversify study abroad. Retrieved from <http://chronicle.com/article/Colleges-Are-Urged-to-Try-New/130908/>

- Green, D. (2016). 4 Ways Online Education Programs Teach Real-World Skills. *U.S. News & World Report*. Retrieved from <https://www.usnews.com/education/online-learning-lessons/2016/04/08/4-ways-online-education-programs-teach-real-world-skills> [Accessed on April 27, 2017].
- Lunt, T. & Curran, J. (2010) 'Are you listening please?' The advantages of electronic audio feedback compared to written feedback, *Assessment & Evaluation in Higher Education*, 35 (7), 759-769.
- National Association of Colleges and Employers (NACE) Job outlook (2016). The attributes employers want to see on new Graduates' Resume <http://www.nacweb.org/career-development/trends-and-predictions/job-outlook-2016-attributes-employers-want-to-see-on-new-college-graduates-resumes>
- Martinez, J. & McLaughlin, M. (2017). The Best Video Conferencing Software of 2017. Retrieved from PC: <https://www.pcmag.com/article2/0,2817,2388678,00.asp> [Accessed March 14, 2017]
- Market Wired (2016). Zoom named a leader in Gartner's magic quadrant for web conferencing. (n.d.). Retrieved from <http://www.marketwired.com/press-release/zoom-named-a-leader-in-gartners-magic-quadrant-for-web-conferencing-2175806.htm> [Accessed on June 11, 2017].
- Rose, A. (2011). 8 traits employers are really looking for. HCareers <https://www.hcareers.com/article/advice-from-employers/8-traits-employers-are-really-looking-for> [Accessed on June 4, 2017].
- Houlihan, M. & Harvey, B. (2017). *The Business Journals*. Retrieved from [http://www.bizjournals.com/bizjournals/how-to/human-resources/2017/03/10-tips-for-video-conferencing-etiquette.html?ana=RSS%26s%3Darticle\\_search&utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+vertical\\_42+%28Internet+Industry+News%29](http://www.bizjournals.com/bizjournals/how-to/human-resources/2017/03/10-tips-for-video-conferencing-etiquette.html?ana=RSS%26s%3Darticle_search&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+vertical_42+%28Internet+Industry+News%29) [Accessed March 13, 2017]
- Loretto, P. (2017). Values that employers are looking for in employees - the balance. Retrieved from <https://www.thebalance.com/top-work-values-employers-look-for-1986763> [Accessed on June 4, 2017].
- Marion, T. J., Reid, M., Jan Hultink, E. & Barczak, G. (2016). The influence of collaborative IT tools on npd. *Research Technology Management*, 47-53.
- Management Study Guide: "Business Writing Skills (2008-2012) <https://www.slideshare.net/featured/category/Marketing>
- Mayer, M. (2011). Global communications—what does it mean in today's business? Paper presented at PMI® Global Congress 2011—EMEA, Dublin, Leinster, Ireland. Newtown Square, PA: Project Management Institute.
- Moran, R.T., Moran, S.V., Abramson, N.R. & Harris, P.R. (2014). *Managing cultural differences*. Oxfordshire: Routledge.
- National Association of Colleges and Employers (2016). Job Outlook 2016: the attributes employers want to see on new college graduate's resumes. Accessed 4 Jun. 2017. <http://www.nacweb.org/career-development/trends-and-predictions/job-outlook-2016-attributes-employers-want-to-see-on-new-college-graduates-resumes/> .
- Pelletiere Calix, L. & Torcivia Prusko, P. (2014). Technology to foster cross cultural student collaboration. *All About Mentoring*, 45 (Summer). <http://www.marketwired.com/press-release/zoom-named-a-leader-in-gartners-magic-quadrant-for-web-conferencing-2175806.htm>
- Russell, K. & McCrea (2018) Personalizing Feedback with Voice Feedback (In Press)
- US Digital Literacy (n. d.) Retrieved from <http://digitalliteracy.us> [Accessed on June 23, 2017].

# A PEOPLE REJUVENATION STRATEGY FOR MULTICULTURALISM IN THE EMERGING SOUTH AFRICA

*Cookie M. Govender, University of Johannesburg, South Africa*

South Africa as a developing country in an emerging economy is under continuous political, social and economic turbulence and conflict. Since democracy, transformation of society, cities, villages and workplaces towards the redress of past people injustice has been slow. Living conditions are substandard. Workplace equity for the majority of African people and other previously disadvantaged people, such as women, has not happened. The country is plagued with conflict, discontent and continuous protest as a result. National toxicity in recent times is due to poor leadership, mismanagement of public funds, unethical decision making, differences in values and multicultural intolerance. This theoretical, conceptual paper explores this research question: What strategy can leaders and managers implement to redress conflict and simultaneously revive and promote employee relations and talent management in the multicultural, emerging South Africa? The purpose and message of this paper is that leaders and managers can and must rejuvenate the consciousness of people into cooperativeness, collectiveness and compassion towards harmonious individual and team interactions within society and especially within the workplace. This study presents an introspection and review of African, eastern and western leadership theories and practices on conflict resolution, co-creativity, multiculturalism, talent management, mentorship and collaborative leadership. The paper proposes a solution for debate on a people rejuvenation strategy for the integration of multiculturalism and globalization within the localized context of South Africa. The implications for policy makers, leaders and managers in South Africa, Africa and BRICS are that the strategy can be employed to rejuvenate people towards being productive in a joyful, multicultural, cooperative workplace.

## Introduction

There are huge organizational and people dynamics at play when political, economic and societal power shifts within teams, divisions, organizations, communities and countries. South Africa (SA) is undergoing radical transformation due to past inequalities and current changing political and social identities (Booyesen, 2007). The newly established democracy in South Africa faces turbulent toxicity in the form of poor leadership, mismanagement of public funds, unethical decision making, differences in values and multicultural intolerance (Tapscott, 2017). With protest marches, violent clashes and destabilized communities, the triumphs of the freedom, creativity, opportunities and strengths that come with having achieved a political governance structure via democratic processes are lost under poor people engagement strategies. Even strong, competent, confident leaders, managers and professionals become immobilized when faced with the trials, tribulations and turbulence caused by power struggles, injustice, unethical behavior and multicultural conflict.

Literature trends reveal that not much has transformed for marginalized, previously disadvantaged racial, gender, disabled and geographical communities in South Africa. For example, while rural women are subjected to tribalism and a lack of basic services such as water and electricity, urban women are faced with rampant crime, matriarchal managerialism and a scarcity of jobs with inequitable pay and benefits (Sheldon, 2016). Since the birth of its democracy in 1994, South Africa has been transforming via state reform to overcoming the legacy of apartheid; yet social, economic and political transformation is slow, burdensome and often leads to violent multiracial, multicultural and multilingual conflict (Tapscott, 2017).

The continued destabilization in the emerging SA economy threatens its partnership with BRICS countries (Brazil, Russia, India, China, and SA) and discourages foreign investment from globalized markets (Tapscott, 2017). Leaders and managers in human resource, human capital development, line managers and people management positions need to think creatively to implement strategies that promote harmonious, multicultural individual and team interactions within families, social groups, society and especially within the workplace. What is required urgently is a form of ethical, righteous, collaboratively leadership style to unite perpetrator and victim in truth and reconciliation sessions towards humane cooperative solutions (Ibhawoh, 2016; Senge, Hamilton & Kania, 2015; Soudien, 2017)

The problem statement of this study is as follows: In a multicultural context such as the emerging South African country, leaders and managers who are challenged by multicultural conflict combined with power struggles do not

utilize an effective strategy to reconcile people towards transparent, positive engagement and relations. This paper presents the theoretical, conceptual research undertaken to stimulate debate on the following research question: What strategy can leaders and managers implement to redress conflict, instill forgiveness, promote harmonious employee relations, manage talent and adopt a mentoring attitude in the multicultural, emerging South Africa democratic workplace? The objectives of this paper are to present an overview of the literature on African, eastern and western leadership theories and practices on conflict resolution, co-creativity, multiculturalism, talent management, mentorship and collaborative leadership; to stimulate awareness, conscientiousness, introspection, debate and co-creativity on people integration, multiculturalism and globalization; and to propose a conflict resolution leadership strategy for multicultural people rejuvenation within the localized context of South Africa. The purpose and message of this paper is to create awareness in South African and global leaders and managers that we are a highly intelligent human race, on top of the planet's food chain, and that as such, we must rejuvenate people consciousness into cooperativeness, collectiveness and compassion to redress economic and social injustice, conflict and power struggles, especially in the workplace.

The paper contributes to theory by adding to the body of knowledge on people leadership and management strategies, harmonious employee relations, talent management, mentoring and coaching within the African context. Practically, the contribution is that the paper proposes a seven-step People Rejuvenation Strategy for workplace and societal leaders and managers. The paper has positive implications for leaders, managers, policy makers, employees and employers in South Africa, Africa, other developing countries, emerging markets and developed countries. It allows for transforming conflict, power struggles, turbulence, trials, tribulations and toxicity into forgiveness, cooperativeness, collaboration and co-creativity. This paper consists of the following sections: introduction, literature review, People Rejuvenation Strategy, discussion, managerial implications and conclusion.

## **Literature Review**

This section provides a high level review of the theories and practices of people management, especially for an emerging country with multicultural and other first world, developed challenges. The literature review is represented under these subheadings: evolving people management strategies; leadership in multicultural workplaces; and reviving employee relations and talent management.

### **Evolving People Management Strategies**

Global research consistently indicates that leaders and top management view human capital as a top challenge; yet they do not prioritize people management as a strategic goal. The few organizations that implement integrated talent management practices attempt, but are not entirely successful, to put people before strategy in order to achieve business success. They are aware that businesses do not create value but people do (Charan, Barton & Carey, 2015). The leadership and management of people today are deemed to be the most challenging of tasks, especially in the globally connected world. Managing people in societal or workplace environments, from positions of authority or as informal leaders, demands miracle, magical, transformative and collaborative leadership styles (Senge *et al.*, 2015; Viljoen & Drotskie, 2017). While people management strategies should be about global collaborative, reinvention, rejuvenation and reengineering, organizations are struggling to grasp the concept of people as assets, intellectual capital and human capital. Furthermore, the strategy of globalizing of the human resource management function has not yet reached the consciousness of most talent managers and leaders (Sparrow, Brewster & Chung, 2016).

In South Africa, the public sector concepts and philosophies of Ubuntu (I am because of you) and Batho Pele (putting people first) attempts to create a strategy for people management; however, these philosophies are rarely utilized even in government department, especially to resolve workplace challenges or even promote social justice and economic growth (Ibhawoh, 2016; Masina, 2000; Tapscott, 2017). In fact the little progress, success and transformation for previously disadvantaged people are quickly overtaken by an inconsistent economic growth path fostering inequality, poverty, crime and injustice. South Africa continues to face serious challenges to its political, economic and social order. There is a call for the rejuvenation of people management and leadership as a strategy for 21<sup>st</sup> century governance (Comaroff, 2013; Tapscott, 2017).

Other African people management strategies include the Common African Position (CAP) that is guided by the Post-2015 Development Agenda whereby a process of leadership peer reviews is recommended to ensure ethical, collaborative decision making for effective and efficient people leadership (Union, 2014). Knowledge management practices are also taking hold in African organizations in order to manage human capital, promote electronic business partnerships and manage customer relationships (du Plessis & Boon, 2004).

Eastern people management strategies include the 'Chinese Dream' as deliberative slogan for rejuvenation (Kotzé, 2016). This dream for effective people integration calls for intercultural influences on managing African

employees of Chinese firms in Africa (Xing, Liu, Tarba & Cooper, 2016). In Punjab in India, the manufacturing sector people leadership is concerned with evolving, growing and rejuvenating management effectiveness through management development programs. They are aware of the impact of globalization on local people dynamics and consciously aim to promote multicultural, global platforms for talent optimization (Jain, 2016).

The western people management strategies are conscious of workplace conflict, turbulence and toxicity, especially amongst leaders and managers. They encourage leaders and managers to become toxic handlers to systematically manage organizational conflict, pain, stress and disturbance by providing employees with stress training. For example, Motorola and Hewlett-Packard manage strategic change projects by teaching employees to collect their thoughts, connect with their emotions, and then ask the other person to analyze his or her own unhappiness. This is a radical departure from the standard operating procedure of grievance handling via disciplinary hearings and dismissals (Frost & Robinson, 1998; Nyberg, Moliterno, Hale Jr & Lepak, 2014). Other authors reveal that the developed world organizations are fast moving towards globalized, collaborative, reinvention and rejuvenation of their human resource management function (Charan, Barton & Carey, 2015; Sparrow, Brewster & Chung, 2016).

### **Leadership in Multicultural Workplaces**

Effective leadership involves leading, managing, mentoring and coaching all types and all levels of managers and people, especially in conflict and turbulent situations. Conflict management requires emotional intelligence, especially if the conflict concerns multicultural, multigenerational and multinational interactions (Wang, 2017). A study in seven countries (USA, Greece, China, Bangladesh, Hong Kong, South Africa and Portugal) proposes a model to promote self-awareness, self-regulation, empathy, social skills, motivation and problem solving instead of just a competitive, bargaining strategy for leading multicultural workplaces (Afzalur Rahim, Psenicka, Polychroniou, Zhao, Yu, Anita Chan, ... & Ferdausy, 2002).

There is an urgent call for preventing racial, gender and other multicultural conflicts by promoting an integration of all types of people living and working faithfully in a multicultural world (Maggay, 2017). Leaders and managers have opportunities to leverage cultural differences by eradicating stereotypes through transparent communication, thus creating a global multicultural business environment (Gut, Wilczewski & Gorbaniuk, 2017).

Co-creative leadership styles present opportunities for entrepreneurial collaboration when African and foreigners from developed countries engage in business practices in localized South African contexts (Bayat, Basardien, Parker, Friedrich & Appoles, 2014). Furthermore, multiculturalism as management practices in South African organizations has been found to prevent racial harassment and increase job satisfaction (Stoermer, Hitotsuyanagi-Hansel & Froese, 2017). Currently, corporate South Africa is undergoing higher levels of consciousness by recognizing that multicultural knowledge sharing enhances work performance, productivity and profits (Finestone & Snyman, 2005).

### **Reviving Employee Relations via Talent Management**

Joyful workplace partnerships promote effective people wellness, positive employee relations and successful talent management. Organizations are urged to move away from leading and managing people using blanket policies, beauracratic procedures and punitive measures. Organizational development and psychology is moving towards the transformative practices of learning of forgiveness, partnerships and co-creation (Bush & Middlewood, 2013; Masina, 2000). In the developed countries, human capital and talent management is revived, for example in technology-based firms in Portugal, by accepting and embracing foreign ownership, diverse leadership and multicultural employee management practices (Teixeira & Tavares-Lehmann, 2014).

In the developing countries and emerging markets, decolonized talent management practices call for different, integrated and localized management styles instead of just utilizing western, capitalistic models for leading people. Decolonized approaches are supported, especially if knowledge management capabilities and organizational performance are increased when universalistic, contingency and complementarity management practices are used to manage employee relations and talent engagement (Cohen & Olsen, 2015). Developing talent for future-fit globalized contexts, instead of just western, eastern or African contexts, are fast becoming the human capital management practice in multinational organizations (Tan, 2014). The current trends are to co-create new leadership strategies to manage multigenerational, multicultural talent challenges, to encourage talent retention, and to deliver on the psychological-contract (Festing & Schäfer, 2014).

Leadership development in South Africa and the methods that are currently used to develop emerging leaders focus on a dynamic, changing, unpredictable postmodern era. The dualistic Afrocentric and Eurocentric leadership approaches are prevalent in South Africa. This leads to complexities, challenges and threats for its diverse, multicultural socioeconomic contexts, peoples and social systems (Yawson, 2017). There is some evidence that the



critical and scarce skills and competencies are promoted through effective integrated talent management strategies especially for the rejuvenation of historical homogeneous neighborhoods in South Africa (Sineke & Smallwood, 2016). There is also evidence of mentorship and coaching being used as talent strategies to grow, build and uplift both employees and employers in agriculture towns in South Africa (Malan, 2015).

Although the literature trends indicate that South Africa and the world are in the process of embracing a multicultural approach and strategy towards the management of human capital, there is limited evidence of a people management strategy to rejuvenate the multicultural people of South Africa after a power struggle, conflict or turbulent workplace racial incident.

### **Proposed People Rejuvenation Strategy for Multiculturalism in South Africa**

Rejuvenation is defined as the rebirth, regrowth, revival and the repairing that happens after some damage has occurred. It is mostly associated with medical science and with physical matter such as the rejuvenation of skin tissue after a burn incident. Organizational rejuvenation is a neglected subject that hints of restructuring only in the arenas of branding, marketing and change management. There is limited empirical research conducted or theoretical literature available on the rejuvenation of organizations, strategy, management or leadership; especially on the rejuvenation of South African people or employees, after they have been through multicultural conflict, workplace power struggles and the undermining of personal dignity. Perhaps this can be attributed to the fact that most leaders, managers and employees continue to dwell on the causes of and the turbulence itself rather than become creative towards rejuvenated strategic planning and people management.

Frost and Robinson (1998) intimated that in the current market-based, knowledge-driven world, knowledge workers are the organization's intellectual capital and success intelligence. Knowledge workers operating as organizational talent generate great ideas that lead to the success of organizations; providing that they are kept engaged, energized, and emotionally involved with the organization. These great ideas dry up and become dormant when people are hurt or suffer emotionally, mentally and psychologically due to organizational conflict, turbulence and dysfunction. Leaders and managers are advised to become toxic handlers who can step in and co-create a platform to manage the pain, eradicate the turbulence and rejuvenate the people so that high-quality work continues to get done (Frost & Robinson, 1998; Senge *et al.*, 2015; Soudien, 2017).

This paper argues that it is imperative for organizational leaders and managers to assist their people to rejuvenate themselves and their teams especially after a conflict that occurs due to competitive work projects or multicultural intolerance or both. In South Africa, multicultural conflicts, poor work performance, unethical practices and toxic leadership are rife. The call is for deep introspection, discussions and debates on how leaders and managers can rejuvenate and reengineer themselves and their strategies towards more effective people management – implementing strategies where people of all nations, cultures, religions, languages and rituals can work professionally, peacefully and productively to co-create a positive, joyful country, continent and planet.

**Table 1. People Rejuvenation Strategy for Multiculturalism in South Africa**

<b>Step</b>	<b>Strategy</b>	<b>Actions</b>
<b>1</b>	Admit to people toxicity in immediate environment.	Transparency; Communication; Forgiveness; Manage stress; Provide safety net
<b>2</b>	Identify, manage & eliminate cause of the toxicity.	Visible values; Creative leadership; Compassion; Ubuntu; Batho Pele
<b>3</b>	Co-create a positive, sharing, forgiving solution.	Rejuvenate the people; Co-create work ethic; Global space; Cooperativeness; Re-inventiveness
<b>4</b>	Revive employee relations (ER) via credible projects.	Joyful partnerships; Decolonise; Multiculturalism; Research; ER projects
<b>5</b>	Identify, engage & retain talent.	Who are talent?; Talent pools; Retain talent; Develop leaders; Incentives
<b>6</b>	Mentor & coach at all occupational levels.	Mentor; Coach; Accelerate; Leadership style; Leadership strategy
<b>7</b>	Reinvent ourselves towards Ubuntu, Batho Pele & collaborative leadership.	Collaborative legacy; Rejuvenate ourselves; Put people first; Human race; Collaborative future

The highlight of this paper is to propose, as an example, a People Rejuvenation Strategy to manage multiculturalism in the South African workplace. Table 1 above presents the proposed seven-step People Rejuvenation Strategy for the emerging SA country. A brief explanation of each of the steps of the People Rejuvenation Strategy are presented below.

### **Step 1: Admit to Toxicity**

Step 1 is to admit to the people toxicity/ turbulence in the immediate environment. It requires the following actions of leaders and managers: (1) Transparency: Engage in conversations that matter on who did what, when, how and why? (2) Communication: Hold dignified, purposeful dialogues on crisis, shock and trauma, power struggle or violation of dignity; provide counselling, debriefing and developmental sessions. (3) Forgiveness: Establish objective in-house truth and reconciliation commission (TRC) sessions (Ibhawoh, 2016); and prompt admissions, questions, seek and offer forgiveness. (4) Manage stress: Treat physical, mental, psychological and emotional stress by allowing for the redress of emotional rollercoasters. (5) Provide safety net: Learn and teach how to expose all wounds and weapons by using examples from the peace circles of indigenous cultures; and provide non-threatening, non-abusive and safe way to use South African, African & other methods to heal ourselves and others in our midst.

### **Step 2: Cause of Toxicity**

Step 2 is for leaders and managers to identify, manage and eliminate the cause of the toxicity by undertaking these actions: (1) Visible values: Promote caring and visible values through transparency, honesty, humanitarianism, developmental approach and pro-activeness. (2) Creative leadership: Use a creative, developmental approach to monitor, measure and manage the toxicity/turbulence. (3) Compassion: Address perceptions and realities of inequity and injustice; learn and teach how not to be negative towards each other in thoughts, feelings, behaviour, action, speaking and writing; and learn and teach how to show respect, caring and compassion to all, anywhere, every time. (4) Ubuntu: Encourage each other to see ourselves from the eyes of the other; and invite ethical, local community builder and others from Africa and the world to teach us about principled engagement. (5) Batho Pele: Put people first at all times; and explore indigenous, South African & African leadership methods on collaborative decision making.

### **Step 3: Co-create the Solution**

Step 3 is to co-create a positive, sharing, forgiving solution by undertaking the following actions: (1) Rejuvenate the people: Envision creating a new SA that sets an example to the world (again) in the way we handle inequity, injustice and unethical practices through dealing with the truth; establish TRC sessions; and reconcile people through compassion, cultural integration and rejuvenating people's cooperative work ethic. (2) Co-create work ethic: Co-create a positive (not punitive) culture of working that recycles toxicity into healthy, joyful, productive performance at all occupational levels. (3) Global space: Invite local and international Black and other academics, artists, industrialists, women, men, young and old to help us manage toxicity and learning by taking an African and global perspective on a local solution. (4) Cooperativeness: Ensure regular collegial peace circles and other innovative interventions are held to embrace, sustain and promote positive, cooperative productiveness. (5) Re-inventiveness: Work daily at purposefully and consciously forgiving and developing ourselves and others at work, home, society so that we reinvent ourselves and humanity.

### **Step 4: Revive Employee Relations**

Step 4 aims to revive employee relations (ER) via credible projects. The actions for leaders and managers are as follows: (1) Co-create joyful partnerships: Practice a globalised ER with our localised work families by promoting harmonised IQ (intelligence), EQ (emotional), CQ (cultural) and real, healthy, joyful partnerships. (2) Decolonise: Employ local, African and global theories, models, methods, stories, art and practices to manage how people should work, be led, be managed, be developed, be celebrated; let old, young, past, present, African and other tactics, toolkits and techniques lead the way (Senge *et al.*, 2015; Ibhawoh, 2016; Soudien, 2017). (3) Multiculturalism: Promote the rights of all cultures via multiculturalism, multi-ethnicity, multilingualism; prioritise SA's place in the world; allow African and SA leaders, practices and examples to prevail; engage with BRICS innovations; and employ globalised body of knowledge from Africa, the east, middle-east and west. (4) Research: Encourage research and development; conduct studies and publish on organizational/ department People Rejuvenation Strategy. (5) ER projects: Produce annual ER Report on organizational wellness projects and SWOT (strengths, weaknesses, opportunities, threats) analysis.

### **Step 5: Talent Management**

Step 5 allows leaders and managers to identify and engage retail talent by undertaking these actions: (1) Who are talent?: Identify organizational talent in all occupational categories. (2) Talent pools: Create talent pools, pipelines and succession plans via people engagement, performance assessment and continuous development opportunities. (3) Retain talent: Proactively implement talent promotion and talent retention practices. (4) Develop leaders: Co-create a new generation of leaders, especially Black women and men leaders, managers and professionals using the elderly and young African leaders, managers and professionals. (5) Incentives: Co-create immediate, short-term and long-term incentives and gains for high quality performance at all levels that promote healthy, multi and transdisciplinary partnerships and projects.

### **Step 6: Mentor and Coach**

Step 6 encourages leaders and managers to mentor and coach employees across all occupational categories. The actions for this step are as follows: (1) Mentor: Nurture all human capital at all levels of our workplace so that we and the African and global marketplace are enriched. (2) Coach: Transfer subject matter knowledge, skills, values and attitude from senior to junior, skilled to semi-skilled, and experienced to amateur in all occupational categories. (3) Accelerate: Implement accelerated development and action leadership at all levels by employing positive psychology, appreciative inquiry and other workshops; measure the impact of people rejuvenation as return on investment (ROI); and manage strategy and operational risks. (4) Leadership style: Employ African, BRICS and other global leadership, management, mentor and coaching styles. (5) Leadership strategy: Host events to showcase a new generation African leadership strategy employing a global perspective to decolonise and integrate ourselves within a localised context.

### **Step 7: Reinvent Ourselves**

Step 7 of the People Rejuvenation Strategy requires us as leaders, managers, employees and citizens to reinvent ourselves towards collaborative leadership by implementing these actions: (1) Collaborative legacy: Empower the people towards collaboration, collectiveness and common purpose; and learn and teach compassion from former African leaders, such as Mandela, the Nubians (Moller & Roberts, 2017; Soudien, 2017) and others. (2) Rejuvenate ourselves: Build capacity for people to rejuvenate and reinvent themselves and be inclusive of the world in spirit, mind and heart; learn and teach respect for the SA rainbow nation; empower all to believe in individual intelligence, creativity and talent. (3) Put people first: Practice, communicate and teach Ubuntu (I see me through your eyes) and Batho Pele (putting people first) principles at all occupational levels. (4) Human race: Undertake fieldtrip so people are exposed to the SA Cradle of Humankind; remind people of where humans originated; respect those who undertook different journey across the planet; and respect ourselves for allowing those travellers to return to SA. (5) Collaborative future: Promote thinking, feeling and doing for humankind leaning, living and loving; lead towards the common purpose of co-creating a real rainbow nation; and embrace multiculturalness towards a collaborative future.

## **Discussion and Implications**

The People Rejuvenation Strategy is an example of the actions that should be embraced by leaders and managers when managing conflict in a multicultural workplace whilst simultaneously promoting positive, cooperative employee relations and talent management with a continuous mentoring leadership style. The debate for global leaders and managers is whether it is critical in our current era to prevent further catastrophic situations for business, society and environment, especially in a multicultural, emerging country context. If contemporary globalized growth strategies are to gain a foothold in developing countries and emerging markets, a strategy to manage multicultural workplaces during times of crisis, change and conflict is critical. This paper argues that people rejuvenation strategies have a place in the scramble for power, stature and identity in the emerging South African and African context. The debate encouraged by this paper is on how the proposed people rejuvenation strategy can be used as a tool to enhance globalized harmonious workplaces, especially in a country such as South Africa.

Emerging economies and societies are burdened by the ravages of imperialism, colonialism and competitive capitalism, and as a result struggle to reconstruct and redefine themselves. The westernized systems, structures and processes in countries such as South Africa are foreign, hence the local people and citizens have to decolonize their minds, hearts and spirits if they are to discover and take ownership of their personal and cultural identities. Rejuvenation in the form of employee engagement on local leadership strategies may prevent racial and other conflict, promote social and economic freedom, and embrace cooperativeness instead of competitiveness. The paper was designed to stimulate debate around the proposed People Rejuvenation Strategy and on its capacity to unite the

divided and conflict ridden South African rainbow nation with themselves, other African people and other people of the world.

The proposed People Rejuvenation Strategy was designed to motivate South Africans leaders, managers and employees to promote workplace transparency, acceptance and forgiveness by co-creating a collective future. The debate surrounds the issue of how the South African multicultural workplace could function effectively and efficiently in a globalized world, economy and market from a localized, emerging market context. The country requires strategies to revive the Madiba magic (Viljoen & Drotskie, 2017; Soudien, 2017) that former SA president Nelson Mandela exuded in order to rejuvenate the country after the debilitating apartheid racial segregation and subjugation of local and other people of color. It also revolutionizes African thinking and inspires other developing countries and the world towards collaborative leadership. It is hoped that this paper enhances a collectiveness consciousness in all human beings, especially leaders and managers, to ensure that all people are considered, respected and treated as human assets, especially when engaging with each other in the workplace.

The implications, especially of the proposed People Rejuvenation Strategy, are that they stimulate debate on ethical leadership, management and employee engagement in the emerging, evolving, multicultural South Africa. There are direct and indirect implications for the country, Africa, the BRICS countries and for the international marketplace on resolving multicultural conflict whilst promoting a healthy, transparent, globalized respect for all human beings. The paper calls for South African leaders and managers to employ a simple yet effective strategy to manage conflict, turbulence and toxicity using a collaborative, cooperative, co-creative leadership style. A practical, multicultural leadership strategy allows leaders and managers to effectively and efficiently manage diversity, unity, cultural tolerance, integration and respectful caring for all. It promotes individual and team rejuvenation towards growing talented employees and teams, creating effective mentors and coaches, and developing a new generation of African leaders.

The positive implication for leaders and managers is that when they adopt a multicultural, co-creative, cooperative leadership style, they leave a collaborative legacy and footprint. Employing leadership strategies such as the People Rejuvenation Strategy, allows multiculturalism to thrive whilst local cultures can explore their strong roots, heritage and identities with confidence and pride. If leaders and managers can impart the spirit that all Africans and all other peoples of any decent or origin should be respected for their ideas, creativity and intelligence, then human beings of the world can begin to heal ourselves. Africans and in fact all of humankind should be proud to celebrate the collaborative legacy left by African fore-parents and those of others; especially that of the former African Nubian people, considered to be more intelligent than any of our current nations across the planet (Moller & Roberts, 2017).

The main implication for globalisation is we can and should build a collaborative future. Humankind leaning, living and loving as real rainbow nations must begin with accepting our multiculturalness. You and I must walk together as global citizens first before we ask others to join along. The positive implication for global citizens is that we get the opportunity to rejuvenate ourselves. We have the opportunity to rethink, reinvent and reengineer ourselves, and to be inclusive of all peoples of the world in our spirit, mind and heart. For South Africans, let us begin with where we are, at the bottom of beautiful Africa, respecting our rainbow women, men and youth leaders in all sectors of society, in all occupational categories, in all professions.

The implications for the South African government, business and societies are that we can begin by implementing Batho Pele principles by putting people first and allowing Ubuntu (I see me through your eyes) to prevail in every thought, feeling and action, especially when implementing national, provincial and local policies. South Africans have evidence in the Cradle of Humankind that the oldest humanoids originated and began their journey across the planet from this country. Being born on African soil is especially significant as all humans of the world have inhabited it at some time or other throughout the ages. If we accept the premise that humanoids who originated in Africa travelled across the planet to form different nationalities of humans, then we are all one nation after all. Furthermore, social, economic, political and technological inter and multicultural intermingling and integration feels natural, timeless and leads to collaboration if leaders and managers take ethical decisions to ensure that all concerned are treated equally.

The implications for the SA rainbow nation is that South Africa is that we should be proud of our origins, especially since we house the oldest of our species, and as such, the country is suited to provide the humane, co-creative, collaborative people management strategies required for a globalised integrated, multicultural work space. As South Africans, if we begin the journey towards multicultural freedom on the path of co-creating a collaborative future at the dawn of our democracy (now), we could have the world cheering us on by 2025, in time for a global multicultural work space by 2035.

## Conclusion

Globally, the developed and developing countries as well as the emerging markets are faced with conflict and turbulence with its people, projects and places, especially in the multicultural workplace. In the developed countries, toxicity from leaders, managers and employees are recognized yet ineffectively managed with non-sustainable solutions. In developing countries, such as South Africa, where there is rapid change, rampant unemployment, high levels of crime, unethical leadership decision making, mismanagement of public office and funds, power struggles and other trials, tribulations and toxicity, the strategic management of its multicultural, multilingual, multigenerational workplaces are grossly neglected.

Theoretical, conceptual research was undertaken to explore, introspect, reflect and propose a strategy to manage people during and after a multicultural conflict or turbulent situation, especially that involving cross cultural competitive power struggles. The People Rejuvenation Strategy is proposed to stimulate debate and test its effectiveness as a tool for leaders and managers to co-create collaborative thinking individuals and teams who can rejuvenate themselves, others and the organization. The strategy advocates seven strategic steps where the people admit to the toxicity, manage the toxicity, co-create a solution, revive employee relations, manage talent, mentor and coach, and reinvent themselves.

This paper, strategy and debate have implications for South Africans, Africans, BRICS countries and the world. The collaborative, multicultural leadership style and Madiba magic of former SA president, Nelson Mandela, that is admired by the people of the world is advocated for managing the toxicity seeping into the globalized workplace. This paper hopes to stimulate debate on how to promote peaceful, harmonious, joyful workplace partnerships through the creative empowerment of multicultural people, managers and leaders.

## References

- Afzalur Rahim, M., Psenicka, C., Polychroniou, P., Zhao, J.H., Yu, C.S., Anita Chan, K.... & Ferdausy, S. (2002). A model of emotional intelligence and conflict management strategies: A study in seven countries. *The International Journal of Organizational Analysis*, 10(4), 302-326.
- Bayat, M.S., Basardien, F., Parker, H., Friedrich, C. & Appoles, S. (2014). Entrepreneurial orientation of spaza shop entrepreneurs evidence from a study of South African and Somali owned spaza shop entrepreneurs in Khayelitsha. *Singaporean Journal of Business, Economics and Management Studies*, 2(10), 45-61.
- Booyesen, L. (2007). Societal power shifts and changing social identities in South Africa: workplace implications: management. *South African Journal of Economic and Management Sciences*, 10(1), 1-20.
- Bush, T. & Middlewood, D. (2013). *Leading and managing people in education*. London: Sage.
- Charan, R., Barton, D. & Carey, D. (2015). People before Strategy. *Harvard Business Review*. July-Aug 2015.
- Cohen, J. & Olsen, K. (2015). Knowledge management capabilities and firm performance: A test of universalistic, contingency and complementarity perspectives. *Expert Systems with Applications*, 42(3), 1178-1188.
- Comaroff, J. (2013). *Body of power, spirit of resistance: The culture and history of a South African people*. USA: University of Chicago Press.
- du Plessis, M. & Boon, J. A. (2004). Knowledge management in eBusiness and customer relationship management: South African case study findings. *International Journal of Information Management*, 24(1), 73-86.
- Festing, M. & Schäfer, L. (2014). Generational challenges to talent management: A framework for talent retention based on the psychological-contract perspective. *Journal of World Business*, 49(2), 262-271.
- Finestone, N. & Snyman, R. (2005). Corporate South Africa: making multicultural knowledge sharing work. *Journal of Knowledge Management*, 9(3), 128-141.
- Frost, P. & Robinson, S. (1998). The toxic handler: Organizational hero--and casualty. *Harvard Business Review*, 77(4), 96-106.
- Gut, A., Wilczewski, M. & Gorbaniuk, O. (2017). Cultural Differences, Stereotypes and Communication Needs in Intercultural Communication in a Global Multicultural Environment. *Journal of Intercultural Communication*, (43).
- Ibhawoh, B. (2016). Beyond retribution: Truth and reconciliation in South Africa as universal paradigm for restorative transitional justice. *Covenant University Journal of Politics and International Affairs*, 2(2).
- Jain, V. (2016). Manufacturing Sector in Punjab: Evolution, Growth Dynamism, Key Concerns and Rejuvenation Strategy. In *Economic Transformation of a Developing Economy* (pp. 251-272). Singapore: Springer.
- Kotzé, K. (2016). The Chinese dream as deliberative slogan for rejuvenation. *African Yearbook of Rhetoric*, 7(2016/2017), 83-93.

- Maggay, M.P. (2017). *Global kingdom, global people: living faithfully in a multicultural world*. Langham Global Library.
- Malan, C. (2015). *Growing a building particularity as a strategy for upliftment of agriculture towns in South Africa*. (Doctoral dissertation, University of Cape Town).
- Masina, N. (2000). Xhosa practices of ubuntu for South Africa. *Traditional cures for modern conflicts: African conflict Medicine*, 169-181.
- Møller, V. & Roberts, B. (2017). New Beginnings in an Ancient Region: Well-Being in Sub-Saharan Africa. In *The Pursuit of Human Well-Being* (161-215). USA: Springer.
- Nyberg, A.J., Moliterno, T.P., Hale Jr, D. & Lepak, D.P. (2014). Resource-based perspectives on unit-level human capital: A review and integration. *Journal of Management*, 40(1), 316-346.
- Senge, P., Hamilton, H. & Kania, J. (2015). The dawn of system leadership. *Stanford Social Innovation Review*, 13, 27-33.
- Sheldon, K. (2016). *Courtyards, Markets, and City Streets: Urban Women in Africa*. Boulder, CO: Westview Press.
- Sineke, C. & Smallwood, J. (2016). The rejuvenation of a historical neighbourhood in South Africa. In *Sustainable Ecological Engineering Design* (309-324). USA: Springer.
- Soudien, C. (2017). *Nelson Mandela - Comparative perspectives of his significance for education*. Netherlands: Sense publishers.
- Sparrow, P., Brewster, C. & Chung, C. (2016). *Globalizing human resource management*. UK: Routledge.
- Stoermer, S., Hitotsuyanagi-Hansel, A. & Froese, F.J. (2017). Racial harassment and job satisfaction in South Africa: the moderating effects of career orientations and managerial rank. *The International Journal of Human Resource Management*, 1-20.
- Tan, E. (2014). Human capital theory a holistic criticism. *Review of Educational Research*, 84(3), 411-445.
- Tapscott, C. (2017). South Africa in the twenty-first century: governance challenges in the struggle for social equity and economic growth. *Chinese Political Science Review*, 2(1), 69-84.
- Teixeira, A.A. & Tavares-Lehmann, A.T. (2014). Human capital intensity in technology-based firms located in Portugal: Does foreign ownership matter? *Research Policy*, 43(4), 737-748.
- Union, A. (2014). *Common African Position (CAP) on the Post-2015 Development Agenda*. Addis Ababa: WHO.
- Viljoen, R. & Drotskie, A. (2017). Leadership in multicultural environments: A courageous case of forgiveness for South Africa. In *Developing Leaders for Positive Organizing: A 21st Century Repertoire for Leading in Extraordinary Times* (135-157). UK: Emerald.
- Wang, J. (2017). Strategies for managing cultural conflict: models review and their applications in business and technical communication. *Journal of Technical Writing and Communication*.
- Xing, Y., Liu, Y., Tarba, S.Y. & Cooper, C.L. (2016). Intercultural influences on managing African employees of Chinese firms in Africa: Chinese managers' HRM practices. *International Business Review*, 25(1), 28-41.
- Yawson, R.M. (2017). Leadership development in South Africa. In *Leadership Development in Emerging Market Economies* (93-109). USA: Palgrave Macmillan.

# OPPORTUNITY-BASED APPROACH VS. ADMINISTRATIVE CONTROL APPROACH: COMPARISON BETWEEN UNSTABLE TUNISIA AND STABLE JAPAN

*Koichi Nakagawa, Osaka University, Japan*

*Dora Abidi, Osaka University, Japan*

Emerging markets are characterized by uncertainty and instability of business environments. Companies are needed to adapt to such changing local situations, and thus continuous entrepreneurial challenge to create new products that fit with local environments is crucial in emerging markets. Those situations may be quite different from developed economies: Their market conditions are often stable and predictable, thus the more prudent, risk-averting management would be required to succeed in them for a long time. Therefore, we can assume that different management style is needed in innovating in emerging market from in developed economies. Then, this study introduced an alternative management approach to the conventional administrative control approach: Opportunity-based approach that emphasizes on ceaseless search of opportunities. Traditional administrative control approach is often suitable to the stable developed countries' market, because it brings members clear directions to predictable goal. On the other hand, opportunity-based approach would help organizational members to capture the trend that happened suddenly in unstable market, and thus it would improve product innovation performance in it. This study examined those ideas by the comparison of Tunisia and Japan. They seemed a suitable pair for comparison: The former was characterized by instability because of Jasmine Revolution in 2011, and the latter was one of the most stable economy and society in the world. From multi-group structural equation modeling we found that opportunity-based approach improved product innovation performance in unstable Tunisia, and administrative approach did in stable Japan.

## Introduction

Opportunity based approach (OBA) is an alternative way of realizing successful innovation. It is contrasted with conventional one that emphasizes on planning and controlling of the actions and resources (Brown *et al.*, 2001). For example, Sarasvathy (2001) contrasted opportunity-based, ad-hoc and flexible management style named "effectuation" with conventional causal reasoning management style. Causal reasoning management corresponds to traditional administrative approach that managers formulate detailed policy and implement it. In contrast, with effectual reasoning management style, managers do not determine detailed plan but seek opportunities continuously and alter company's direction flexibly according to the environmental changes. Those two approaches are not incompatible but complementary for succeeding in innovation: Company should use either of them properly in line with its surrounding situation.

In this paper, we apply those ideas of OBA and conventional management to the analysis of difference between emerging markets and developed markets. In many cases emerging markets are characterized by market volatility, uncertainty, complexity and ambiguity (VUCA; Bennett & Lemoine, 2014), while the developed ones are characterized by stability of the social, economic and cultural systems. Thus, it seems natural to assume that OBA fits with emerging markets and conventional way does with developed ones. We examine it using the data of Tunisia and Japan, since Tunisia that experienced Jasmine revolution in 2011 can be thought as one of the most unstable emerging area and Japan is one of the most stable area in the world. We found that Opportunity seeking approach is likely to bring new product success in Tunisia, and conventional formal policy making approach have more potential of it in Japan.

## Literature Review

### Innovation in Emerging Markets

Innovation in emerging markets gained a lot of attention from practitioners and scholars (Khanna & Palepu, 2013; London & Hart, 2004; Prahalad, 2005). They are quite different from developed economies in terms of social value and norms, technology, and economic level. In addition, these factors are rapidly changing. We can often see a rapid economic growth, significant cultural change, or political change in emerging markets (Hoskisson *et al.*, 2000; Peng *et al.*, 2008). Therefore, multinational corporations have to continuously evolve its product or service in accordance with them (Anderson & Markides, 2007; London & Hart, 2004). Thus, success in emerging markets, requires

innovation that changes the product features to fit with changing emerging market condition. Moreover, emerging markets' turbulent market conditions are not only constraints but also an opportunity to get new ideas (Nakata & Weidner, 2012; Prahalad, 2012). Such ideas sometimes disrupt multinational corporations' past management strategy and bring a significant progress (Reverse innovation: Corsi & Di Minin, 2014; Govindarajan & Trimble, 2013). As the interest in product innovation in emerging markets grew, scholars started investigating the factors accelerating it. One of the chief findings in the past studies is the awareness of institutional void: The absence of the institutions that make up market infrastructure or ecosystem (Khanna & Palepu, 2013). In contrast to developed economies, emerging markets are characterized by the weakness or lacking of institutions that hold modern economic society (Peng *et al.*, 2008). Thus, a new product that supplements / takes advantage of such institutional voids is likely to succeed in fulfilling local customers' need (Cappelli *et al.*, 2009; Govindarajan & Trimble, 2013; Khanna & Palepu, 2013).

Partnership with local players has been also emphasized on. Emerging markets were often characterized by lowly developed and traditional distribution system, customers' specific need to local situation and their financial constraint (Anderson & Markides, 2007; Kolk *et al.*, 2012). To overcome those conditions, companies can take advantage of resource and knowledge that the local customers, distributors and non-profit sectors possess. Scholars have found that strong connection to local customers helps to understand timely their specific preferences and financial conditions (Ernst *et al.*, 2015; Judge *et al.*, 2015). A partnership with a local distributor contributes to increase the reach of the company to geographically dispersed markets (Ireland, 2008; Nakata & Weidner, 2012). Collaborations with non-profit sectors like NGO or local governmental institutions were also useful to capture local specific need and to improve business sustainability in local situations (Yunus *et al.*, 2010). We can summarize those past studies as that (1) emerging markets are characterized by rapid change of business environment, and (2) thus the management methodologies for changing situation works well in them (Kolk *et al.*, 2012). In this sense, we can and should try the other management concepts to obtain a better innovation outcome. Although past studies have provided rich insights, there remains broad possibility to investigate the other potential factors because this research issue has been "emerging" too in recent years.

### **Opportunity-Based Approach**

Therefore, here we introduce opportunity-based approach (OBA: Stevenson & Jarillo, 2007) as a potential factor that facilitate successful innovation in emerging market. OBA now became drawn attention to in various management studies area, because it has been considered to a business approach that is likely to succeed in current volatile and uncertain business world. OBA has been introduced by Gumpert and Stevenson (1985) as a management approach driven by the pursuit and exploitation of opportunity. He placed the firm between two ends: entrepreneurial and administrative end. Entrepreneurial firms intend to pursue and exploit opportunity regardless of resources controlled. And the firm that takes administrative end is driven by controlled resources and try to achieve safety goal without facing serious uncertainty (Stevenson & Jarillo, 2007). Based on Stevenson and Jarillo's (1990) comparison, OBA is characterized by driven by perception of opportunity, revolutionary with short duration, episodic use or rent of required resources, and based on value creation. They define OBA as "The process by which individuals – either on their own or inside organizations – pursue opportunities without regard to the resources they currently control" (Stevenson & Jarillo, 1990:23). In contrast, they described the characters of administrative focus approach as driven by controlled resources, evolutionary with long duration, ownership or employment of required resources and based on responsibility and seniority. Actually, past studies have figured out that OBA is suitable to succeed in business in ceaselessly changing environment, while administrative focus approach fit with more stable business environment (Sarasvathy, 2001). Considering those more flexible nature of OBA than traditional administrative focus approach, we can believe it is worth trying in emerging markets that are characterized by rapid changes in political, social and economic conditions (Hoskisson *et al.*, 2000).

### **Hypotheses Building**

#### **Tunisian and Japanese Context**

In order to examine the potential of OBA in emerging markets, this paper compares the effect of OBA with that of conventional formal policy making approach, and compare the effects in emerging markets with those in developed markets. By doing so we try to contrast OBA in emerging market with other cases. To compare the differences between emerging markets and developed ones, we chose Tunisia (Emerging market) and Japan (Developed market) as our analytical subjects. To include their contexts into hypotheses, let us show the briefings of economic conditions of each country. At first, let us look at Tunisia that is one of the typical emerging economies. Emerging economies refer to low-income but rapid-growth countries using economic liberalization as their primary engine of growth (Arnold & Quelch, 1998; Hoskisson *et al.*, 2000). Firms in emerging economies are therefore facing strong



environmental pressures for change, yet this change is neither smooth, automatic, nor uniform across different markets). Thus, in emerging markets, the pressures for organizations to meet multiple, often inconsistent, contextual demands have escalated (Hoskisson *et al.*, 2000).

Tunisia is classified by World Bank in 2014 as one of the leading emerging countries in North Africa because of a several reasons including the good macroeconomic management, approval of structural reforms related to the competition, labor, investment, and trade policy and export market ecosystem, the integration of the General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO), and the signature of the trade agreement with EU. All these factors contributed to reduce the trade barriers and improve Tunisia's position among the world economy. In addition, many international technical and financial assistance programs have been implemented to raise Tunisian firms' competitiveness. As a result of these market oriented reforms, Tunisia's export sectors experienced an intensive growth of 4.38 percent yearly and a high trade openness reaching 126 percent till 2010 and numerous linkages between foreign and local firms emerged as strategic alliances and partners. In 2012, Tunisia experienced the Jasmine revolution that affected the vision of Tunisia firm and made the future unpredictable. Given such changing environment, Tunisian firms became more flexible and active to move beyond local search, explore environmental opportunities and expand their market accordingly.

Japan's context is totally different from Tunisia. It is one of the largest economies in the world, and its economic, sociocultural and administrative systems are quite stable. While the economic growth has been modest, people's economic conditions neither deteriorated nor improved. Both politics and society has been stable for more than seven decades since 1945. Sometimes natural disasters happened in Japan, however, economic levels and living has not changed seriously. Hence we can conclude that essential difference between Tunisia and Japan is the *stability* of business environment. Tunisia in early 2010s was typical unstable economy that is characterized by Jasmine Revolution, while Japan in the same period showed astonishing stability of economy while even earthquake happened. Thus, we think comparison of Japan and Tunisia is a good strategy to analyze the impact of economic stability on desirable management style.

### **Exploration and Exploitation, Which is Suitable in Innovating in Each Country?**

Since it is unreasonable to assume the direct causality from business approach (opportunistic or administrative) to the success of product innovation, we should set mediation between them. Based on standard intention-behavior-outcome model in psychology and behavioral theory (Ajzen, 1991; Robbins & Judge, 2003), we put a layer of "behavior" as a mediator from management approach to innovation performance. Considering the differences in characteristics of OBA and administrative focus approach, we introduced the classification of exploration and exploitation (March, 1991; Tushman & O'Reilly, 1996). Exploitation is defined as the action to get and utilize knowledge along the well-defined trajectory (O'Reilly & Tushman, 2004; Tushman & O'Reilly, 1996). It is a refinement and utilization of existing knowledge to do business in the current direction. Exploration, in contrast, is the activity to obtain and use knowledge and information that is novel for a focal organization, to seek alternative direction of technology or business (Su *et al.*, 2011). We can find it has strong proximity to that of OBA and administrative focus approach, thus we put explorative behavior and exploitative one as actions stem from OBA and administrative focus approach.

In case of Tunisia, we can assume that exploration would contribute to market success of the new product. Because of the market uncertainty and unpredictability, Tunisian companies cannot predict next market situation based on the past years. In such situations, flexible entrepreneurial trials rather are likely to grasp novel business opportunities (Sarasvathy, 2001; Stevenson & Jarillo, 2007). In contrast, exploitative actions would have no influence in Tunisia. Well-defined business policy sometimes fits with newly created market conditions, but the other time does not. It totally depends on how situation changes, thus we can neither say that exploitative behavior is good nor bad for Tunisian context.

*H1a: In Tunisia, the company's explorative behavior is positively associated with its market performance of a new product.*

*H1b: In Tunisia, the company's exploitative behavior is NOT associated with its market performance of a new product.*

In contrast, considering the stable condition in Japan, to obtain good result in product innovation, exploitative approach would be suitable. In Japan, market condition hardly changes, thus the incremental improvement of price and quality is the hallmark of the competition. Thus, the effort to improve in the current direction is more promising than radical change of the direction. In contrast, exploration sometimes results in success but other times not:

Changes in product feature might be risky in Japan where the customer preferences do not change drastically. Thus, we can hypothesize for Japanese companies as follows:

*H2a. In Japan, the company's explorative behavior is not associated with its market performance of a new product.*

*H2b. In Japan, the company's exploitative behavior is positively associated with its market performance of a new product.*

### **OBA vs. Administrative Approach, for Exploration**

As Stevenson and Jarillo (2007) discussed richly, firms will pursue and exploit opportunity regardless of resources controlled, when it sets opportunity based entrepreneurial approach as its fundamental way of doing business. Companies that take opportunity based approach would be driven by the opportunities that exist in the environment and not the resources that may be required to exploit them. Moreover, it will be action-oriented and able to commit and decommit to this action rapidly (Brown *et al.*, 2001; Gumpert & Stevenson, 1985). Such a strong linkage between opportunistic approach and wider exploration would not be influenced by the degree of stability in external environments. In unstable environments members would be motivated to find a new way of business when a company encouraged to do so. Even in stable environments, members will be able to do as an opportunist, if the company does not require them to take responsibility in achieving prescribed goals and allow them to find new ways. Therefore, we can hypothesize as follows:

*H3a. In Tunisia, the company's explorative behavior is facilitated by opportunity-based approach.*

*H3b. In Japan, the company's explorative behavior is facilitated by opportunity-based approach.*

About explorative behavior, administrative approach would not facilitate both in Japan and Tunisia. Regardless of its surrounding business environment, formal strategy only helps members to take actions in line with a strategy formulated strictly before. Administrative focus approach rather prohibits from taking opportunistic action that goes beyond the formulated strategy (Daft & Lengel 1986, Lyles & Schwenk, 1992). It aims at reducing variance through incremental improvements in processes and outputs (Benner & Tushman 2003). For instance, existing routines and capabilities could be improved when the firm set its strategy (Zollo & Winter, 2002). Accordingly, administrative focus approach constrains exploratory behavior, regardless of the degree of stability in business environment.

*H4a. In Tunisia, the company's explorative behavior is not facilitated by administrative control approach.*

*H4b. In Japan, the company's explorative behavior is not facilitated by administrative control approach.*

### **OBA vs. Administrative Approach, for Exploitation**

Under the stable business environments, we can assume that the administrative focus approach would facilitate exploitative behavior in the organization. In a stable or predictable environment, the firm can develop a formal strategy responding to a specific goal and vision. Consequently, the firm will rely on rules and procedures which will hamper ad-hoc problem-solving efforts (March & Simon, 1958), and reduces the likelihood of individuals deviating from structured behavior (Weick, 1979). Formalization acts as a frame of reference that constrains exploration efforts and directs attention toward restricted aspects of the external environment (Weick, 1979). Under the approach of strategy formalization, the firm will focus on its existing knowledge and codify best practices to make them more efficient to exploit, easier to apply, and to accelerate their implementation (Bierly & Daly, 2007; Zander & Kogut, 1995). In the stable market conditions, such a relationship can realize very likely. Thus, we can hypothesize that the positive association between formal strategy making approach and exploitative behavior can be seen in Japanese companies but cannot in Tunisian ones. Japanese companies face quite stable, predictable market condition and well-defined strategy give members clear direction of how reaching the goals. However, such formal strategy approach would not work well in turbulent Tunisia. If top managers give detailed plan to its subordinates, they cannot behave as it defines because the business environment they face does not permit to go through straightforward to the prescribed goal. Thus, we can hypothesize as follows:

*H5a. In Tunisia, the company's exploitative behavior is NOT facilitated by administrative control approach.*

*H5b. In Japan, the company's exploitative behavior is facilitated by administrative control approach.*

Looking at the opposite OBA side, we can also assume that even OBA facilitate members to take exploitative behavior in Japan. If the managers permit members to seek and target new opportunity in Japan, they will find it in current business circumstances, need or technological base because Japanese business environment is so predictable and durable. Thus, even if members are allowed to do opportunity seeking, its outcome can be thought as

exploitative behavior. In Tunisia, on the contrary, opportunity seeking will result in rather explorative behavior (discussed above) and will not in exploitative one since their environment is quite unpredictable and exploitation does not seem to bring success in it. We summarized all hypotheses in Table 1.

*H6a. In Tunisia, the company's exploitative behavior is NOT facilitated by opportunity-based approach.*

*H6b. In Japan, the company's exploitative behavior is facilitated by opportunity-based approach.*

**Table 1. Summary of the Hypotheses**

	Tunisia	Japan
Explorative behavior	+ (H1a)	No (H2b)
→ New product performance		
Exploitative behavior	No (H1b)	+ (H2a)
→ New product performance		
Opportunity-based approach	+ (H3a)	+ (H3b)
→ Explorative behavior		
Administrative approach	No (H4a)	No (H4b)
→ Explorative behavior		
Opportunity-based approach	No (H5a)	+ (H5b)
→ Exploitative behavior		
Strategy formulation	No (H6a)	+ (H6b)
→ Exploitative behavior		

## Research Method

### Data Collection

We employed the structured interview survey method to collect data from Tunisia firms operating in manufacturing sector. Tunisia is one of the leading emerging countries in the MENA region and Tunisian scholars emphasized the recent increase of the innovation activities. However, the Jasmine revolution has led to drastic and diverse transformations that could affect firms' innovation performance. Thus, we believe Tunisia provided a suitable context for our research about unstable market. We developed questions using measurement items from several previous studies. Through our review of the extant literature, we identified key measurement items for each of variables. We believe that utilizing these previously validated measurement items would increase the effectiveness of our study and also allow us to compare study outcomes across different settings. We also consulted with academic researchers, top executives in firms and business experts to ensure that the measurement items accurately reflect the research concepts. The questionnaire's items were confirmed based on the input of these academicians and practitioners. As a pilot test, we used a preliminary questionnaire with three Tunisian firms and two Japanese firms.

We tried to initially obtain responses by the online survey method that was launched in April 2016. However, we received only 8 questionnaires out of 480 samples. It is due to the fact that business managers emphasize on face-to-face meeting and not like to communicate with electronic tools. Therefore, we changed the approach from the web-based questionnaire to direct interview. We provided in the questionnaire a brief outline of our research and emphasize main objectives of this study, and, most importantly, the research outcomes and implication in the business environment. Finally, we achieved 40 interviews with different Tunisian executives within May and June 2016. To check whether differences among variables between e-mail responses and interview-based ones exists or not, we conducted T-test and compared averages of the variables. As a result, we could confirm that there were no serious differences between them. Total 48 cases were available in the analysis as detailed in Table 2. To capture the overview of Tunisian business environment, the survey covers high technology industrial sector as well as low technology one. And we collected the data from companies of various sizes (from 20 employees to over 1000 employees), various established year (from 1960 to 2012), as equally as possible. Thus we believe our sample has sufficient variance to depict Tunisian situation after jasmine Revolution, in terms of industrial sectors, company size, age and locations.

To make the comparable Japanese dataset, we consciously elaborated sampling methodology. After finishing the data collection in Tunisia, we have checked the fundamentals of Tunisian data: Industrial sectors, total employees, and family business or non-family. Then, we made up a Japanese list that have the same distributions of the companies as Tunisian data, in those four fundamental features. Based on that the ordinary response rate for organizational survey is about 20-40 percent (Baruch & Holtom, 2008), we picked up 160 Japanese manufacturing

companies to collect the similar sample size to Tunisia. We used online service D-VISION provided by Diamond publishing as our Japanese company database and selected companies from it with stratified sampling. For Japanese companies we employed paper-based questionnaire survey and finally we obtained 36 available samples. The response rate 22 percent can be considered to be satisfactory. As shown in Table 2, we nearly matched the demographics of Japanese companies to those of Tunisian. Therefore, we believe our two subsamples are comparable to each other.

**Table 2. Overview of the Sample**

	Tunisia (n = 48)	Japan (n = 36)
Industrial sector		
Electronics & automotive	22	16
Apparel	26	20
No. of employees		
20 - 100	12	6
100 - 199	10	12
200 - 499	12	7
500 - 999	6	6
>1000	8	5
Company ownership		
Family businesses	21	11
Non-family businesses	27	21
Established year		
-1945	0	6
1945-1965	1	9
1965-1985	12	12
1985-2005	27	7
2005 (-2012)	8	2

## Measurement

### *New Product Performance*

Following Ritala *et al.* (2015), innovation performance was measured on 7-point Likert scale by asking the managers to assess their firm's product innovation performance (Ritala *et al.*, 2015; Mortensen & Bloch, 2005). We asked "How do you assess the market performance of the new product during last 3 years, compared with those of other organizations operating in the same sector?" And respondents were required to evaluate in a 7-point Likert scale (1 = performed very poorly, 4 = performed as well as rivals, and 7 = performed very well).

### *Explorative and Exploitative Behaviors*

The behaviors were calculated each based on 5 items suggested by Lubatkin *et al.* (2006), Cingoz & Akdogan (2013) and Mortensen & Bloch (2005). Items were slightly changed from original and assessed on 5-point Likert scale from 1 = strongly agree to 5 = strongly disagree to avert the risk of common method bias, and then we made the score upside down same direction as the other variables. The average of them are operationalized as *explorative and exploitative behaviors*. The Cronbach's alpha of 0.67 and 0.64 were obtained and accepted (Nunnally, 1978).

### *Opportunity-based Approach*

Here we assessed opportunity orientation by the question about organizational approach in finding and taking opportunity. With the help of related studies by Grewal and Tansuhaj (2001), Nadkarni and Herrmann (2010), we asked respondents about their evaluation for their companies in those 5 questions: (1) "Does the company frequently change its strategies and structures to derive benefits from environmental changes?" (2) "Does the company emphasize on exploiting new opportunities arising from environmental variability?" (3) "Does the company have a high level of flexibility in managing political, economic, and financial risks?" (4) "Does the company regularly share information across business activities?" and (5) "Does the company emphasize on versatility and empowerment in allocating human resources?" Those were assessed on 5-point Likert scale ranging from 1= strongly disagree to 5 = strongly agree. The average of them were operationalized as *opportunity-based approach* with a Cronbach alpha of 0.65.

### Administrative Approach

About this construct, we can collect directly and objectively by asking whether the company formulate formal business plan or not. Therefore, we asked respondents whether (1) written mission statement and (2) written corporate strategy exist or not directly. And if the respondent answered yes for both mission statement and corporate strategy, we gave them a value two for the degree of *administrative approach*. If he/she answered either one was yes but the other was not, the value 1 was given. And if he/she answered neither written mission statement nor written corporate strategy, we gave 0 for the degree of *administrative approach* of that company. In order to check the construct validity, we executed confirmatory factor analysis (CFA) for all items for reflective measures (*explorative behavior*, *exploitative behavior*, and *opportunity-based approach*). As a result, we obtained satisfactory model fit:  $X^2/d.f. = 93.57/87$  ( $p. = 0.29$ ),  $RMSEA = 0.04$ , and  $CFI = 0.86$  for Tunisian sample.  $X^2/d.f. = 60.16/51$  ( $p. = 0.17$ ),  $RMSEA = 0.07$ , and  $CFI = 0.94$  for Tunisian sample. Hence we confirmed our reflective measures can grasp the different aspects of organizations in action.

**Table 3. Descriptive Statistics and Correlations among Variables**

Tunisia and Japan samples							
Variables <sup>1</sup>		1.	2.	3.	4.	5.	6.
Japan							
1. New Product Performance		1.00	0.37*	0.50**	0.17	0.24	-0.18
2. Explorative Behavior		0.29*	1.00	0.62***	0.66***	0.24	-0.00
3. Exploitative Behavior		-0.22	0.12	1.00	0.52**	0.35*	0.06
4. Opportunity-Based Approach		0.14	0.32*	-0.01	1.00	0.10	-0.03
5. Administrative Approach		0.11	-0.01	-0.11	0.30*	1.00	0.37*
6. High-Tech Dummy	Tunisia	0.20	0.11	0.11	0.23	0.20	1.00
Mean <sup>2</sup>	Tunisia	5.35**	3.17	3.76	3.69	0.67	0.45
	Japan	3.58	3.42	3.55	3.22	0.72	0.55
S.D. <sup>3</sup>	Tunisia	1.06**	0.62	0.54	0.46	0.44	0.50
	Japan	2.06	0.68	0.75	0.53	0.38	0.50
Merged Sample							
Variables <sup>1</sup>		1.	2.	3.	4.	5.	6.
1. New Product Performance		1.00					
2. Explorative Behavior		0.19†	1.00				
3. Exploitative Behavior		0.30**	0.34**	1.00			
4. Opportunity-Based Approach		0.33**	0.35***	0.31**	1.00		
5. Administrative Approach		0.12	0.09	0.09	0.17	1.00	
6. High-Tech Dummy		-0.06	0.08	0.07	0.05	0.27*	1.00
Mean		4.59	3.28	3.67	3.49	0.69	0.50
S.D.		1.79	0.65	0.64	0.54	0.41	0.50

†  $p. < 0.1$ , \*  $p. < 0.05$ , \*\*  $p. < 0.01$ , \*\*\*  $p. < 0.001$ . All 2-tail test.

1. We employed t-test for correlations among variables. The lower-left half of the matrix shows correlations for Tunisia sample, and the upper-right half of the matrix does ones for Japan sample.
  2. We employed t-test for the differences in average between Tunisia and Japan.
  3. We employed f-test for the differences in variance between Tunisia and Japan.
- n = 84 (Tunisia = 48, Japan = 36)

To capture the fundamental features of our variables, we check the descriptive characteristics and correlations of them (Table 3). Here we have to pay attention to the difference in mean and standard deviation of *new product performance*, while the other variables have no significant differences both in mean and standard deviation. The difference in mean and standard deviation of performance variable would reflect the cultural differences between Tunisia and Japan. From Hofstede *et al.* (2010)'s cultural dimensions, there is quite large differences in uncertainty avoidance between Tunisia and Japan. Tunisian managers often like to answer extremely with some positive bias (Gherib & Berger-Douce, 2012; Triki *et al.*, 2012), while Japanese managers do not like to do so and tend to answer moderately and modestly with pessimistic bias (Hofstede *et al.*, 2010). Our data clearly reflects such cultural differences, hence we controlled differences of the value of *new product performance* by standardization before analyzing with structural equation modeling.

## Results

We estimated and compared relationships between variables for Japanese and Tunisian companies by using multi-group structural equation modeling. At first, we assessed the differences in overall structure between Tunisia and Japan. We compared restricted model that all paths set invariant across both countries to unrestricted model that all paths are allowed to vary across them. The result is shown in Table 4. From this table you can find that restricted model shows low model validity. P-value of X2/d.f. is significant, and it means this model does not fit the data. The other fit indices also indicate restricted model cannot explain the structural relationships of the data. On the other hand, Unrestricted model shows great improvement of fit indices: X2 is 32.11, p. = 0.32. All of scores improved dramatically, and fell into permissible range. Therefore, we can say that Tunisian companies and Japanese ones do not share the same structural model, but they have different path relationships among variables.

**Table 4. Comparison of Restricted Model and Unrestricted Model**

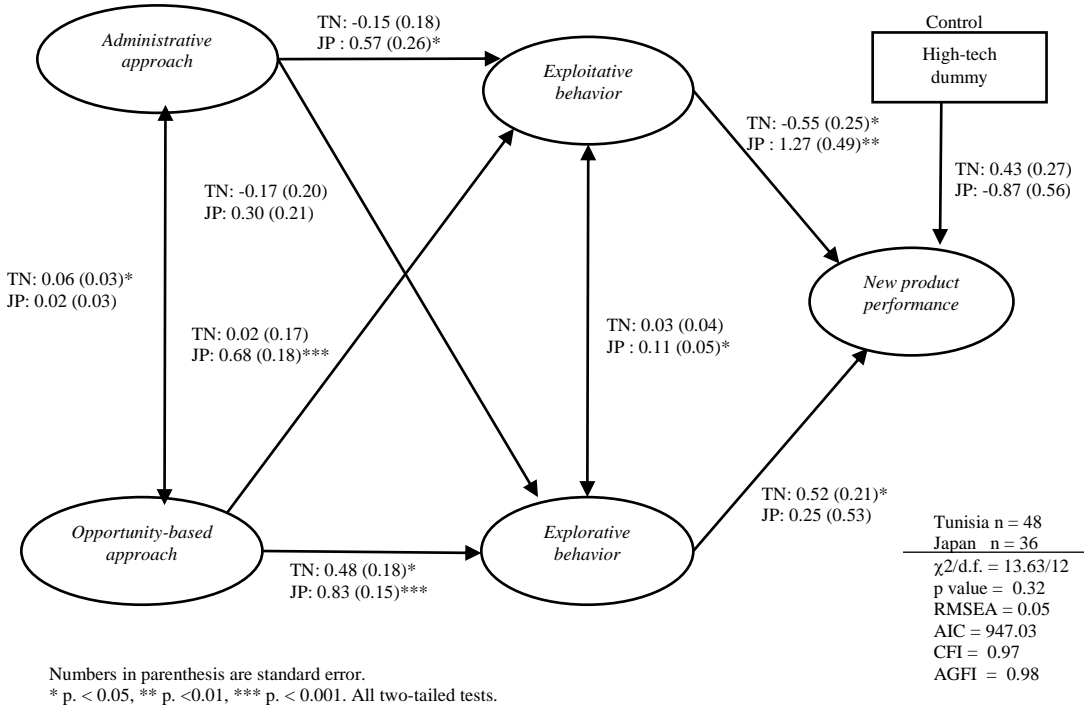
	X2/d.f.	p. value	RMSEA	CFI	AGFI
Restricted Model	45.75/21	0.00	0.16	0.62	0.98
Unrestricted Model	13.63/12	0.32	0.05	0.97	0.98

n = 84 (Tunisia = 48, Japan = 36)

Because we could confirm that Tunisia and Japan did not have the same path relationships, we can proceed to the comparison of path coefficients for them. Figure 1 shows the estimation result of unrestricted model, path coefficients and their standard errors. At first, let us start the paths to *new product performance*. Focusing on Tunisia result, we have found that *explorative behavior* was positively associated with *new product performance*, while *exploitative behavior* was significantly negative. Those results mean H1 is mostly supported. As for the path from explorative, the result is consistent to our expectation (H1a is supported). As for that from exploitative, astonishingly, it is negative while we expect no effect (The result is more than we expected in H1b). It indicates that exploitative approach to product development rather deteriorated its market performance in unstable, unpredictable world. That might be why the result surpass our expectation. Anyway, our discussion at hypothesis development is mostly consistent to the result. About the H2 for Japanese subsample, the results are totally consistent to our hypotheses. The paths from exploration to new product performance are not significant (H2a was supported), while that from exploitation was significant positive (H2b was supported).

Next, about the *explorative behavior*, *opportunity-based approach* had significant positive relation with it, both in unstable Tunisia and stable Japan (H3a and H3b is supported). *Administrative approach* had no significant path to it, both in Tunisia and Japan (H4a and H4b is supported). That results indicate, regardless of the difference in business environment, OBA can help members to behave exploratively, while formal policy formulation cannot. About the paths to *exploitative behavior*, *opportunity-based approach* had no significant relation with *exploitative behavior* in Tunisia (H5a was supported), but had significant positive relation in Japan (H5a was supported). Moreover, *administrative approach* was significant positive in Japan (H6a was supported), while not significant in

Tunisia (H6b was supported). To summarize, In Japan both OBA and administrative approach facilitate exploitative actions, while neither do in Tunisia. It indicates that Tunisian companies are scarce likely to behave exploitatively in changing environment, regardless of managerial approach. In contrast, Japanese companies are likely to find exploitative behavior is suitable in its environment, regardless of management approach.



**Figure 1. Multi-group structural equation modeling of Tunisia and Japan**

Source: Elaborated by authors

## Discussion

### Assessment for Hypothetical Relationship Structure

Overviewing the whole hypothetical structure shown in Figure 1, we can conclude that it was mostly supported. Only one hypothetical path from *exploitative behavior* to *new product performance* was different from our expectation, however, it was not contradictory to expected but more than expected. That is why we can say that OBA contributes to product innovation performance in unstable emerging markets by facilitating explorative behavior, and administrative approach does to it in stable developed economies by supporting members' exploitative behavior.

### Academic Contributions and Limitations

Those findings will mainly contribute to the academy that studies management in emerging markets. The past studies have found the innovation is one of a key success factors in emerging market (Govindarajan and Trimble, 2013; Khanna and Palepu, 2013; Prahalad, 2012). And also they have found the remarkable feature of emerging markets is continuous change of local situations in terms of policy, economy and society (Hoskisson *et al.*, 2000; Kolk, Rivera-Santos & Rufin, 2012; Peng, Wang & Jiang, 2008). Drawing on those two ideas, we introduced a concept for management in unstable world, OBA, as a considerable potential management approach in achieving innovation in emerging markets. This study might be one of the first challenges that deal with OBA in emerging market situation, and have examined statistically. That will be a first contribution of this study. We believe the

potential of OBA should be studied in the future study, as well as the other important constructs like bricolage, local partnership, and institutional void.

However, there exist some considerable limitations in this study. First, as we discussed in the previous paragraph, we need to investigate the relationships with other important concepts in managing in emerging markets. We did not examine which facilitated more and how they interacted, because of the data constraint. Such considerations will make a further progress in the understandings of emerging markets business. Second, there need several retests with other datasets, to check the validity of our findings. We only used the data collected in Tunisia and Japan, thus now we cannot bravely say our findings can be applied absolutely to all over the emerging markets. Hence the future study has to retest with sample from other emerging country data. In this sense, wider international survey will help the academic progress. Considering those limitations, we must say prudently that we have examined the positive relationships between OBA and product innovation performance in emerging markets with Tunisian data, but it will have to be retested by several analytical methods to obtain more external validity.

### Managerial Contribution

As a concluding remarks, let us emphasize on the difficulty in managing in emerging markets. Rechecking the results, although both OBA and administrative approach accelerated exploitation and finally resulted in new product performance in Japanese subsample, there was only one route to new product performance in Tunisia: Start from *opportunity-based approach*, next *explorative behavior*, then *new product performance*. It may stem from the level of instability or uncertainty in business environment in Tunisia. In Japan, which is characterized by political, economic and sociocultural stability, managers can choose either of two options in business approach. The data showed that strict administrative control could make members take prudent exploration of current resources and business situations, and even encouragement of opportunistic try and error also helped to cultivate current business settings in Japan. On the other hand, Tunisia after Jasmine revolution was characterized by unpredictability, uncertainty and volatility. In such situations prescribed business plans cannot lead a company to the goal steadily, but the bold explorations are likely to make it find a new way to reach better consequences. In this sense, product innovation in unstable emerging markets can be considered to be more difficult than in relatively stable developed economies, and only OBA can be a potential business approach that accelerate to realize it.

### References

- Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50(2), 179–211.
- Anderson, J. & Markides, C. (2007). Strategic innovation at the base of the pyramid. *MIT Sloan Management Review*, 49(1), 83.
- Arnold, D.J. & Quelch, J.A. (1998). New strategies in emerging markets. *MIT Sloan Management Review*, 40(1), 7.
- Baruch, Y. & Holtom, B.C. (2008). Survey response rate levels and trends in organizational research. *Human Relations*, 61(8), 1139–1160.
- Benner, M.J. & Tushman, M.L. (2003). Exploitation, exploration, and process management: The productivity dilemma revisited. *Academy of Management Review*, 28(2), 238–256.
- Bennett, N. & Lemoine, G.J. (2014). What a difference a word makes: Understanding threats to performance in a VUCA world. *Business Horizons*, 57(3), 311–317.
- Bierly, P.E. & Daly, P.S. (2007). Alternative knowledge strategies, competitive environment, and organizational performance in small manufacturing firms. *Entrepreneurship Theory and Practice*, 31(4), 493–516.
- Brown, T.E., Davidsson, P. & Wiklund, J. (2001). An operationalization of Stevenson's conceptualization of entrepreneurship as opportunity-based firm behavior. *Strategic Management Journal*, 22(10), 953–968.
- Corsi, S. & Di Minin, A. (2014). Disruptive innovation in reverse: Adding a geographical dimension to disruptive innovation theory. *Creativity and Innovation Management*, 23(1), 76–90.
- Cappelli, P., Singh, H., Singh, J. and Useen, M. (2009). *The India way: How India's top business leaders are revolutionizing management*. USA: Harvard Business School press.
- Cingöz, A. & Akdoğan, A.A. (2013). Strategic flexibility, environmental dynamism, and innovation performance: An empirical study. *Procedia-Social and Behavioral Sciences*, 99, 582–589.
- Daft, R.L. & Lengel, R.H. (1986). Organizational information requirements, media richness and structural design. *Management Science*, 32(5), 554–571.



- Ernst, H., Kahle, H.N., Dubiel, A., Prabhu, J. & Subramaniam, M. (2015). The antecedents and consequences of affordable value innovations for emerging markets. *Journal of Product Innovation Management*, 32(1), 65-79.
- Gherib, J. & Berger-Douce, S. (2012). Entrepreneurial profile and environmental commitment of SMEs: A comparative analysis in France and in Tunisia. *International Business Research*, 5(7).
- Govindarajan, V. & Trimble, C. (2013). *Reverse innovation: Create far from home, win everywhere*. USA: Harvard Business Press.
- Gumpert, D.E. & Stevenson, H.H. (1985). The heart of entrepreneurship. *Harvard Business Review*, 63(2), 85-94.
- Hoskisson, R.E., Eden, L., Lau, C.M. & Wright, M. (2000). Strategy in emerging economies. *Academy of Management Journal*, 43(3), 249-267.
- Ireland, J. (2008). Lessons for successful BOP marketing from Caracas' slums. *Journal of Consumer Marketing*, 25(7), 430-438.
- Judge, B.M., Hölttä-Otto, K. & Winter, A.G. (2015). Developing world users as lead users: A case study in engineering reverse innovation. *Journal of Mechanical Design*, 137(7), 071406.
- Khanna, T. & Palepu, K. (2013). *Winning in emerging markets: A road map for strategy and execution*. USA: Harvard Business Press.
- Kolk, A., Rivera-Santos, M. & Rufin, C. R. (2012). Reviewing a decade of research on the 'Base/Bottom of the Pyramid (BOP) concept. *Business & Society*
- London, T. & Hart, S.L. (2004). Reinventing strategies for emerging markets: beyond the transnational model. *Journal of International Business Studies*, 35(5), 350-370.
- Lubatkin, M.H., Simsek, Z., Ling, Y & Veiga, J.F. (2006). Ambidexterity and performance in small-to medium-sized firms: The pivotal role of top management team behavioral integration. *Journal of Management*, 32(5), 646-672.
- Lyles, M. A. & Schwenk, C.R. (1992). Top management, strategy and organizational knowledge structures. *Journal of Management Studies*, 29(2), 155-174.
- March, J.G. (1991). Exploration and exploitation in organizational learning. *Organization Science*, 2(1), 71-87.
- Mortensen, P.S. & Bloch, C.W. (2005). Oslo Manual-Guidelines for collecting and interpreting innovation data. Organisation for Economic Cooperation and Development, OECD.
- Nakata, C. & Weidner, K (2012) Enhancing new product adoption at the base of the pyramid: A contextualized model. *Journal of Product Innovation Management*, 29(1), 21-32.
- O'Reilly, C.A. & Tushman, M.L. (2004). The ambidextrous organization. *Harvard Business Review*, 82(4), 74-83.
- Peng, M.W., Wang, D.Y. & Jiang, Y. (2008). An institution-based view of international business strategy: A focus on emerging economies. *Journal of International Business Studies*, 39(5), 920-936.
- Prahalad, C.K. (2005). *The fortune at the bottom of the pyramid: Eradicating poverty through profits*. New Delhi: Wharton School.
- Prahalad, C.K. (2012). Bottom of the Pyramid as a Source of Breakthrough Innovations. *Journal of Product Innovation Management*, 29(1), 6-12.
- Ritala, P., Olander, H. Michailova, S. & Husted, K. (2015). Knowledge sharing, knowledge leaking and relative innovation performance: An empirical study. *Technovation*, 35, 22-31.
- Robbins, S.P. & Judge, T. (2003). *Essentials of organizational behavior* (Vol. 7). Englewood Cliffs, NJ: Prentice Hall.
- Sarasvathy, S.D. (2009). *Effectuation: Elements of Entrepreneurial Expertise*. Northampton, MA: Edward Elgar Publishing.
- Stevenson H.H. & Jarillo, J.C. (1990). A paradigm of entrepreneurship: entrepreneurial management. *Strategic Management Journal*, 11(Summer), 17-27.
- Stevenson, H.H. & Jarillo, J.C. (2007). A paradigm of entrepreneurship: Entrepreneurial management. In *Entrepreneurship* (155-170). Berlin: Springer.
- Su, Z., Li, J., Yang, Z. & Li, Y. (2011). Exploratory learning and exploitative learning in different organizational structures. *Asia Pacific Journal of Management*, 28(4), 697-714.
- Triki, A., Bay, D., Cook, G. L. & Law, D. (2012). Hofstede's Cultural dimensions and accountants: A re-analysis and some further evidence from Tunisia. *SSRN Electronic Journal*
- Tushman, M.L. & O'Reilly, C.A. (1996). The ambidextrous organizations: Managing evolutionary and revolutionary change. *California Management Review*, 38(4), 8-30.
- Weick, K.E. (1979). The social psychology of organizing (Topics in social psychology series).
- Yunus, M., Moingeon, B. & Lehmann-Ortega, L. (2010). Building social business models: Lessons from the Grameen experience. *Long Range Planning*, 43(2), 308-325.

- Zander, U. & Kogut, B. (1995). Knowledge and the speed of the transfer and imitation of organizational capabilities: An empirical test. *Organization Science*, 6(1), 76-92.
- Zollo, M. & Winter, S.G. (2002). Deliberate learning and the evolution of dynamic capabilities. *Organization Science*, 13(3), 339-351.

## NEW STRATEGIES FOR TOURISM IN AUSTRIA

*Jarmila Wefers, Comenius University Bratislava, Slovakia*

*Darina Saxunova, Comenius University Bratislava, Slovakia*

*Rita Szarkova, Comenius University, Slovakia*

The increasing tourism industry and a growing number of tourists are a challenge for managers because every country or region is eager to gain a good share of the growing market. However, there are discrepancies among the countries—the new ones on the market and those, which are traditionally well established. Austria is one of them, and one could ponder that there are no problems as its program appears to be self-propelled. But there are structures that have been changing. New strategies of tourism in Austria are the research objective of this scientific study. The study examines tourists' preferences as theoretical threshold. In addition, the marketing aspect of the study highlights incentive approach towards groups of old, returning customers and new customers while coping with customers' ever changing preferences. There are several new strategies to attract visitors worldwide. The world is striving for being a global site. On the one hand, it is confronted with terror, fear and the wish for security and on the other hand, it is searching for a personal way of self-realization. Tourism strategies in Austria are also related to the internal organization for outward appearance. Key factors in Austrian's tourism industry that should attract tourists are hospitality, regionalism and sustainability. All in all, the objective of this study is to assess new strategies in Austrian tourism taking all aforementioned aspects and factors into account and to elaborate our recommendations for implementing them in a new environment.

### Introduction

The grandiose landscape as well as the internationally recognized hospitality in combination with numerous cultural and culinary attractions form the basis of Austrian tourism. Globalization and the growing competition are nevertheless constantly evolving challenges for Austrian tourism. In addition, the guests are increasingly longing for authenticity and have become very demanding in their search for a coherent product. "Mediocre is out, quality is hip", tourism needs a new tourism strategy taking this slogan into consideration. From the perspective of a strategic assessment on topics such as economic conditions, infrastructure, marketing and promotion, it has emerged that the most important future tasks for the tourism industry are more efficiency, more innovation and a better coordination among the federal government, the federal states and all other partners. A key focus on the strategy is to promote the three strong landscape features Alps – Danube – Cities and Culture as thematic priorities. The goal is to eliminate the high fluctuations in tourism capacity utilization and to strengthen the brand Austria. As Singh *et al.* (2016) state that the specific experience, location, and activities can have a positive impact on the tourist's perception especially during an unfavorable season when the demand for the resort is not as high as during the favorable season.

Tourism in Austria does not develop uniformly. Tourism suffers from high seasonality and summer tourism is lagging more and more comparing to the development of winter tourism growth. Above all, there is a lack of investment and innovation in summer tourism. High season peaks also have an impact on labor market, on transport and environment. To make a better use of the tourism industry capacity in the off-season, which is too weak, there is room for improvement, where more opportunities to utilize this free capacity may be identified. As an example, there is an unutilized capacity in the area focusing on health, culture, nature and hiking or other activities offered by the sector of the sports and leisure economy. Investments in year-round tourism could lead to the inversion of this situation. The international guest chooses the state of Austria for making holidays, a special region is not in the foreground. What is a drawback of marketing for Austrian tourism is an absence of highlighting Austria's strengths of tourism sector. Facing increased competition, therefore, a concentration on regional characteristics is necessary in order to be perceived internationally at the regional level. Austrian tourism is basically very small. From an international point of view, however, the small structures are a disadvantage, since these offers do not communicate with a global marketing system and instruments of modern marketing. It needs innovative, interregional ideas and associations to anchor Austrian tourism in the markets on a sustainable basis, so that Austrian's domestic tourism can regain the strength.

### Objectives and Methodology

The objective of this paper is to study and analyze selected, new strategies in Austrian tourism policy. Firstly,

collected and analyzed statistics data will be presented to clarify the situation on international tourism markets and what the predictions are like for tourism in the following years. The example of Austria demonstrates how a small country, but with a great tradition in the tourism sector, strives to assert its position in the international competition for the holiday guests. The method used primarily is the thorough analysis of the concepts of the Austrian Advertising Agency and the Austrian Ministry of Economic Affairs. The scattered material has been systemized to be comprehensible to an outside interested parties. In particular, the content was "condensed" aiming at addressing external potential readers (outside appearance) to present tourism industry enterprising entity within the system and introducing "special concepts". A further objective of this article is to present an updated state of tourism strategies in Austria in a compact form, which presents the base, on the one hand, other countries can be compared to or could be inspired and, on the other hand, the results can be evaluated in a few years. An assessment from today's point of view could only be speculative.

### **Review of Literature Background**

Tourism is the research object in several scientific disciplines. The most important ones are economics, geography and sociology, but others as enterprising entities, transportation, law, marketing, urban and regional planning, agriculture, ecology etc., are not meaningless, the research in these disciplines cannot be neglected for understanding the tourism concept entirely. The first half of the 20th century included researchers of the most important areas such as Mariotti, Norval & Troisi. Swiss Hunziker & Krapf (1941, 1942) dealt with the relationship (1) of demand and supply, (2) between the balance of payments and tourism; the position of tourism in foreign policy; and the economy from the point of view of capital, income, costs and employment. In detail, they focused on economic fluctuations and tourism policy as well as on advertising and marketing.

Gilbert in his work (1990) explained the difficulties defining tourism because of its very broad nature of its concept as well as the need for so many goods and services inputs. Tourism interlinks other sectors and industries. It is obvious that it is complicated to draw a clear line of boundary between tourism and other disciplines due to the expansive spread of activities the tourism covers. Many researchers studied and developed supply-side aspects to the definition of tourism in order to incorporate the visitor's economic, social, cultural and environmental impact on the destination, e.g. Goeldner & Ritchie (2012); (Leiper, 1979, 2008; Tribe, 1997, 2006). Tribe (1997). They define tourism as the sum of the phenomena and relationships arising from the interaction of tourists (visitors), business suppliers, government, communities and environments. Leiper's model proposed in 1979 and highly regarded in the literature, was adapted to updated definition that is considered as tourism conceptual frame-work. "It consists of three fundamental components: (1) *visitors* are travelers and they are perceived as initiators of demand for travelling, and their purpose is to travel for tourism; (2) geographical elements, who generate the region, (3) the tourism industry. Interaction is among the regions, which travelers leave (travel agencies in the country, or government authorities to issues passport etc), regions what they have chosen as their touristic destination, or other regions where business suppliers come from or the tourists travel through until they reach the destination point.

Evaluation of competitiveness is measured by The Travel & Tourism Competitiveness Index (further TTCI). The index is a measurement and assessment of the factors that make it attractive to develop enterprising in the travel and tourism industry of individual economies, rather than a measure of a country attractiveness as a tourist destination (Wefers *et al.*, 2016). The quantification of the economic contribution of tourism was the subject of Gúčik's research (2010), who defines tourism as an industry with an economic significance. The lack of tourist data led to the so-called Tourism Index of N. Vanhove and the so-called Tourism Barometer. From 2003 the UNWTO publishes the barometer of world tourism. The Swiss Tourism Barometer for example allows monitoring the performance of tourism in individual branches and regions. Various touristic products sold generate income for the tourism industry. The evaluation of the economic and social contribution of tourism demanded the introduction of the Tourism Satellite Account (abbreviated TSA). This TSA account was operated by UNWTO in cooperation with the Statistical Commission of the UNO and OECD. Economic and social benefits of tourism come from ten following areas creating the structure of the TSA, whose principal categories of touristic products are summoned in Table 1 (Fletcher *et al.*, 2013).

TSA 1 (Inbound tourism consumption by products and categories of visitor), TSA 2 (Domestic tourism consumption by products and ad hoc sets of resident), TSA 3 (Outbound tourism consumption by products and categories of visitor), TSA 4 (Internal tourism consumption by products and categories of visitor (TSA 1+2), TSA 5 (Production accounts of tourism characteristics and other industries, TSA 6 (Domestic supply and internal tourism consumption by products), TSA 7 (Employment in the tourism industrial sectors), TSA 8 (Gross fixed capital expenditure in the tourism industries and other related industries), TSA 9 (Tourism expenditure by governments and

other public authorities), TSA 10 (Non-monetary indicators such as the volume of tourist trip and nights, and the number of businesses).

**Table 1. Principal TSA Categories of Tourism Products**

<b>Tourism Products (Goods and Services)</b>		
Specific Tourism Products		Non-specific tourism products
A1: Characteristic goods and services	A2: Connected goods and services	
Accommodation Restaurants and similar Passenger transport Travel, tour and guide services & 6. Culture, sport and recreation	Post & telecoms services Financial and insurance services Rental services Health services	All other products, <i>e.g.</i> , retail

*Source: Fletcher et al., (2013)*

Tourism acts as a multiplier of economic activities, creating direct and indirect jobs. The number of jobs that a bed in a housing facility binds is derived by the Swiss researchers (Schmidhauser *et al.*, 1979), by the multiplication effect, one and a half to two jobs are created in each branch of the secondary and tertiary sector. Tourism is also considered as a sector that can defuse regional disparities. This problem was dealt with by Gúčik (2010, 2011), Kucerova & Makovník (2007). The abovementioned facts support the need of researchers in the tourism industry for having a team consisting of the experts from other interlinked scientific fields.

### **Support for Tourism from the EU and International institutions**

At present the global trends bring significant changes, new developments in entrepreneurship, new rules and investors' cooperation in tourism. The European Union (EU) have been playing an important role. Austria is a member of the EU since 1995 and so the legal requirements of the EU are also binding for tourism in this country. The goal is a good functioning of the market in favor of the consumer within the framework of creating good business conditions, and eliminating discrimination from the national perspective, *i.e.*, domestic and foreign subjects have equal rights and obligations. Referring to the EU's internal market, the EU has the following objectives: (1) Sustainable development of Europe, also within the accomplishment of Sustainable Development Goals related to tourism, (2) Social market economy, (3) High level of environmental protection, (4) Social justice, (5) Gender Equality, (7) Economic and monetary union formation, (8) Solidarity between generations, and (9) Protection of children's rights.

These objectives are identical to the objectives of Austria. Austria, thanks to the strong social policy, good conditions for entrepreneurship, for work and the high quality of life, offers space for entrepreneurship in tourism. Problem areas in tourism are the gaps in the quality of the services provided, their complexity, a low level of marketing, a low wage level and, in connection with this, a lack of quality workforce. The process of globalization, at the end of the 20th century, led to a deepened international cooperation. Austria is a member of several international organizations: (1) UNWTO (United Nations World Tourism Organization), (2) European Commission for Tourism, (3) Working group for tourism of the Visegrad 4, (4) Committee on Tourism OECD, (5) Committee for Tourism of the Central European Initiative, (6) American Association of Travel Agencies, and others. International tourism intervenes in international relations such as political, legal, and financial and others. International organizations make an effort to harmonize rules and terminology, exchange information and share experiences. Dash, Singh and Vashko's proposal (2006) of a framework for obtaining an eco-certification and using it as a strategic tool to position products for a range of tourists may be applicable and beneficial also in Austria environment.

### **Development of Selected Tourism Markets**

Since 2010 when the world started the recovery process as a consequence of the economic and financial crisis the tourism industry experienced almost steady growth every year (see Figure 1) in the number of tourist arrivals. Numbers of arrivals have more than doubled from 541 million in 1995 to approximately 1.19 billion in 2015. Every year Europe has consistently been the most frequently visited region, followed lately by the Asia Pacific region which has become the second largest market. In 2015 the total contribution to the global economy of \$7.17 trillion USD was a merit of travelling and tourism industry (Wefers *et al.*, 2016).



**Figure 1. The Growth of Tourism Worldwide**

*Source: Elaborated by authors based on (WB, 2017)*

**Table 2. International Tourist Arrivals (ITA) Changes in Percentage in 1995-2015**

95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
%	5.5	5.1	3.0	4.0	3.4	4.4	3.0	-1.3	10.2	5.8	5.8	7.1	1.6	-4.2	6.5	4.3	5.1	4.8	4.5	2.5
%	5.5	10.9	14.2	18.9	22.9	28.3	32.2	30.5	43.8	52.1	61.0	72.5	75.2	67.8	78.7	86.5	95.9	105.4	114.6	120.0

*Legend: ITA: In table 2: 1<sup>st</sup> row: years 1995-2015, 2<sup>nd</sup> row: change in ITA in percentage between two successive years, 3<sup>rd</sup> row: change: each year compared to the base year 1995 in ITA in percentage*

*Source: Elaborated by authors based on (WB, 2017)*

The highest growth rates at the International Tourist Arrivals (ITA) fluctuate very strongly. Globally, the growth in the ITA is fairly balanced, unlike America and Caribbean Countries and Middle East. Asia and Pacific countries, with the exception of the year 2015, have higher growth rates than Europe (Table 3).

**Table 3. Development of International Tourist Arrivals by Country Blocks 2013-2015**

Development of international tourist arrivals by country blocks/ Changes in % over the previous year	2013	2014	2015
Worldwide	+ 4.6	+ 4.2	+ 4.4
Europe	+ 4.8	+ 2.4	+ 5.0
Asia and Pacific countries	+ 6.9	+ 5.8	+ 4.8
America and Caribbean countries	+ 3.1	+ 8.4	+ 4.9
Africa	+ 4.4	+ 0.3	- 0.3
Middle East	- 2.9	+ 6.7	+ 3.1

*Source: Elaborated by authors based on (UNWTO, 2016)*

The Development of Overnight Stays in Austria (DOS) shows the lowest growth rates within the domestic market (0.8 percent), the highest growth rates are found in all foreign source markets (2.2 percent in Table 4). The DOS in Austria from the Russian market shows the most serious changes, it is the only source market in the minus region (minus 5.7 percent between 2011 and 2015 in Table 5). It is perceived as the consequence of the sanctions against Russia, a kind of "cold (trade) war" from the EU and other nations. Austria is trying to counter this trend with a special branding strategy (see "Country-oriented Marketing and Advertising").

**Table 4. Development of Overnight Stays in Austria** (key point: Distance of the Origin Markets) in the period 2005-2015.

<b>Development of overnight stays in Austria 2005-2015</b>	<b>2005-2011 Annual changes in %</b>	<b>2011-2015 Annual changes in %</b>
from domestic and foreign markets	+ 0.9	+ 1.8
from domestic market	+ 1.9	+ 0.8
from domestic and neighboring markets	+ 1.9	+ 1.3
from not neighboring markets	+ 0.2	+ 2.1
from foreign markets all in all	+ 0.6	+ 2.2

*Source: Authors' elaboration Adapted from (Tourismus in Österreich Ergebnisse der Beherbergungsstatistik, 2017)*

All in all, one can start from four problem areas that are challenges simultaneously, and this applies to both Austria and the world: (1) The tourism growth rates in the traditional travel countries are slowing down, while the number of beds has higher growth rates. (2) There is an increasing competition to displace each other from the market, among individual companies, regions or countries. (3) One can observe a progressive diversification of the travel behavior, both new destinations and new forms of travelling. (4) Some uncertainty exists among potential travelers due to the risk of infection, political instability (for example Turkey or Egypt) or fear of terror. In a relatively short period of time large fluctuations in the booking behavior of tourists can arise, despite the best planning and strategy and subsequently individual regions of destinations can result in losses, others will have unexpected increases.

**Table 5. Development of Overnight Stays in Austria** (Selected Remote Markets)

<b>Development of overnight stays in Austria from selected remote markets 2005 - 2015</b>	<b>2005 – 2011 Annual changes in %</b>	<b>2011 – 2015 Annual changes in %</b>
From foreign markets all in all	+ 0.6	+ 2.2
Russia	+ 19.0	- 5.7
Arab countries in Asia	- 1.7	+ 23.7
China	+ 6.8	+ 27.1
Israel	+ 11.4	+ 9.5
USA	- 2.4	+ 8.6

*Source: Authors' own elaboration based on ((UNWTO, 2016)*

### **Key Factors of a New Strategy for Tourism in Austria (Outward Appearance)**

The following paragraphs introduce future Austria's plans for tourism development. The main focus of the new Austrian tourism strategy is the establishment or maintenance and good positioning of three strong, unique, selling proposals – also verbally better formulated. The international guest is familiar with names the Alps, the Danube and Vienna, from the books, personal stories, from television documentaries or from broadcasting the New Year's concert of the Vienna Philharmonic Orchestra, etc. Vienna is a substitute for wonderful city and cultural city, having Vienna's Burgtheater in mind. Or, it could be carried on with Philharmonics and Lipizzaner horses, Salzburg with the Salzburg Festival.

While the Alps and the Danube are not only internationally well-known, but also an expression of Austria's unique natural spaces, the feature of cities and culture emphasizes a whole spectrum of human values. These three unique self-selling propositions (USPs -the Alps, the Danube, cities and culture) are not the subjects of fashion. In addition, what Austria has got is a certain romantic flair, with each one understands somehow differently. Americans visit just good old Europe, for Chinese tourists Austria is like a "minimundus (miniworld)" and Austria is positively perceived by Germans Austria, they consider it to a more comfortable variant of Germany. These USPs are basically usable all year round and speak for themselves without many explanations. Every player on the Austrian tourism market can rely on them. USPs can be believed to be an intangible asset indivisibly linked to the architectural heritage, or Austrian cuisine appealing to culinary interest of visitors.

## **The Alps**

The Alpine area – is an attraction in winter due to very well developed infrastructure for winter sports, for overnight stays. Its use should be maximized in the future as much as possible, all year around thanks to great values, authenticity, traditional care and the experience of natural scenery. The number of potential tourists is limited because of protecting an intact cultural landscape. Holiday regulations and seasonal preferences may be a problem for tourism development." The Alps as Protective Cultural and Natural Property" could be one of the core statements of the tourism industry in Austria. The protected Alpine areas (nature and national parks) are an interesting counterpoint to the winter wonderland of the "largest ski school in the world". Alike the Danube, the Alps are also a living and cultural area of European dimension.

## **The Danube**

The Danube River is not only one of the world's most famous rivers, but it is actually the representative of all river and lake landscapes in Austria. The example of the Danube shows that the cooperation among different players is indispensable with, both, national and cross-border cooperation. Locally, projects such as cycling and hiking trails or mountain biking will provide new impulses for tourism around lakes and rivers. In addition, cross-border strategies and measures are needed on a larger scale. In Austria, the ARGE Donau network (Working Group Danube) has already been established, now it is necessary to expand it and promote it internationally. The international Donauradweg (Cycle path along the Danube) with the neighboring states of Germany, Austria, Slovakia and Hungary is a fairly successful example.

## **Cities and Culture**

Cities and Culture -in the cities, the cultural heritage is increasingly winning its significance. The tourism industry is to use it according to today's lifestyle trends with initiatives such as "Imperial Austria", "World of the Habsburgs", UNESCO World Cultural Heritage Sites or "Creative Austria". Austria's reputation as a cultural nation is not only based on its musical tradition, - the Asian guests know Austria, for example, from the New Year's Concert and as the country of Mozart, Strauss and Haydn - but also recently on his filmmaking (Oscar Prize winners in Hollywood). The importance of film for tourism is also taken into account being as a new film promotion tool. The dynamic development of urban tourism is nowadays based on the strengthening of the congress and festivity tourism, but also on lifestyle and design. The city's cultural life is not only the culture of a region, but also the soul and habit of its inhabitants.

## **Success Factors in (Austrian) Tourism (Internal Organization)**

Austrian researchers explore and strive to design a successful internal concept of attracting and making the potential clients be satisfied and loyal customers. Five key factors must be accomplished to target successfully the customer market, which are as follows: (1) Increased efficiency in marketing, (2) Targeted tourism promotion, (3) Higher level of innovation, (4) General conditions that make the product of the country competitive, and (5) Country-wide coordination of tourism policy. The projects successfully executed in these areas will be decisive for Austria to promote it as a tourist destination. The federal fundamental structure of Austrian tourism, however, calls for a modern form of voluntary cooperation linking the own benefits of cooperation with benefits to the tourist destination. Not all of the measures can be implemented immediately or have already been politically coordinated, the initiative is the beginning stage in implementing aforementioned five key factors, the latest proposals from the Ministry of Economic Affairs for strong and competitive tourism. Other factors will have a significant impact on tourism development, especially the labor market, employees' training and entrepreneurship quality.

## **Marketing**

"Marketing is the art of finding chances, developing them and benefiting from them" (Kotler, 20xx). In the marketing strategy of Austrian tourism, the main focus will be in the future on contents. This priority is also reflected in the promotion policy. The natural resources and the cultural heritage (the Alps - the Danube - cities & culture) are the starting point, gaining more prominence lately. The responsible authorities in Austrian tourism have realized that an efficient and effective marketing coupled with a higher content and budgetary transparency is necessary in order to highlight these thematic advantages for Austrian tourism and to achieve a corresponding added value. The individual (federally structured) Land Tourism Organizations (LTO) and the (centrally organized) Austria Advertising (ÖW) are developing common concepts. The intensified orientation on local markets with the help of a special budget of the Austrian advertising sector in response to the economic crisis was successful (at least in the short term). Prolonging this local market campaign seems to be meaningful to all stakeholders. In recent



years, Austrian Advertising has prompted the internationalization of domestic tourism. The extent to which the current structure of Austrian advertising is appropriate in order to meet the requirements of the future is open for examination. The presence in the social media has been detected as possibly inadequate. A strong entry into the smartphone area would be more recommended addressing and affecting directly especially younger audiences and proving that a traditional tourist country is capable to use modern communication tools. (Strazovska & Duris, 2017)

### **Institutional Support**

A reliable financing and a proper support policy are essential components of a competitive environment. However, the control effect can only be achieved if the funding is also used according to thematic priorities. These vary from country to country, from region to region. There are many individual projects, but too little thematic coordination. The value chain in the target destinations is a neglected area, as previously identified. As a response of a corresponding evaluation, the Federal Government has developed four elements of a promotion strategy: (1) Broad basic support for the financing of ongoing investments in quality assurance, (2) Subject-related subsidies (*e.g.* cycling tourism, thermal optimization), (3) Supporting pyramids (delimitation of funding by project volume), and (4) More customer orientation and thus reinforcement of innovation promotion.

### **Innovation**

The promotion of innovations will be strengthened. The introduction of an innovation bonus is intended to help to bring new ideas to a breakthrough. The innovations are to be supported with promotion along the value chain. So far, innovative projects have only been encouraged on a selective basis. Above all, the difficulty of evaluating an innovative idea or the feasibility of a project has set borders for an active promotion policy. However, innovation is an important tourist motor. Innovations, *e.g.* solutions beyond the norm, will be supported financially more in the future or "model regions", supervised during the conceptual phase projection and implementation phase by innovative coaching.

### **Infrastructure**

The infrastructure of Austrian tourism is very complex because of its diversity and many actors being involved. More than 100 destinations, 450 tourism associations and 1,600 tourist communities make an effort to be successful and profitable implementing a variety of strategies. External factors such as climate change, transport and energy problems represent an increasing challenge to the tourism infrastructure. The future trend is therefore to reduce boundaries. This means the need to use cross-community infrastructure and to enable cross-border cooperation beyond national boundaries. The winter tourism currently dominates over the summer, visible from almost nationwide investments flowing into appropriate winter infrastructure. Ropeways and snowmaking facilities ensure an attractive winter offer for the guests. The summer facilitation lags behind. Investments in the year-round infrastructure such as golf courses, swimming pools and hiking trails are not sufficient. It is necessary to strengthen, particularly, the complex and modern summer infrastructure suitable for a wide range of customers.

### **General Conditions**

Tourism is, from an economic point of view, a classic cross-sectional area and is closely linked to the areas of tax commercial law, trade, protection of the environment, transport, security, new technologies, education and culture. In order to increase competitiveness, it is necessary to improve or at least to simplify the administrative and legal procedures, especially for smaller establishments. Other areas of federal law, such as the trade regulations, the visa and the holiday regulations will also be increasingly examined to meet the needs of tourism. Employees are the core of every well-functioning company. Their commitment, their qualifications and their appearance stand for the company as well as for the Austrian tourism as a whole. The continuous improvement of the training content in tourism occupations and the modernization of professional images in tourism, measures to reconcile family and work life, and the expansion of the season, in order to be able to employ employees for a longer period, are the goals of all interested parties. A basic requirement for competitive tourism is the careful handling of its resources. It is not only to the extent in economic but also in a social and ecological dimension. Tourism develops its acceptance by the tourist population and its identity-creating effect only through careful handling and sustainability management.

An annual tourism conference will be organized to coordinate the tourism policy, which will take place in the first quarter of every year as a kick-off for a successful tourism year. It serves to improve the political coordination of marketing, promotion and other topics relevant to tourism with the scientific and academic involvement. A responsible steering committee will organize specific workshops on current topics such as climate change, education, but also topics such as school courses and proposals to the tourism conference. An advisory board of

independent tourism experts is to report annually to the tourism conference about trends and current challenges for Austrian tourism and to make recommendations for the future.

### **New Challenges and New Concepts**

A modern tourist manager has to be able to combine two skills, the ability to act, but also to react. In the case of reaction, for example, it is a question of changing customer requirements, where, in addition, a developed standard of tourism, guests' needs must be taken into account according to the original hospitality, regionalism and sustainability of the product offered. Regional cuisine with its culinary aspects are becoming important for travelers. Action must be taken after appropriate market investigation and research, elaborating super-regional and transnational strategies targeting selected group of clients. Research should respond the questions: Will people in the future prefer city trips, winter tourism, summer tourism, all year wellness tourism? Is it better to attract people from abroad or is it better to rely on tourists from the own country? Will it be safer to concentrate on tourists coming from nearby countries (first of all Germany) or is it worth finding new costumers from all around the world? Other aspect to be considered are e.g. the marketing aspects, how to find an incentive approach to old, returning and new customer groups and how to deal with changing customer requirements.

#### **Changing Customer Requirements**

There is a growing need for originality, hospitality, regionalism and sustainability in all segments. To recognize this desire and to live it and not to present it as an external folklore show is a great challenge for all people active in tourism. In the federal state of Salzburg, the concept of three strategic areas of action is called "culture" - "health" - "sustainability". In Lower Austria, a pilot project "Cultural Coach as a link between culture and tourism" has been established. A little problem is the labor market situation in Austrian tourism. There are significant service providers from foreign countries (often from Germany, Slovakia and Hungary) due to the free movement of workers in the European Union and due to a labor force deficit in Austria. The foreigners mostly work very well and committed, but they lack the flair of native Austrians with their specific language (dialect) and own humor.

#### **Gastronomy and Traditional Cuisine**

Culinary aspects are becoming increasingly important for travelers. The gastronomic offer has been considerably improved in Austria over the past years and is widely accepted. Burgenland wine, Wachauer apricots, Viennese schnitzel, Tyrolean bacon, Carinthian cheese noodles, Bregenzerwald cheese, Styrian pumpkin seed oil, Upper Austrian Most, Salzburg Nockerln, to name a few, are internationally sought-after products. The synergies between tourism and culinary art are, however, still expandable. The theme of culinary culture is applicable within all three already mentioned USPs - Alps, Danube - cities and culture - or can be used as a single subject, e.g. "Wine tasting trip..", or "Culinary highlights in ..." specific region will be addressed.

#### **Macro-Regional Strategies**

The structure of tourism in a small and mountainous country (without the sea) like Austria is basically very small. This brings advantages (regional differences and competences) and increases a diversified offer. From an international point of view, however, the small structures are a disadvantage, since these offers cannot be communicated across the globe with instruments of modern marketing. There is a need for innovative, interregional ideas and mergers in order to anchor the strong side of Austrian tourism in the markets. To this end, Austria is mainly involved in two major projects. One is the so-called Alpine space strategy. Austria actively helped to shape and support for the development of an EU Strategy for the Alpine Space (EUSALP) since the beginning of 2013. The second is the "Donauraumprojekt/Danube project" (since 2011), which is supported in 2017 by the Danube Strategic Project Fund.

#### **Country-oriented Marketing and Advertising**

Various marketing and advertising campaigns are summed up under the umbrella of MICE (meetings, incentives, congresses and events). According to the new motto of the Austrian advertising, they do not want to spread the advertising media, but rather to address specific countries or regions and work in a targeted manner. Here are some examples of the events for the targeted Russian market aimed at enlarging the future business in this direction: (1) Business Forum Tourism Austria-Russia - 12.01.2017 Vienna., (2) Creative Competition "Eigenzeit" - January - October 2017, Russia/Moscow, (2) Symposium Tourism of the future, March 15, 2017, Moscow, (3) Travel and culture workshop, July 13, 2017, Moscow, (4) Ski day in the ski hall Moscow, October 2017, and (5) B2B Event "Winter season in the Tyrolean countryside 2017/2018", Oct 18, 2017, Moscow

## Conclusion

Many countries have recognized the importance of tourism in the overall economy. The share of GDP generated by direct services or other indirect value added products in tourism is different in each country, but it is definitely significant. Thus each country tries to increase its share of the "tourism cake" or to keep it at least. The statistics show that due to the aftermath of the international financial crisis, international tourist arrivals worldwide are not expected to rise as strongly as expected 10 years ago (See Table 2). Tourism providers see a steady but slowly growing market, but there are also new competitors. Austria is one of the "old" tourist countries with a great tradition, but is a small country, which must constantly face the new challenges of internationalization and enlargement of the tourism market. So far, it has been very successful.

The strategies the tourism country Austria works with is certainly an interesting example for foreign observers. There is a total of three major areas: (1) The external representation with its - three unique selling proposals "The Alps", "The Danube", "Cities and Culture", (2) The internal organization – marketing, institutional support, innovations, infrastructure and general conditions, (3) New challenges and concepts - changing customer requirements, macro-regional projects, country-oriented marketing and advertising by MICE (meetings, incentives, congresses and events), and (4) Whether these strategies will be fruitful and may be regarded as an example for other countries the future will confirm.

## References

- Bratislavská regionálna komora. (2007). Podmienky podnikania v Rakúsku. Bratislava: SOPK.
- Fletcher, J.F., Gilbert, A. & Wanhill, S. (2013). Tourism: Principles and practice, 5th Ed. UK: Pearson.
- Gabler Wirtschaftslexikon: Definition "Tourismusmarkt". (n.d.). Retrieved from <http://wirtschaftslexikon.gabler.de/Archiv/55249/standort-v5.html> [Accessed on April 14, 2017].
- Gilbert, D. (1990). Conceptual Issues in the meaning of tourism. pp. 4-27 in Cooper, C. (ed.), Progress in Tourism, Recreation and Hospitality Management, Belhaven, Press, London.
- Goeldner, C.R. & Ritchie, J.R. (2012). Tourism: principles, practices, philosophies. Hoboken, NJ: John Wiley & Sons.
- Gucik, M. (2011). Cestovný ruch. Politika a ekonómia. Banská Bystrica: Knižnica cestovného ruchu 20, DALI-BB
- Gucik, M. (2010). Cestovný ruch. Úvod do štúdia. Banská Bystrica: Knižnica cestovného ruchu 15, DALI-BB
- Hunziker, W., & Krapf, K. (1941). Beiträge zur Fremdenverkehrslehre und Fremdenverkehrsgeschichte. Bern: S.n.
- Hunziker, W., & Krapf, K. (1942). Grundriss der allgemeinen Fremdenverkehrslehre. Bern: Polygrafischer Verlag, 1942
- Kucerova, J. & Makovnik, T. (2007). "Comparative Analysis of Regional Tourism Policy in Slovakia and Austria". (2007). Retrieved February 25, 2017, from [http://www3.ekf.tuke.sk/cers/cers2007/PDF/Kucerova\\_Makovnik.pdf](http://www3.ekf.tuke.sk/cers/cers2007/PDF/Kucerova_Makovnik.pdf)
- Leiper, N. (1979). The framework of tourism towards a definition of tourism, tourist and touristic industry. *Annals of Tourism Research*, 6(4), 390-407.
- Leiper, N. (2008). Why the tourism industry is misleading as a generic expression: The case for the plural variation Tourism industries. *Tourism Management*, 29(2), 237-251.
- Österreich Werbung, Name: ÖW Jahresbericht. (2015). Die Marke Urlaub in Österreich. Retrieved April 14, 2017, from [https://issuu.com/austriatourism/docs/marke\\_urlaub\\_in\\_oesterreich](https://issuu.com/austriatourism/docs/marke_urlaub_in_oesterreich)
- Schmidhauser, H.P., Dubler, A. & Tobler, C. (1979). Konzeptstudie Flughafen Basel-Mulhouse: Phase A: Bestimmung des Verkehrspotentials. St.Gallen: Institut für Fremdenverkehr und Verkehrswirtschaft an der Hochschule St.Gallen für Wirtschafts- und Sozialwissenschaften.
- Singh, S. (2016). Beach marketing strategies in emerging markets, *The Sankalpa: International Journal of Management Decisions*, 1(2), 97-108.
- Singh, S., Dash, T.R. and Vashko, I. (2016). Tourism, eco-tourism and sports tourism: The framework for certification. *Marketing Intelligence & Planning*, 34(2), 1-22.
- Strategisches Handlungsfeld in Salzburg Kultur-Gesundheit-Nachhaltigkeit. (n.d.). Retrieved from [https://www.salzburg.gv.at/.../strategieplan\\_2020\\_-\\_internetversi...Strategieplan](https://www.salzburg.gv.at/.../strategieplan_2020_-_internetversi...Strategieplan). Tourismus 2020. Salzburger. Tourismus. Gesund. Innovativ. Nachhaltig. Strategisches Handlungsfeld Kultur [Accessed on April 14, 2017].
- Strazovska, L. & Duris, M. (2017). Online marketing trends for 2107, *Hradec economic days*, 7(1), 838-844.
- Tourismus in Österreich Ergebnisse der Beherbergungsstatistik. (2017) Retrieved from <http://www.worldcat.org/title/tourismus-in-osterreich-ergebnisse-der-beherbergungsstatistik/oclc/913188803> [Accessed on May 30, 2017].

- Tribe, J. (1997). The indiscipline of tourism. *Annals of Tourism Research*, 24(3), 638-657.
- Tribe, J. (2006). The truth about tourism. *Annals of Tourism Research*, 33(2), 360-381.
- Urlaub in Niederösterreich. Das Paradies der Blicke - Wandern - Bewegung und ... (n.d.). Retrieved from [http://www.bing.com/cr?IG=36BEFEB740ED4463B6F7EBB8C94F693D&CID=3C98FD0E73E46FEA2BE5F7B172E26E1E&rd=1&h=GY\\_GrVerV9uHQBwMCjqr4E1DBoC7ZdzIJV94mUS2JR4&v=1&r=http%3a%2f%2fwww.wieneralpen.at%2fblicke&p=DevEx,5062.1](http://www.bing.com/cr?IG=36BEFEB740ED4463B6F7EBB8C94F693D&CID=3C98FD0E73E46FEA2BE5F7B172E26E1E&rd=1&h=GY_GrVerV9uHQBwMCjqr4E1DBoC7ZdzIJV94mUS2JR4&v=1&r=http%3a%2f%2fwww.wieneralpen.at%2fblicke&p=DevEx,5062.1) [Accessed on March 20, 2017].
- UNWTO. (2016). Tourism highlights 2016. Retrieved from: <http://mkt.unwto.org/publication/unwto-tourism-highlights-2016-edition>. [Accessed on Sept 10, 2016].
- UNWTO. (2016). Yearbook of Tourism Statistics, 2016 edn.
- Wefers, J., Wefers, H., Saxunova, D. & Szarkova R. (2016). Austrian Strategy (Institutional Support) for Tourism Development: Inspiration for Tourism Oriented Countries. *Vilakshan: The XIMB Journal of Management*, 13(2), 41-66.
- Werbung: nicht streuen, sondern international erfolgreiche Märkte in ÖW Strategie 2020. Retrieved from [https://www.austriatourism.com/ueber-uns/strategie-2020/Gesellschaftliche Umbrüche und ihre Auswirkungen auf den Tourismus und das Marketing der Österreich Werbung](https://www.austriatourism.com/ueber-uns/strategie-2020/Gesellschaftliche%20Umbrueche%20und%20ihre%20Auswirkungen%20auf%20den%20Tourismus%20und%20das%20Marketing%20der%20Oesterreich%20Werbung). [Accessed on April 14, 2017].
- World Travel & Tourism Council. (2016). Economic Impact Analysis-Report. Retrieved April 14, 2017, from: <http://www.wttc.org/research/economic-research/economic-impact-analysis> [Accessed on April 14, 2017].
- World Bank (2017). Data retrieved from: <http://data.worldbank.org/country> [Accessed on April 14, 2017].

# FOSTERING ORGANIZATIONAL CAPABILITIES THROUGH SOFT SKILLS: *A STRATEGIC IMPERATIVE FOR A VUCA WORLD*

*Dora Abidi, Osaka University, Japan*

During the last decade, the need and importance of soft skills are significantly increasing because of three main reasons. First, the firm's performance is highly associated to the firm's interaction with its external environment that involves customers and local stakeholders. Second, the workplace productivity is highly depending on the quality of relationship and communication among the employees. Thirdly, today's environment is considered as a VUCA (Volatile, Uncertain, Complex and Ambiguous) situation and represents serious challenge. Thus, firms should create people oriented skills such as problem solving and communication. In addition, decisions makers should develop an accurate response when they meet the unexpected. They could be the employees from upper to mid-level position employees. Drawing on these critical conclusions, this study aims at providing empirical evidence on the positive impact of employees' soft skills on firm's capabilities in terms of innovation performance, firm's knowledge, explorative and exploitative behavior and strategic flexibility. The survey was conducted within firms based in Tunisia, which is one of the leading emerging countries in the MENA region that has recently faced social and economic changes. Our results concur with the employer survey and explain the reason why employers are increasingly looking for these skills in their employees.

## Introduction

According to many strategy experts, today's environment is described as VUCA: volatile, uncertain, complex and ambiguous (Johansen & Euchner, 2013). Thus, managers need to carry out their firm's strategy intelligently and skillfully to respond to today's challenges. "*Leaders, from CEOs to any other internal manager, therefore have a major role to play in ensuring their organizations are responding to the requirements of the VUCA business environment*" (Sarkar & Sarkar, 2016:9). Thus, organizational growth depends on management judgment and decision when they meet the unexpected, which also depends on their skills. Skills could be technical skills (that require a field of expertise and involve working with specific type of equipment, data, software, etc. (Laker & Powel, 2011) and soft skills ("refer to a broad set of skills, competencies, behaviors, attitudes, and personal qualities that enable people to effectively navigate their environment, work well with others, perform well, and achieve their goals." (Lippman *et al.*, (2015:4). Laker & Powel (2011) report the growing awareness of soft skills importance because technical skills, even for technical positions, are not sufficient for sustainable success beyond an entry level position.

The recent employers survey conducted by Manpower and Adecco emphasized the growing demand for such skills by employers (Lippman *et al.*, 2015) and the soft skills gap in today's workforce (Handel, 2003; Hurrell, 2016; ManpowerGroup, 2013). From the employers' perspective, crucial soft skills include critical thinking, communication, teamwork, and work ethic (Lippman *et al.*, 2015). Similarly, soft skills have been also increasingly required by Tunisian businesses and more importantly after the revolution. In 2012-2014, Tunisian firms have faced several labor issues because of the multiple protests and strikes (Economist, 2012; Issa *et al.*, 2014). Some managers failed to effectively communicate with their subordinates to solve HR issues, others also failed to implement new organizational changes and innovations because of the resistance of the employees.

Most of empirical workforce researches focus on technical skills and most specifically in the industry field. Indeed, technical skills are important and directly linked to the firm's performance. They are required for managerial and technical positions as well as for the entry level position in order to fulfill the assigned tasks. However, the responsibilities of upper middle level positions include project management, team supervision, training and mentoring of subordinates, assigning work, ensuring consistent application of organizational policies, planning, and undertaking strategic and procedural change such as innovations. So, employees technical and soft skills (such as such as higher order thinking, social and communications) are both required to fulfill their responsibilities. Furthermore, innovations highly depend on the management capabilities to develop, communicate and implement the new ideas to their subordinates in both services and manufacturing fields (Lippman *et al.*, 2015; Tether *et al.*, 2005).

Recent surveys pointed out the importance of soft skills and the increase need of firms in soft skills. The result of 2004 Scottish Employers Skill Survey (FutureSkillsScotland, 2005) suggests that soft skills are in short supply and

shows that the four most lacking skills in UK were all 'soft skills'. However, empirical and theoretical studies have not fully determined the impact of employees' soft skills on firm's capabilities such as innovation, knowledge and strategic flexibility. Similarly, the need of soft skills for innovation has not been empirically addressed and the prior studies are still limited regarding soft skills and its impact on innovation performance (Tether *et al.*, 2005). Consequently, Tether *et al.* (2005) carried out a literature review about the interaction between innovation and skills and pointed out the need to examine the relationship between 'soft skills' and innovation in both service and industry fields.

Thus, this research intends to study to what extent upper and middle level employees' soft skills will impact the firm's capabilities in terms of innovation, behavior, knowledge and strategic flexibility. From this perspective, we focus on managers, professional and technical employees. Two areas of research are relevant to the present paper: VUCA and soft skills. The first refers to the importance of employees' soft skills for successful innovations, as well as on firm's behavior, knowledge and strategic flexibility. These last three capabilities are also considered by prior researches as stimulators for innovation. Secondly, Tunisia is one of the emerging countries that experienced the social and economic uprising called "Jasmine revolution" in 2011. So, Tunisia is an interesting research site of VUCA environment. Finally, according Tunisia Labor Market Study (Fhi360, 2015), Tunisian companies are struggling with internal labor issues and highly demanding for upper and middle level employees possessing soft skills. Thus, many companies have reviewed their HR strategy to offer informal and formal training on soft skills to create better workplace communication and dynamism.

## Literature Review

### VUCA

VUCA is the acronym of four environmental aspects: volatility, uncertainty, complexity. It has been used in the past by the US army and recently in the business lexicon because of the recent economic and social changes (financial crisis and social revolutions) that make the next decade the most turbulent ever (Bennett & Lemoine, 2014; Johansen & Euchner, 2013). As a result, managers face the uncertainty of business sustainability as well as their workforce performance. Sarkar & Sarkar (2016) argue that upper and middle level employees are the key actors in ensuring that their firms are accurately responding to VUCA environment requirements. Similarly, Johansen & Euchner (2013) highlight the importance of thinking and acting differently within the organization. They suggest that today's managers need to develop new skills that will enable them to update their intuition and skills and fulfill their managerial responsibilities.

Tunisia is one of the leading emerging countries in the Middle East North Africa region (MENA). Since 1990, Tunisia has opted for a progressive liberal economic approach and has pursued a development strategy based on import substitution. Later, free trade agreements have been conducted to help the economy to enter the global market. Moreover, Tunisia is experiencing rapid social and economic changes because of the jasmine revolution and the democratic transition (Economist, 2012; Issa *et al.*, 2014). In the present research, we focus on the VUCA environment and we choose Tunisia as a research ground because of these multiple changes and the highly unpredictable future.

### Soft Skills

A skill is the ability to well execute tasks and most likely to be acquired through experience, education or training (Tether *et al.*, 2005). It is widely related to the overall competence, expertise, knowledge that a person could possess. In the business world, improving skills is as important as it is the main driver of performance and productivity (Tether *et al.*, 2005). Skills take many forms. The most two common types of skills are technical/hard skills and soft skills. Technical skills is the bundle of knowledge and technical facility that are required to execute one's job successfully. Soft skills refer to the overall skills and competencies that affect the person's behavior and personal characteristics in their interaction with their peers at the workplace. "These skills are broadly applicable and complement other skills such as technical, vocational, and academic skills" (Lippman *et al.*, 2015:4).

Based on an extensive review of theoretical and empirical research, Lippman *et al.* (2015) develop five categories of soft skills desired by the business community: (1) *Social skills* refer to the ability to behave and get along well with other people by respecting them, resolving any possible conflict, collaborating and relationship building. (2) *Communication skills* consist of the overall workplace communication types (oral, written, non-verbal, and listening skills). (3) *Higher-order thinking* refers to three abilities: problem solving, critical thinking and decision-making. (4) *Self-control* is the ability to delay gratification, control impulses, direct and focus attention, manage emotions, and regulate behaviors. (5) *A positive self-concept* reflects self-confidence, self-efficacy, self-awareness and beliefs, as well as self-esteem and a sense of well-being and pride. Other soft skills have been also sought by employers and endorsed by researchers such as responsibility, and self-motivation but with less attention

(Lippman *et al.*, 2015). According to past research, employees' soft skills play a major role in strengthening the firm's capabilities internally and externally. Whatever it is its typology, even innovation, involves developing non-technical skills (Tether *et al.*, 2005). For instance, developing empathetic relationships with the external environment is a core component in the service field such as airline stewards (Williams, 2003). More importantly, the value added in the industry sector does not only involve interaction between the service provider and the customer, but also the interaction among employees to optimize communication and coordination in the workplace.

### Hypothesis Development

Our research problem stresses the linkage between upper and middle level employees' soft skills and the following firm's capabilities: innovation, knowledge capabilities, explorative and exploitative behavior, and strategic flexibility.

#### Soft Skills and Innovation

Since the prior studies of Schumpeter (1934), innovation has been one of the most studied construct because of its positive impact on a firm's growth. It is the best tool to gain and sustain competitive advantages. It refers to the adoption of an idea or behavior that is new to the organization (Tamayo-Torres *et al.*, 2010). Innovation has been studied not only as a simple decision rather than a learning and knowledge development process (Bouzid & Boughzala, 2010; Charreire, 2003). It refers to the improvement of an existing idea and/or the successful exploitation of a new one. It could be by the development or improvement of product or process as well as the change of organizational or marketing working methods that are intended for wealth creation and raising profitability (Mortensen & Bloch, 2005). According to the European Community Survey 2001, the fourth most critical factor hampering innovation in Europe is the lack of qualified employees (Lucking, 2004). Moreover, more than the fifth of employers reporting the skills gaps affirm that these gaps have delayed innovation delay in general and organizational innovation more specifically (Lucking, 2004).

In theory, the importance of soft skills has been increasingly recognized across different businesses because it positively impacts the performance through interdependency and team working (Vincent, 2011). Some recent researches confirm the theory by exploring the impact of soft skills such as managerial and marketing skills on the firm's growth. For instance, the Cambridge Centre for Business Research survey confirmed that managerial and marketing skills are crucial to SME's growth in UK. Tether *et al.* (2005) explain these findings by the necessity of managerial skills for successful innovation which is essential for growth. However, the direct impact of soft skills and firm's innovation performance has not been empirically addressed.

Organizational innovation refers to the change of management practices and/or organizational structure for more efficient team work and organizational process. It includes two main stages: innovation development and implementation. The stage of innovation development requires skills such as higher order thinking (problem solving, critical thinking). For instance, managers with high order thinking will be able not only to quickly identify an organizational issue and collect information from multiple sources but also assess different options and develop a reasonable solution (Lippman *et al.*, 2015). Then, the implementation of an organizational innovation would involve all the firm's employees. In this case, managers will be in charge of innovation announcement and introduction. The way the top management team communicates their decision in the workplace will affect the engagement of the overall employees. Consequently, strong general communication skills will lead to a higher commitment degree, facilitate coordination and information flow between decisions makers which will help the innovation to thrive. As a result, we assume that managers with stronger soft skills would positively impact the organizational innovation.

*H1: Upper and middle level employees' soft skills are positively correlated with the organizational innovation performance.*

#### Soft Skills and Knowledge

The importance of soft skills has been addressed from different angles. Claxton *et al.* (2016) discuss the importance of soft skills integration since the school stage. They argue that the development of students and teachers soft skills will lead to positive interaction and practices which will in return contribute to the school's improvement. For instance, soft skills will enable teachers and students not only to share their knowledge but also to strengthen it. Similar to the school, the firm will be an interaction and learning workplace between managers and their teams where soft skills contribute for a better interaction and exchange.

The firm's knowledge is considered as an important intangible resource that can create a sustainable competitive advantage and reinforce the firm's capabilities (Hitt *et al.*, 1999). Moreover, it helps the firm to have a more

accurate view of the current and future market changes as well as take strategic and tactical decisions (Cohen & Levinthal, 1990). The most common types of knowledge are the declarative knowledge (operational information e.g. monthly financial data) and the procedural knowledge (know-how and expertise) (Lesgold, 1988). Following Gupta & Govindarajan (2000), and Wiklund & Shepherd (2003), we focus on procedural knowledge which is the knowledge of organizational procedures (how to do things) and occurs by learning from experience with similar situations (Lesgold, 1988). Procedural knowledge also involves the knowledge about markets and technology that have strong impact on firm's future decisions and performance since they boost the firm's ability to predict market changes, to exploit opportunities and act accurately. Thus, the greater is the firm's knowledge, the more accurate its innovations decisions would be. Furthermore, Nonaka (1991) argue that knowledge is the acute factor of business success and the main innovation source, most particularly in highly uncertain environments.

However, "*Knowledge of methods alone will not suffice; there must be the desire, the will to employ them. This desire is an affair of personal dispositions*" (Dewey & we Think, 1933:30). In other words, the outcomes of the knowledge do not only depend of the knowledge's quality but also the personal disposition and skills of the person. Managers with high soft skills such self-positive concept and self-motivation would be more motivated to strive for a better version of themselves and their company as well. They are more committed to their firm's growth and willing to share their knowledge. Moreover, soft skills such as social skills and communication are essential for an effective sharing and coordination processes. These skills will facilitate the transmission, understanding and the interpretation of the shared ideas and knowledge. Furthermore, managers with high soft skills are able to encourage employees to clearly communicate their ideas, their work-strategy and how they can integrate all new ideas within the group. Thus, managers will not only engage employees in a knowledge sharing process but also learn how to apply this knowledge to new situations. Given such situations, managers will foster thinking and learning abilities among the firm and employees will become more self-aware and more self-directed. These two factors will affect the firm's knowledge by sharing and learning from the past knowledge.

*H2: The firm's knowledge is positively associated with upper and mid-level employees' soft skills.*

#### **Soft Skills and Firm's Exploitative Behavior**

Exploitative organizational behavior refers to the use and refinement of existing knowledge and skills in the development of the new ideas to be implement by the firm (Lubatkin *et al.*, 2006). Exploitation could occur by the incremental change of the existing technologies and marketing strategies that respond to the existing market's needs (Harry & Schroeder, 2000). By definition, exploitation involves the treatment of the existing knowledge and occurs after building up the firm's knowledge. However, knowledge collection and use both depends on the communication capabilities of employees. Communication skills refers to the effective expression, transmission, understanding and interpretation of knowledge and ideas (Lippman *et al.*, 2015). Similarly, the level of communication will improve the quality of the firm's knowledge as well as the outcome of this knowledge. Furthermore, managers with strong soft skills will discuss their current issues to generate solutions from the current available information and knowledge. They will be more independent in solving work problems by employing available resources and knowledge, thinking through steps of a task and making thoughtful decisions (Lippman *et al.*, 2015). This would positively impact the knowledge exploitation process and improve their firm's capabilities. Thus, we assume that soft skills will facilitate the exploitation and fine-tuning of the firm's current knowledge to generate new insights applicable to new environmental changes.

*H3: Upper and middle level employees' soft skills positively impact the firm's exploitative behavior.*

#### **Soft Skills and Firm's Explorative Behavior**

Lubatkin *et al.* (2006) define organizational explorative behavior as the search and pursuit of new knowledge and skills to improve the firm's capabilities. The explorative behavior implies both contradictory and complementary knowledge processes to the exploitative behavior (Floyd & Lane, 2000). For instance, exploration takes places by the development of new trajectories that could be technological or marketing (Nonaka, 1994). Managers with high soft skills will communicate their ideas more effectively and smoothly with their team on the one hand, and on the other hand, they will stimulate new knowledge generation by their ability to learn, think critically and take initiative. Thus, they will look to improve their existing capabilities to explore new improvement areas and making decisions accurately. These abilities are one of three soft skills that today's firms seek in their employees (Fhi360, 2015). In the VUCA world, environmental changes are fast and unexpected. In such a context, explorative behavior is considered essential because it strengthens the firm's capability to respond more accurately and shape its environmental trends (Lubatkin *et al.*, 2006). For instance, managers with strong soft skills such as a positive self-



concept or higher order thinking, will demonstrate the ability to anticipate future changes, consequences and challenges (Lippman *et al.*, 2015). So, they would act more accurately in response to the new conditions. They would also be most likely open to experience which is one of the big five personality factors that describe intellectually curious people. In this case, managers tend not only to look for new experiences and explore novelty, but also to be creative and think differently (McCrae, 1987; Zhao & Seibert, 2006). Thus, managers with strong soft skills will take initiative, prefer to be a first mover and improve their firm's capabilities by exploring new areas of improvement and knowledge.

*H4: Upper and middle level employees' soft skills positively impact the firm's explorative behavior.*

### **Soft Skills and Strategic Flexibility**

For over two decades, the concept of strategic flexibility has gained a preeminent place in strategic management researches. It refers to the ability of the company to respond to various demands from the changing competitive environment (Sanchez, 1995). Hitt *et al.* (1998) expand the above definition to point out its different aspects. The strategic flexibility refers to 3 abilities: to identify fast environmental changes, to allocate resources for new strategic choices in response to perceived changes and, to quickly respond when it is needed to stop or reverse its previously allocated resources to new choices (Hitt *et al.*, 1998). Penrose (1959:24) who contributed highly to Resources Based View researches, considers the firm as a collection of productive resources and denotes that "it is never resources themselves that are the "inputs" in the production process, but only the services that the resources can render". Sanchez (1995:138) stressed Penrose's view by explaining that the term 'services' designates the way by which the company uses its resources. Consequently, the firm's strategic flexibility is obtained not only from the flexibilities aspects of its resources but also from its ability to allocate/ or assign them to alternative strategic actions. In other words, the strategic flexibility is materialized jointly from the flexibility of its resources and its coordination capabilities to effectively use its resources according to its specific strategic goal (Yuan *et al.*, 2010). Yuan *et al.* (2010:302) argue, building on the literature of Sanchez (1995) that coordination flexibility consists of the ability (1) to find new uses and/or new combinations of existing resources; (2) to find new uses and/or new combinations of external resources; (3) to deploy resources rapidly through organizational systems and processes to targeted uses; and, (4) to cope with emerging problems effectively to increase the benefit from a fast changing environment.

Given such features, decisions makers' soft skills such as high-order thinking would influence positively the way they find and use resources. More importantly, strong communications skills and high order thinking would be a valuable asset in a VUCA environment since it is important to quickly make and implement decisions that will allow the firm to benefit and/or avoid from the environmental opportunities and/or threats.

*H5: Upper and middle level employees' soft skills is positively associated with the firm's strategic flexibility.*

## **Research Method**

### **Sample and Data Collection**

Our study is based on a sample of 67 firms from four different sectors (Electronics, apparel, healthcare and retail). A questionnaire was sent by email to managers of 480 firms in April 2016 and only 8 questionnaires have been received. Given the low response associated with online questionnaire, we conducted direct interviews with 59 Tunisian executives within May and June 2016. Most Tunisian researches on firms have been based on face-to-face meetings since it is the most efficient method to collect data in Tunisia even though it is more difficult to conduct. Table 1 provides a description of our sample in terms of interviewees' position, firm's size and sector.

### **Variable Measurement**

This study applies a quantitative approach that appraises each of the six research factors: managers' soft skills, innovation, firm's knowledge, strategic flexibility, explorative and exploitative behavior. Managers, professionals and technicians are the decisions makers in the firm and their decisions are driven by their technical and soft skills. However, Claxton *et al.* (2016) assume that soft skills cannot be assessed using summative, right-answer forms of assessment. Thus, assessing the overall managers' soft skills of each enterprise is quite difficult because such skills are never fully mastered. Furthermore, soft skills gaps is most likely be due to ineffective organizational processes such as poor recruitment, selection and training practices (Hurrell, 2016). Consequently, we assume employees who are taking soft skills training, possess higher soft skills than the ones who are not. Following Bartel (1994), we measure the percentage of trained people among each of the employees' categories in each firm in order to assess the level of soft skills in each firm.

**Table 1. Sample Characteristics**

<b>Sector</b>		<b>Ownership</b>		<b>Location</b>	
Electronics	23	Family	30	Tunis	19
Apparel	26	businesses		Sfax	9
Health care	13	Non-family	37	Sousse	9
Retail	5	businesses		Monastir	8
				Bizerte	6
				Other	16
		<b>Year of Establishment</b>			
<b>Employees</b>		1960-1979	10		
		1980-1989	8	<b>Respondents</b>	
20 – 100	13	1990-1999	25	General	27
100 - 199	13	2000-2009	19	Manager	
200 - 499	25	2010-2015	5	CEO	7
500 - 999	7			Chief Officer	8
>1000	9			HR Manager	25

N = 67.

During the interviews, we have described the notion of soft skills in order to avoid any misunderstanding or confusion. We have also provided the following explanation of soft skills training in the questionnaire that have been sent: “Soft skills refer to the ability of employees to communicate and collaborate effectively with peers, to regulate behaviors and emotions, to think critically, to solve problems, and to exercise creativity in the execution of their daily job, to expand and develop communication and pedagogical skills and to understand and adjust to both the formal workplace culture, social and work environment norms and to integrate both of these in relation to their own personal goals, expectations and values”.

To identify upper and middle level positions, we used the guidelines of employees provided by Equal Employment Opportunity Commission (EEO) as following: (1) Managers: set broad policies, exercise overall responsibility for execution of these policies, and direct individual departments; and, (2) Professionals and technicians: Occupations requiring at least three years of experience, college graduation or experience of such kind and amount as to provide a comparable background and combination of scientific knowledge. Regarding organizational innovation, we explained and asked respondents to assess their firm’s organizational innovation compared to firms operating in the same sector (Ritala *et al.*, 2015). It occurs when an organizational methods or work procedures have been newly implemented or significantly improved. The firm’s knowledge was measured using one item that is related to managerial capabilities (Wiklund & Shepherd, 2003). Participants evaluated the firm’s management expertise compared to companies operating in the same field. We chose this item because managerial capabilities is directly related to organizational innovation that our study focuses on and we assume that it is affected by employees’ skills.

Explorative (E) and Exploitative (O) behaviors have been measured using items that have been tested by Lubatkin *et al.* (2006) and Cingoz and Akdogan (2013). Respondents were asked to assess their agreement from 1 “strongly disagree,” to 5 “strongly agree” with the following statements respectively: (E) The firm looks for novel ideas by thinking “outside the box”; (O) The firm continuously improves the reliability of its products and services. Measures of strategic flexibility were collected from the survey conducted with managers. They assessed their agreement from 1 “strongly disagree,” to 5 “strongly agree” with the following statement: the company’s strategy emphasizes versatility and empowerment in allocating human resources. This items has been used and tested by Grewal & Tansuhaj (2001) and Nadkarni & Herrmann (2010) to assess strategic flexibility.

## Data Analysis and Results

In the present study, we intend to appraise the impact of soft skills of decisions makers on the firm’s capabilities. The main target groups are managers, professionals and technicians since they are directly or indirectly involved in the decision making process that will affect the firm’s behavior and capabilities. Consequently, we seek to compare

between two groups of companies in term of their employees' soft skills. We assume that the group one involves firms that are providing soft skills training to high proportion of their employees so their employees possess high soft skills. In the contrast, group two includes firms that do not provide or provides soft skills training to a low proportion of their employees and so their soft skills are lower than the first group's employees. Given such comparison, we have used the student test to compare between the two groups in terms of five criteria: organizational innovation, exploitative and explorative orientation, knowledge and strategic flexibility.

The survey instrument with five items representing each criteria was evaluated for content validity that refers to what extent the instrument measures the concept the researcher intends to measure (Bagozzi & Phillips, 1982). The current study considers three types of validity tests: content validity, construct validity, and criterion validity (Hair *et al.*, 1998). The validity analysis on measurement instruments is essential for multiple reasons. First, it provides confidence that the empirical findings accurately reflect the proposed constructs. Second, empirically-validated scales can be used directly in other studies in the field for different populations and for longitudinal studies (Flynn *et al.*, 1994). Content validity is confirmed when there is general consensus among researchers that the instrument covers all aspects of the variable being measured (Bohrnstedt, 1983). It is subjectively assessed by the researchers. In this study, the measurement instrument was developed based on the literature and then approved with practitioners and researchers. Thus, it is considered to have content validity.

### Tests for the Factor Means

The means and standard deviations for the each of five factors with high or low soft skills are shown in Table 2. Organizational innovation and firm's knowledge have been assessed using a 7-point Likert scale. Thus, the means indicates respectively 5.74 and 5.03 for firms with high proportion of trained employees and between 4.69 and 4.21 for firms with low proportion of trained employees. However, the strategic flexibility, exploitative and explorative behavior were measured by a 5-point Likert scale and the mean ranged between 4.11 and 3.26 for firms with high proportion of trained employees and between 3.92 and 2.19 for firms with low proportion of trained employees.

**Table 2. T-test Results**

Group of firms with high proportion of trained employees: SS1 < subset (df, SSH == "1") =35						
Group of firms with low proportion of trained employees: SS2 < subset (df, SSH == "0") =32						
Factors	SS1		SS2		T-test <i>p</i> -value	F-test <i>p</i> -value
	Mean	Sd	Mean	Sd		
H1: Organizational Innovation***	5.74	0.23	4.69	0.95	0.00	0.04
H2: Firm's Knowledge**	5.63	0.34	4.72	1.38	0.00	0.30
H3: Exploitative Behavior*	4.37	0.48	4.03	1.97	0.05	1.00
H4: Explorative Behavior *	3.63	0.30	3.09	1.23	0.05	0.20
H5: Strategic Flexibility *	3.89	0.34	3.31	1.41	0.03	0.30
Manufacturing Sector†	0.63	0.75	0.81	3.06	0.10	0.20
Family Business*	0.31	0.44	0.59	1.79	0.02	0.70
Total Employees*	995	41.5	243	168.5	0.05	<2e-16

For a 5-point scale, a score of four or more, between three and four or less than three, indicates respectively a high, moderate or low agreement with the factor (Rahman, 2000). Generally, results indicate that there is a high and moderate agreement for both groups. In particular, strategic flexibility had the highest overall mean followed by the organizational innovation for both firms with high and low proportion of trained employees, showing that employees soft skills play an important role in stimulating the strategic flexibility and innovation capabilities among these firms. The small standard deviations indicate that there is general agreement on the role of strategic flexibility. Exploitative behavior had the third highest overall mean rating followed by knowledge and explorative behavior for both firms. The mean ratings of all factors indicates that there is a difference between the two groups of enterprises. The t-test shown in Table 2 indicates significant differences between the two groups of firms with high and low proportion of trained employees on soft skills. These results are consistent with all our hypothesis as well as the findings of Lippman *et al.* (2015) and responding to the Tether *et al.* (2005). Our research is significant because it is complementary to other similar researches that have focused on developed countries; in contrast to our research that focuses on a more challenging environment such as the VUCA one.

### Conclusion, Implications and Limitations

Indeed, organizational performance is driven by the firm's core activities such as the strategic planning. However, in today's world, VUCA conditions will most likely interfere with the firm's strategic planning and so affect the organizational performance. Thus, the full understanding of the future becomes impossible and the development of a detailed planning remains useless (Bennett & Lemoine, 2014). Under those circumstances, firms need to build and strengthen their strategic capabilities (such as innovation, and strategic flexibility etc.) to be able to respond and benefit from the threats and opportunities of the changing environment.

In our study, we examine the impact of decisions makers' (managers, professional and technical employees) soft skills on the firm's strategic capabilities. We focus on five capabilities that are valuable for the firm's competitiveness in a VUCA world: innovation, explorative and exploitative behavior, knowledge and strategic flexibility. To assess the value added of decisions makers' soft skills, we have conducted a comparative analysis using the t-test. We compared two groups (1, 2) of firms with high and low proportion of trained employees. We assumed that the employees in companies (group1) that are providing soft skills training possess a stronger soft skills than the ones that are taking training (firms group 2).

Our results show that the innovation, strategic flexibility, knowledge, exploratory and exploitative behavior indicate a higher level in the companies with higher level of soft skills (high proportion of trained employees). This group of employees is directly involved in the strategic decision making and their skills are essential for the organizational performance. For instance, managers with high order thinking would think through steps of a mission and anticipate challenges as well as the consequences of their decisions and their firm's actions (Lippman *et al.*, 2015). This ability will allow them to make more accurate decisions for their firms in response to VUCA changes. Similarly, strong communication skills are required to succeed in teamwork projects such as organizational innovation, where professional and technical employees will coordinate and communicate on a daily basis to implement new organizational practices. Prior theoretical and empirical studies that address the importance of employees' skills for the organizational performance, focuses on technical skills rather than soft skills. However, even in the developed countries like the US, today's workforce suffers not only from the lack of technical skills but most importantly from the lack of soft skills. For instance, 44percent of the participant responses indicated soft skills, such as communication, critical thinking, creativity, and collaboration, as the area with the largest US skills gap. Only 22 percent cited a lack of technical skills as the culprit for the workforce skills gap: with leadership (14%), and computer skills (12%) (Adecco, 2013).

Despite the increasing need of soft skills by employers and employees, a limited number of studies have been conducted. Moreover, the majority of those studies on soft skills needs, gap or shortage, are in the form of employer surveys (Lippman *et al.*, 2015) without any focus on empirical evidence of the impact of the employees soft skills on the firm's capabilities. In addition, some empirical researchers on soft skills have been mainly focusing on developed countries (Lippman *et al.*, 2015). "For the most kinds of training, outcomes are as much organizational as individual" (Bishop, 1996). Although technical skills are important for the employer to hire employees, often it is their workforce soft skills that are needed for a higher level position and sustainable growth. Our research explores the importance of soft skills in Tunisia which is an emerging market in a post-revolutionary context. Our purpose was not to provide definitive implications of the employees' soft skills for firms or compare its output to the technical skills, but rather to focus on how it contributes to workforce development in the VUCA world. With a specific focus on employees' soft skills, we demonstrate their possible impact on strategic capabilities of the firm. Our research did not focus on a specific type of soft skills because there is no clear consensus about which soft skills are most critical for workforce success (Lippman *et al.*, 2015). So the assessment of each impact of the five soft skills on the firm's capabilities was not considered. However, our research suggests a key future research direction and could be extended into a large-scale study. Such a study would develop a conceptual work of the impact of each type of soft skills and contribute to the understanding of the kinds of soft skills required by organization and their business impact.

## References

- Bagozzi, R.P. & Phillips, L.W. (1982). Representing and testing organizational theories: A holistic construal. *Administrative Science Quarterly*, 459-489.
- Barney, J.B. (1995). Looking inside for competitive advantage. *The Academy of Management Executive*, 9(4), 49-61.
- Bartel, A.P. (1994). Productivity gains from the implementation of employee training programs. *Industrial Relations: A Journal of Economy and Society*, 33(4), 411-425.
- Bennett, N. & Lemoine, G.J. (2014). What a difference a word makes: Understanding threats to performance in a VUCA world. *Business Horizons*, 57(3), 311-317.

- Bohrnstedt, G. (1983). Measurement: in P. Rossi, J. Wright and A. Anderson (Eds.), *A Handbook of Survey Research*.
- Bouزيد, I. & Boughzala, Y. (2010). La dynamique de l'innovation par les alliances stratégiques: les résultats d'une enquête auprès de PME (No. urn: hdl: 123456789/8127). Université Paris-Dauphine.
- Charreire, S. (2003). Les innovations en tant qu'objets d'apprentissage organisationnel: une mise en perspective. In XIIème Conférence Internationale de Management Stratégique.
- Cingöz, A. & Akdoğan, A.A. (2013). Strategic flexibility, environmental dynamism, and innovation performance: An empirical study. *Procedia-Social and Behavioral Sciences*, 99, 582-589.
- Claxton, G., Costa, A. L. & Kallick, B. (2016). Hard Thinking about Soft Skills. *Educational Leadership*, 73(6), 60-64.
- Cohen, W.M. & Levinthal, D.A. (1990). Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly*, 128-152.
- Dewey, J. (1933). DC Heath and Company. Boston, MA.
- Economist (February 4, 2012) Arab spring economies: Unfinished business. Retrieved from: <http://www.economist.com/category/print-sections/middle-east-africa/0>
- FHI360 (Firm). (2015). Tunisia labor market survey: Research results.
- Floyd, S.W. & Lane, P.J. (2000). Strategizing throughout the organization: Managing role conflict in strategic renewal. *Academy of Management Review*, 25(1), 154-177.
- Flynn, B.B., Schroeder, R.G. and Sakakibara, S. (1994), A framework for quality management research and associated instrument', *Journal of Operations Management*, 11, 339-66.
- Future Skills Scotland (2005). Skills in Scotland 2004, Results of the Scottish employers skill survey 2004, Report available at <http://www.futureskillsscotland.org.uk>
- Gupta, A.K. & Govindarajan, V. (2000). Knowledge flows within multinational corporations. *Strategic Management Journal*, 473-496.
- Grewal, R. & Tansuhaj, P. (2001). Building organizational capabilities for managing economic crisis: The role of market orientation and strategic flexibility. *Journal of Marketing*, 65(2), 67-80.
- Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E. & Tatham, R. (1998). *Multivariate data analysis*. Uppersaddle River. Multivariate Data Analysis, 5th Ed., Upper Saddle River.
- Handel, M.J. (2003). Skills mismatch in the labour market. *Annual Review of Sociology*, 29,135–165.
- Harry, M.J. & Schroeder, R. (2000). *The breakthrough management strategy revolutionizing the world's top corporations*. New York.
- Hitt M.A, Ireland R.D. & Hoskisson, R.E. (1999). *Strategic management: competitiveness and globalization*. Cincinnati: South-western College Publishing.
- Hitt, M.A., Keats, B.W. & DeMarie, S.M. (1998). Navigating in the new competitive landscape: Building strategic flexibility and competitive advantage in the 21st century. *The Academy of Management Executive*, 12(4), 22-42.
- Hurrell, S.A. (2016). Rethinking the soft skills deficit blame game: Employers, skills withdrawal and the reporting of soft skills gaps. *Human Relations*, 69(3), 605-628.
- Issa, D., Benyagoub, M. & Raballand, G. (2014). Investment climate assessment enterprises' perception in post revolution Tunisia. Finance and Private Sector Development Middle East and North Africa Region
- Johansen, B. & Euchner, J. (2013). Navigating the VUCA World. *Research-Technology Management*, 56(1), 10-15
- Laker, D.R. & Powell, J.L. (2011). The differences between hard and soft skills and their relative impact on training transfer. *Human Resource Development Quarterly*, 22(1), 111-122.
- Lesgold A. (1988). Problem solving. In *The Psychology of Human Thought*, Sternberg RJ, Smith EE (eds), (188-213). UK: Cambridge University Press.
- Lippman, L.H., Ryberg, R., Carney, R. & Moore, K.A. (2015). *Workforce Connections: Key "soft skills" that foster youth workforce success: toward a consensus across fields*. Washington: Child Trends.
- Lubatkin, M.H., Simsek, Z., Ling, Y. & Veiga, J.F. (2006). Ambidexterity and performance in small-to medium-sized firms: The pivotal role of top management team behavioral integration. *Journal of Management*, 32(5), 646-672.
- Lucking, B. (2004) International Comparisons of the Third Community Innovation Survey (CIS-3), Department of Trade and Industry – Technology, Economics, Statistics and Evaluation Team, 151 Buckingham Palace Road, London. Available at [http://www.dti.gov.uk/iese/international\\_comparisons.pdf](http://www.dti.gov.uk/iese/international_comparisons.pdf)
- ManpowerGroup (Firm). (2013). 2013 Talent Shortage Survey: Research results.
- McCrae, R.R. (1987). Creativity, divergent thinking, and openness to experience. *Journal of Personality and Social Psychology*, 52, 1258-1265.

- Mortensen, P.S. & Bloch, C.W. (2005). Oslo Manual-Guidelines for collecting and interpreting innovation data. Organisation for Economic Cooperation and Development, OECD.
- Nadkarni, S. & Herrmann, P.O.L. (2010). CEO personality, strategic flexibility, and firm performance: The case of the Indian business process outsourcing industry. *Academy of Management Journal*, 53(5), 1050-1073.
- Nonaka, I. (1991). The Knowledge-Creating Company, *Harvard Business Review*, November-December.
- Nonaka, I. (1994). A dynamic theory of organizational knowledge creation. *Organization science*, 5(1), 14-37.
- Penrose, E.T. (1959). *The Theory of the Growth of the Firm*. UK: Oxford university press.
- Ritala, P., Olander, H., Michailova, S. & Husted, K. (2015). Knowledge sharing, knowledge leaking and relative innovation performance: An empirical study. *Technovation*, 35, 22-31.
- Sanchez, R. (1995). Strategic flexibility in product competition. *Strategic Management Journal*, 16(S1), 135-159.
- Sarkar, A. & Sarkar, A. (2016). We live in a VUCA World: The importance of responsible leadership. *Development and Learning in Organizations: An International Journal*, 30(3), 9-12.
- Schumpeter, J.A. (1934). *The theory of economic development: An inquiry into profits, capital, credit, interest, and the business cycle* (Vol. 55). USA: Transaction publishers.
- Tether, B., Mina, A., Consoli, D. & Gagliardi, D. (2005). A Literature review on skills and innovation. How does successful innovation impact on the demand for skills and how do skills drive innovation? A CRIC report for The Department of Trade and Industry, ESRC Centre for Research on Innovation and Competition, University of Manchester.
- Tamayo-Torres, I., Gutiérrez-Gutiérrez, L. & Haro-Domínguez, M.C. (2010). Innovation and operative real options as ways to affect organizational learning. *International Journal of Technology Management*, 49(4), 421-438.
- Vincent, S. (2011). The emotional labour process: An essay on the economy of feelings. *Human Relations*, 64(10), 1369-1392.
- Wiklund, J. & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses. *Strategic Management Journal*, 24(13), 1307-1314.
- Williams, C. (2003). Sky Service: The demands of emotional labour in the airline industry. *Gender, Work and Organisation*, 10(5), 513-550.
- Yuan, L., Zhongfeng, S. & Yi, L. (2010). Can strategic flexibility help firms profit from product innovation? *Technovation*, 30(5), 300-309.
- Zhao, H. & Seibert, S.E. (2006). The big five personality dimensions and entrepreneurial status: A meta-analytical review.

# ETHNIC FOOD IN GLOBAL MARKETS: THE NEW VENUE FOR INTERNATIONAL BUSINESS IN LATIN AMERICA. MEXICAN FOOD IN THE DOMINICAN REPUBLIC.

*Luis Camacho, Empire State College, USA*

This paper addresses the findings of the impact of ethnic products in global markets, focusing on the Dominican Republic, and moderated by the country-of-origin effect (COO), consumer characteristics and consumption context. Qualitative and descriptive data were analyzed to conduct this empirical study, based on a mixed method research (MMR). Virtual ethnography was performed to examine motivations, attitudes, consumption and purchase habits using online focus groups, participating as an observer and being an active visitor of Mexican business Facebook pages, web pages, writing field notes, and conducting an online survey. Based on an online survey, demographic variables such as age, gender, and level of education were used and cross-tabulated to understand different generation cohorts regarding the decision-making process and preferences. The outcomes of this research will be beneficial for both product managers and manufacturers; for product managers, using different strategies for diverse cultures and increasing opportunities of positioning new products; for the manufacturer, to understand that local consumer behavior toward ethnic products will improve their production and marketing strategies.

## Introduction

In recent years, the result of transculturation through immigrants from different countries, and the impact of globalization, knowledge, and consumption of ethnic food and products have spread interestingly in Latin America (Madrid *et al.*, 2004). In the Dominican Republic, ethnic foods were marketed in the 1980's, although their quantitative and qualitative explosion occurred in the early 2000's, and became one of the food ranges with more expansion potential. Globalization of markets and production, and the intense competition, have forced companies from all industries to start considering opportunities to introduce new products in markets abroad (Yalcinkaya, 2008). Transculturation has impacted consumers in the global marketplace, leading to the acceptance of new cultural schemes, attitudes, perceptions, preferences and values influencing the purchasing decision-making process toward local products, and products from other cultures, known as "ethnic products" (Kim & Kang, 2001).

Currently, ethnic food is demanded and consumed by both, local people of a given country and immigrants. For natives of a country, ethnic food is consumed to discover new gastronomic products to understand other cultures, new tastes and global trends. For immigrants, it is needed to keep traditions, to be engaged with their homeland countries, and to keep common customs with which they are familiarized (Cruz *et al.*, 2004). Culture, allied to the concepts of diversity, nostalgic products, and ethnic products has created new opportunities when targeting different markets in international business. The new reality of cultural globalization, which is a macro-sociological trend, brings the acceptance of ethnic products by the general culture that is entirely assimilated and adopted by the population and different social classes (Camacho, 2015a).

Thakor & Lavack (2003) consider country-of-origin (COO) as a major factor to influence consumers' evaluation, perceptions, and purchasing behavior. Meanwhile, Piron (2000) emphasizes the benefits that COO gives to products, such as perceived quality, familiarity with the product or transfer of specific country perceptions and values as a halo effect. Thakor and Kohli (1996) believe that products and culinary traditions can be conceptualized as brand origin. In other words, the place, region or country to which those products are perceived to belong to its customers. Kaynak *et al.* (2000) highlight key country-related elements that help the acceptance and understanding of foreign goods and culinary traditions as cultural identity, language, history, religion, and people.

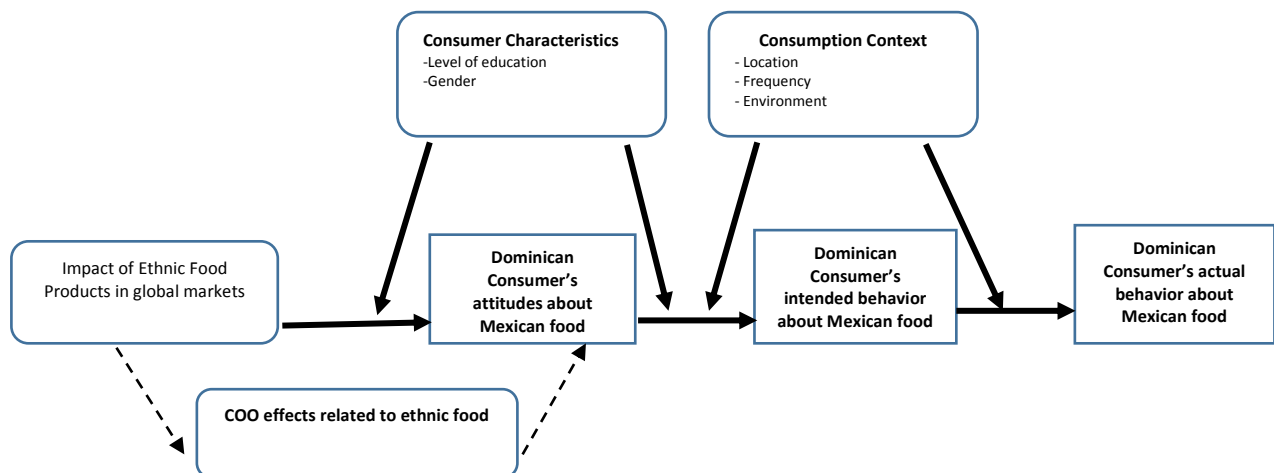
Due to various factors, Mexico has historically been linked to the Caribbean. Its relationship with the Caribbean countries has been extensive and complex, allowing migratory flows due to political, economic and educational events in both ways over the last two centuries. These relations were not only limited to the political aspect, but they also covered cultural, artistic, intellectual and gastronomic aspects. This close relationship and continuous affiliation have led Mexico to be recognized as part of the Caribbean region, particularly the areas near the Gulf of Mexico, where there is a remarkable "Caribbean profile" (Maríñez, n.d.). In the Dominican Republic, the diversification of ethnic products within the local gastronomic offer is extensive and diverse. The most prominent exponents by culture and countries are Turkey, Italy, Spain, China, Mexico, and Korea, among others. Within this group, one of the most prominent, due to its expansion and acceptance, is the Mexican food. According to Chef David Taylor,

“Mexican gastronomy began 30 years ago, when a small number of Mexicans attracted by different reasons arrived in the Dominican Republic” (D. Taylor, personal communication, December 15, 2016). D. Taylor stated that popular dishes were those of the so-called "Tex-Mex", which are a variation of the Mexican gastronomy in the southwestern of the United States of America, in addition to the large population of Dominicans living in that country. Currently, Dominican consumers are discovering Mexican food in another dimension; they want to enjoy the real Mexican cuisine, original recipes, and traditional products.

### A Framework for Ethnic Food in Global Markets Focusing a Host Country

In international business, consumers can find products from different countries. In the product's evaluation process, consumers search COO information before making purchase decisions (Verbeke & Poquiqui, 2005). For some researchers, purchase decision is a rational process (Schiffman & Kanuk, 2004), however, when a consumer recalls the country image, it can create prejudices. The consumer's motivations to perform the information search process varies depending on the situation, consumer characteristics, consumption context, beliefs and product involvement (Aboulnasr, 2004). Product-centered COO-image can be considered as the cognitive summary, which arises from the categorization process of familiar products from a country and product category (Balabanis & Diamantopoulos, 2008). This category-based information influences evaluations about product attribute under a COO-category label (Brijs, Bloemer & Kasper, 2011). These assessments eventually lead to the so-called COO-effects.

According to Nagashima (1970), COO effect exists when consumers are attached to products from a given country. COO-effects vary across product categories and are associated with some level of country expertise in a specific category (Diamantopoulos *et al.*, 2011). The conceptual model for this study (Figure 1) proposes that consumer characteristics and consumption context moderate the impact of ethnic products in global markets. These important moderating processes affect how these products will be accepted and help create positive attitudes, which influence consequent behavioral intent and actual behavior. This framework is based on the Ethnic-oriented Product Crossover model (Grier *et al.*, 2006), which is supported by the attitude–intention–behavior models. This model evaluates four key constructs: (1) impact of ethnic food products in global markets; (2) consumer characteristics that influence engagement with the products; (3) COO effects and related processes used by consumers; and, (4) features of the context in which the product will be purchased and consumed. The Dominican Republic has had a strong relationship with Mexico and its customs, art, and culture, however, due to some ingredients, food consumption was not fully accepted (D. Taylor, personal communication, December 15, 2016). One exception might be Mexico's COO image concerning food consumption. The strength of this COO-effect depends on the salience of other extrinsic cues like Mexican food expansion in the global markets. Some food product categories are strongly associated with some countries, and consumers express preferences for them (Insch & Jackson, 2013).



**Figure 1. Framework for Studying Ethnic Food Products in Global Markets**

*Source: Elaborated by author based on Grier et al. (2006:36)*



## **Impact of Ethnic**

### **Food Products in Global Markets**

The World Trade Organization (2014) declared that the value of exports of manufactured goods increased more than five-fold between 1990 and 2013, indicating consumers are buying more foreign products. Ethnic food is associated with national cuisines and comestible products that belong to a specific culture. However, it can be observed that there is no single consensus definition (Contreras & Gracia, 2005). Some authors understand the place of consumption is important to specify traits of these foods and the consumers. Camarena & Sanjuan (2008:14) define ethnic food as “the meal and/or ethnic food that comes from a particular cultural country or group, and its consumption is outside of its borderlines, both by nationals and people of other cultures”. The increasing globalization of consumers, market competition and growth of technology have created important opportunities for marketers to target customers across borders. This new paradigm has forced food companies to manufacture and distribute products not only in the domestic market but also in markets abroad (Bird & Stevens, 2003).

### **COO Effects Related to Ethnic Food**

COO effect has been researched consistently in international business. This construct has helped many authors to evaluate product quality, beliefs regarding product attribute, attitudes and consumer behavior (Peterson & Jolibert, 1995). Roth & Diamantopoulos (2009) understand that COO refers to the influence on a buyer considering a product or service from another country due to the stereotyping of that country and its outputs. The effect allows consumers to generalize the quality of all products from a country, so that those from countries that are perceived favorably can be the preferred (Insch & McBride, 2004). When consumers have created some acceptance to ingredients facilitating exposure with a food component, including involvement of its name, health effect, and prior consumption experience, they are facing food familiarity (Aldridge, Dovey & Halford, 2009). If prior experience has been positive, a consumer is more likely to choose a familiar ingredient or food over an unfamiliar one (Park & Lessig, 1981). Thus, consumers' enjoyment of ethnic-oriented products likely depends on the ethnic-specific knowledge they have for such products (Brumbaugh, 2002).

### **Consumer Characteristics**

Globalization has impacted people's values and lifestyles. According to Ogunnaike (2010:30) “our society undergoes rapid changes and becomes more prosperous, newer social forces make consumers spend a greater part of their income in way remarkably different from what took place in the past. According to Park (2004), ethnic food is related to level of education and knowledge. Consumers that frequently go to ethnic restaurants are more educated, younger, and have higher-paying jobs and household income (Steward *et al.*, 2004). On the other hand, Stein & Nemeroff (1995) stated that gender has been associated with the type of food that individuals eat, and specific habits and preferences toward specific meals. Restaurants, fast food chains, and food trucks are increasing at a rapid pace globally, and in the Dominican Republic as well. Changes in lifestyles, education, income and consumption patterns in the last two decades encouraged consumers to eat out (ONE, 2017). Several factors can explain these changes: (1) more women participating in the labor force; (2) growth in tourism; (3) improvements in education; (4) a higher income per capita; and, (5) more restaurants, fast food chains and food trucks.

### **Consumption Context**

Prior researches show that the context in which products are purchased and consumed have a profound impact on beliefs and behaviors. Fanning *et al.* (2002) investigated socio-economic determinants of the likelihood of eating out. There are various motivations for eating out: economizing, efficiency, fun, taste, and social interaction. Eating out gives consumers experiential values. A restaurant is a place where people experience excitement, pleasure and a sense of personal well-being (Finkelstein, 1989). Jang *et al.* (2011) found that restaurants' service factors, such as ambiance, layout, interior design, seating comfort, and human elements, positively affect customers' emotional state which positively impacts repeated purchase. Social beliefs, norms and visibility influence consumption for products in public and in private (Bearden and Etzel 1982). People are more likely to consume consistent ethnic products when the consumption context is ethnically relevant than when it is associated with the mainstream or another ethnic group (Stayman & Deshpandé 1989).

## **Literature Review**

Consumers make purchasing decisions almost every day. Their motives initiate from the recognition of specific needs to which they respond from the information search process, to the product purchase that best satisfy their

needs (Solomon, 2009). Consumers are often unaware of the intrinsic cues possessed by products because these are intangible; hence, to make a judgment, they search extrinsic physical cues to make heuristics about the intrinsic signals as part of their product evaluation (Strizhakova, Coulter & Price, 2008). In international business, many researches evaluating the impact of COO effect have been conducted (Papadopoulos & Heslop, 2002). These studies have covered different dimensions including products categories, consumer behavior and preferences (Verlegh & Steenkamp, 1999). Although the investigation and understanding of this subject are enormous, some gaps should be addressed by researchers. One of them is the lack of consistency in conceptualizing the COO construct and its interrelation with past behaviors and attitudes, and intended behaviors based on consumer characteristics and consumption context, which is key element that we address in the present study.

International business is growing every day, and global consumers can identify and evaluate new and existing products from different countries (Doku & Oppong Assante, 2011). Consequently, the area of interest chosen for this study is one of the central extrinsic cues influencing product evaluation, country of origin (COO). Beside other hints, global consumers are searching and analyzing information related to COO when they are involved in the evaluation process. In general, positive products evaluations occur when consumers perceive that the country's strength matches to the knowledge, skills, and conditions to produce such products (Roth & Romeo, 1992). Global migration has led people from other countries to be interested in presenting their ethnic food to people from around the world. They share not only how they prepare the dishes; they are also willing to share social and historical facts about their cultural background (Kwon, 2015). All these facts are self-referential because of the efforts people make to keep their culture alive, far-sighted ethnic identity as a goal (Camacho, 2015b). According to Worchel (1999), ethnic identity is a kind of social identification with significant real world implications. The associations between a product and its COO are known as product ethnicity (Usunier & Cestre, 2007). Each country can produce traditional knowledge and content that will be popular to people around the world, based on its traditional flavors and ethnic foods (Kwon, 2017).

According to Solé *et al.* (2007), ethnic food enterprises promote products, symbols, and services for the demands of the national communities and ethnic immigrants. In International Business, one of the fastest growing industry is the ethnic food industry, especially restaurants (Ha & Jang, 2010). A marketing strategy used by ethnic restaurants is targeting nationals of the country where the restaurant is located, along with those of the homeland culture (Jang, Ha & Silkes, 2009). An enormous challenge for food industry participants is discovering how to attract customers who have limited exposure to ethnic restaurants (Ha and Jang, 2010). Famous food names increase the interest in global customers to choose ethnic products, a marketer's opportunity for communicating and stimulating positive attributes and emotions to the consumers (Swahn *et al.*, 2012). Verbeke & Poquiqui (2005) indicate that the demand for ethnic restaurants and food have been growing globally, and consumers request a large assortment of these products while their consumption experiences have been influenced by ethnic diversity, cultural experiences, and media exposure. Consumers understand ethnic restaurants can create new opportunities to enjoy different food options; marketing strategists recognize ethnic restaurants must present a multicultural image and authenticity (Kim, Young & Rao, 2017).

Wang & Mattila (2015) sustain there is not significant literature regarding ethnic restaurants. The authors say there is a lack of information on the consumption and experience stages, motivations, attributes and factors contributing to customers' perceived authenticity of ethnic restaurants. Kim & Jang (2016) consider consumers who are attracted to ethnic foods are not only motivated by the food itself, but also by the unique and exciting experiences at those restaurants. In international marketing, researches of consumer's interactions with products from different cultures have been an essential topic. Researchers have investigated three perspectives: (1) how consumers can adopt foreign goods and assign other uses in the local context; (2) how consumers use their personal affinity to support preferences toward other cultures influencing the decision-making process; and, (3) the acculturation theory, the study of strategies of cultural adaptation at both individual and group levels. Peñaloza (1994:33) defines consumer acculturation as "the general process of movement and adaptation to the consumer cultural environment in one country by persons from another country." In general, the literature review uncovers that there has been a slight investigation on the impact of ethnic products, the COO effect and intended behaviors based on consumer characteristics and consumption context.

### **Research Problem**

Ethnic food product production and consumption are growing in global markets. The COO is considered a key factor, which influences consumers' attitude and preference in international business. It is relevant to study the COO effect in which consumers associate certain food products and intended behaviors based on consumer characteristics and consumption context.

## Problem Formulation

What is the impact of COO effect when consumers make an ethnic product purchase decisions? And the research questions are: (1) What are Dominican consumer characteristics toward ethnic food? (2) What are the attitudes of Dominican consumers regarding Mexican ethnic food? (3) How do Dominican consumers behave toward Mexican Food products? (4) What are the intended behaviors of Dominican consumers regarding Mexican food?

The outcomes of this research will be beneficial for both product managers and manufacturers. For product managers, to identify strategies for different cultural environments and opportunities for positioning new products; for manufacturers, to understand demand of local consumer behavior toward ethnic products to improve their production and marketing strategies.

## Research Methods

Data collected using mixed method research (MMR). I followed qualitative research techniques implementing virtual ethnography, supported on virtual focus groups, social media interaction and participant observation throughout Mexican food providers' web and Facebook pages. An online survey was implemented as the descriptive research method. Data gathering process lasted six months, from August 2016 to January 2017. I divided the study into four stages: (1) secondary data collection: information collection emphasizing history, suppliers and food providers; (2) virtual focus group: two focus group with eight Facebook users each were conducted; (3) Online interaction: engaging with Mexican ethnic food consumer through web pages, Facebook, blogs and other means used to socialize with Mexican food providers, and, (4) Online Survey: fifty Facebook users fully engaged in social media associated with these ethnic products were evaluated. Researcher judgement was the sampling methods used. Participants characteristics are: (1) Mexican food consumers with at least three months participating in social media and websites (See Appendix); (1) demographics: males and females, 18+ years old, living in Santo Domingo, holding an Associates, Bachelors or Graduate degrees.

## Results

Prior to analyzing each component of this study, a summary of similarities and differences between each tool used is presented in Table 1. The key variables selected came out of the focus groups, online interaction, and online survey.

**Table 1. Summary of Similarities and Differences between Focus Groups, Online Interaction and Survey.**

Considerations	Similarities			Differences		
	Focus groups	Online interaction	Online survey	Focus groups	Online interaction	Online survey
Lacks solid understanding of ethnic product	X			X	X	
Favorable feelings regarding Mexican culture	X	X	X			
Good image of Mexico as COO	X	X	X			
Tight connection with Mexican cultural aspects as music, dinks, food, and aesthetics	X	X	X			
Emotional linkages with Mexican culture	X	X	X			
Customers express opinions and comments based on restaurant's environment and Mexican food knowledge.		X	X	X		
Influence from other countries has helped growing of Mexican food	X	X	X			
Mexican food is growing at a rapid pace	X	X	X			
They buy Mexican food products at the supermarket, but prefer restaurants	X	X	X			
Discrepancies in some ingredients as spicy pepper, etc.		X	X	X		
Preference for Mexican restaurants rather than franchises	X	X	X			

As higher the education, the interest in ethnic products increase	X	X	X			
International influence through advertising, the internet and the Dominican diaspora	X	X	X			
Willingness to pay higher prices for good ethnic food		X	X	X		
Food trucks participating in social media, restaurants and international franchise are the most active.	X		X		X	
Food and amenities contribute in creating a perfect and enjoyable environment		X	X	X		
Positive comments intended to highlight food quality and place infrastructure	X	X				X
Negative comments related to service and the prices.	X	X				X
Consumers communicate with others about what is considered an enjoyable environment		X	X	X		
Lack of interest from customers about the health aspects of food	X	X	X			
Consumers assume Mexican food and drinks are interrelated	X	X	X			
A small group of customers recognizes authentic Mexican food	X	X	X			
Tex-Mex is a trend	X	X	X			
Customers value ethnicity representation as music from the COO, etc.	X	X	X			
Frequency of consumption in a monthly base		X	X	X		
Best plates are burritos, quesadillas, tacos al pastor, nachos, fajitas, chimichangas, guacamole, and tacos.	X	X	X			
Participants use social media and foreign advertising to be informed and receive offers	X	X	X			

### **Virtual Focus Group**

Focus groups were conducted by the researcher, and participants provided information based on group discussions. Discussions were designed to gather information regarding the following topic to: (1) assess the understanding of ethnic products; (2) understand how participants perceive Mexico as COO; (3) understand perception and motivation toward Mexican food; (4) understand how consumer characteristics and consumption context influence the Dominican consumer; and, (5) understand specific behavior of consumers toward this type of ethnic products.

#### *Outcome One*

Although all participants have eaten different dishes from different cultures, they cannot differentiate what an ethnic product is. Only six participants had sufficient knowledge about this topic.

#### *Outcome Two*

In general, there is a profound respect and appreciation for Mexico. The COO effect of Mexico is positive and influence different product categories such as food, textiles, liquor, music, etc.

#### *Outcome Three*

Consumers from 18 to 48 years old are engaged with Mexican food, specially college students and professionals. Although participants holding bachelors and Master's degree assimilate the ethnic concept entirely, differences lack in terms of gender and level of education.

#### *Outcome Four*

Consumers attitude toward Mexican food have changed over time and there is high acceptance among all

participants. Participants are open to try new dishes and ingredients. The level of consumption has increased and Internet influences and relationship with people from other countries have played a significant role in those changes. Table 2 contains the group's demographic details.

**Table 2. Virtual Focus Groups Demographics**

	Focus group 1	Focus group 2
<b>Participants</b>	8 4 Men (ages: 18, 24, 35, 48) 4 Women (ages: 20, 28, 32, 50)	8 4 Men (Ages: 22, 28, 37, 55) 4 Women (ages: 21, 32, 35, 41)
<b>Dates conducted</b>	September 17 <sup>th</sup> , 2016	September 24 <sup>th</sup> , 2016

### Online Social Media Interaction, Analysis, and Involvement

I identified all Mexican food providers with social media and web pages, and participated as observer analyzing comments, photos, and likes. This was followed by taking field notes and writing reflections on shared photos, comments regarding the meal, contexts, visual appearances, reactions, emotions, activity and feedback. Although some food trucks were participating in social media, restaurants and international franchises were the most active. Customers expressed opinions and comments based on two main variables, restaurant environment restaurant and Mexican food knowledge. In the Dominican market, Tex-Mex is interpreted as Mexican food. Findings main tendency was related to the customer experiences shared in the social media community, and how the service, food, and amenities contribute in creating a perfect and enjoyable environment. In Appendix 1, screen-shot 1, there are five positive and one negative comment. Positive feedback was intended to highlight food quality and location in general; negative comments demonstrated how annoyed the customers were regarding the service and prices.

Lack of interest in healthy food was a relevant finding. I did not find that Facebook users were concerned about food industry trends such as low-carb, low-fat, and gluten-free food. Another interesting finding was the language. Although Spanish is the official language in the Dominican Republic, some comments and short phrases were written in English, indicating that people involved social media understand they are participating in a global environment, and creating communication in more than one language is necessary. The relationship between Mexican food and drinks was also evaluated. Some participants associate Mexican food consumption to specific drinks such as Margaritas, Micheladas, Tequila, etc. These users used specific language codes to indicate their membership in a Facebook group in which members are frequent patrons of these restaurants. I found that a small group of customers appreciate authentic Mexican food made from fresh ingredients that represent the culture and authenticity of this country. Another important finding was that customers value the aesthetics, comfort and appearance in the business place. They rate how the ethnicity is represented using decorative accents, live music, location, and parking availability for customers.

**Table 3. Descriptive Statistics and Correlations**

Factors	Mean	Standard deviation	Do you know what ethnic food is?	Do you like Mexican Food?	Gender	Highest level of education	Age
Do you know what ethnic food is?	1.25	0.44	1				
Do you like Mexican Food?	1.16	0.54	.52**	1			
Gender	1.46	0.50	.06	.17	1		
Highest level of education	2.02	0.74	.08	-.10	-.02	1	
Age	2.62	1.04	-.28*	-.163	-.12	-.22	1
* Correlation is significant at the .005 level (2-tailed) ** Correlation is significant at the 0.01 level (2-tailed)							

### Online Survey

Demographic description is based on the following variables: (1) gender; (2) age, distributed in five groups 18 to 24, 25 to 34, 35 to 44, 45 to 54, and 55+; and, (3) level of education, divided into Associate's, Bachelor's, and Graduate

degrees. Main demographic facts: 54 percent of the participants were female and 46 percent male. A total of 72 percent of the participants has completed higher education (44% Bachelor's degree and 28% graduate degrees), indicating that ethnic food in the Dominican Republic is demanded by a population with a higher level of education. 80 % of participants is in an age range between 18 to 44 years. Survey outcomes are presented based on descriptive statistics. Mean, standard deviation and correlations are exhibited in Table 3 above. Although all variables appear to come from a normal distribution, only two variables had strong correlation with ethnic food knowledge, preference for Mexican food and age.

The acceptance of Mexican food by Dominican consumers is shown in Table 4, in which 92 percent answered that they like this type of food. Sixty percent of those participants were between 25 to 44 years old; 18 were females and 12 males.

**Table 4. Cross-Tabulation Do You Like Mexican Food? / Gender and Age**

Do you like Mexican food?	Age	Female	Male	Total
Yes	18 to 24	3	3	6
	25 to 34	6	9	15
	35 to 44	12	3	15
	45 to 54	5	3	8
	55 +	0	2	2
	Percentage	52%	40%	92%
No	18 to 24	0	0	0
	25 to 34	0	0	0
	35 to 44	0	0	0
	45 to 54	0	0	0
	55 +	0	0	0
	Percentage	0%	0%	0%
Not too much	18 to 24	0	1	1
	25 to 34	1	1	2
	35 to 44	0	1	1
	Percentage	2%	6%	8%
Total	18 to 24	3	4	7
	25 to 34	7	10	17
	35 to 44	12	4	16
	45 to 54	5	3	8
	55 +	0	2	2
	Percentage	54%	46%	100%

In order to understand the relationship between consumer behavior and consumption frequency, the survey questioned participants about the occurrence of eating Mexican food. Forty-four percent responded they eat Mexican food a few times a month, and 10 percent a few times a week. Forty-two percent of the participants that eat Mexican food a few times a month were between 25 to 44 years old. The preferred place in the Dominican Republic for eating Mexican food, as shown in Table 5, are restaurants. Eighty-four percent of participants chose restaurants, 40 percent fast food franchises, and 23 percent food trucks. When the variables of preferred business and level of education were cross-tabulated, 84 percent preferred restaurants. Thirty-six percent of this, 84 percent have bachelor's degree, and 24 percent Associate's and graduate degrees, respectively.

**Table 5. Cross-Tabulation Where Do You Buy Mexican Food? Type of Business, Level of Education and Age**

Level of education	Age	Restaurant	Fast food franchise	Food truck
Associates	18 to 24	1	0	0
	25 to 34	2	0	1
	35 to 44	3	0	1

	45 to 54	5	1	1
	55 +	1	0	1
	Percentage	24%	4%	8%
Bachelor's	18 to 24	1		4
	25 to 34	8	5	0
	35 to 44	7	3	0
	45 to 54	1	4	0
	55 +	1	0	0
	Percentage	36%	20%	8%
Master's +	18 to 24	2	4	2
	25 to 34	3	2	3
	35 to 44	5	1	2
	45 to 54	2	1	0
	Percentage	24%	16%	14%
	Missing	8	31	35
	Percentage	16%	62%	70%
	Total category	100%	100%	100%

Although fast food franchises have a lot of followers in social media, participants did not agree they are the best option when making the decision of where to eat Mexican Food. Participants highlighted the importance of authentic ethnic food, especially when they evaluate specific environment characteristics that fast food franchises cannot offer.

### Discussion

This study started with one inquiry in mind, in relation to the COO effect impacting the purchase decision-making process when selecting an ethnic product. This lead to generate a framework to analyze and interpret this construct. The resulting findings are relevant for companies trying to take advantages of global strategies that can influence different markets in accepting products based on the image consumers can have related to the COO effect. Outcomes validated what Roth & Diamantopoulos (2009) stated regarding COO influences when buyers are considering a product or service from another country due to the stereotyping of that country. To achieve my goals, I examined distinctive phases of ethnic product consumers in the Dominican Republic, who declared positive feelings toward Mexico and its culture, traditions, music, and drinks. This validates what Insch & McBride (2004) say regarding generalization of consumers about the quality of all products from that country. Furthermore, demonstrating conclusions of Balabanis & Diamantopoulos (2008) about product-centered COO-image and the categorization process of familiar products, from a specific country.

My findings provide information that proves the assertions made by Aboulnasr (2004) regarding consumer motivations, and how the information search process varies depending on the consumer characteristics, consumption context, beliefs, and product involvement. In that sense, 84 percent of participants chose restaurants, and 60% of them have bachelors and graduate degrees. COO effect was validated when 92 percent of participants like Mexican food. According to Nagashima (1970) COO effect exists when the stereotype consumers attach to products from a specific country. The framework that supports my study has been corroborated because the constructs that support it are validated. Another relevant variable to be discussed is the international influence the Dominican consumer receives through advertising, the internet and the Dominican diaspora living overseas. This fact supports what was expressed by Peñaloza (1994), regarding the concept of acculturation in Consumer Behavior, adaptation to the consumer cultural environment in a country by individuals from another country. Thus, consumers' enjoyment of ethnic-oriented products probably depends on the ethnic-specific knowledge they have for such products (Brumbaugh 2002).

### Conclusion

My research contributes to ethnic products and international business literature by providing an in-depth understanding of the relationship between the COO effects, consumer characteristics, consumption context and their

influences on attitude and behavior of Dominican consumers toward ethnic products. The impact of COO regarding the consumer purchase decision process is represented in all research activities in which the acculturation process has been validated. This suggests that, although the Dominican consumer has some unfamiliarity to some type of ethnic food, for those nations in which the COO effect and country image is relevant, they adopt its products. Most of participants are identified with ethnic product, however, the group of 55+ years old reveals a more reserved tendency to accept foreign cultural orientations. On the other hand, young people are open to receive international influences and try ethnic product naturally.

Based on the outcomes of my study, the Dominican consumer is becoming more familiar with Mexican gastronomy and perceive it as one of great quality, leading to a daily increase of its demand. This demand can be seen by the large quantity of business surrounding this gastronomic representation. The acceptance of Mexican gastronomy in the country opens the possibilities for international and local companies to initiate new product development projects in both models, manufacturing, and importation. On the other hand, the exposure to the world through travels, contact with people from other countries by electronic means, and cable and satellite television media, have also been propellants for the boom that this type of food has experienced, leading to a positive acceptance in the Dominican market. Due to the lack of publications on this subject, I considered this research should be a starter point to develop knowledge and information of the COO effect and ethnic concept in the Dominican Republic. A task to be implemented in the near future should be to expand the understanding of ethnic products economic contribution in the Dominican economy. In addition, this topic can be useful to make projections that could serve to stimulate more business people to invest in this sector. Finally, this research opened my interest of continuing researching about CCO effects and its relationship with attitudes and intentions in consumer behavior, acculturation in international business, international marketing strategies in multi-cultural environments, ethnic markets and an ethnic product census in the Dominican Republic.

## References

- Aboulnasr, K. (2004). *Country of origin effects and product evaluations: does involvement have a moderating role?* American Marketing Association Summer Marketing Educators' Conference Boston, MA, August 6 - 9.
- Aldridge, V., Dovey, T. M. & Halford, J. C. (2009). The role of familiarity in dietary development. *Developmental Review*, 29, 32-44.
- Balabanis, G. & Diamantopoulos, A. (2008). Brand origin identification by consumers: A classification perspective. *Journal of International Marketing*, 16, 39-71.
- Bird, A. & Stevens, M.J. (2003). Toward an emergent global culture and the effects of globalization on obsolescing national cultures. *Journal of International Management*, 9(4), 395-407.
- Brijs, K., Bloemer, J. & Kasper, H. (2011). Country-image discourse model: Unraveling meaning, structure, and function of country images. *Journal of Business Research*, 64, 1259-1269.
- Brumbaugh, A.M. (2002). Source and non-source cues in advertising and their effects on the activation of cultural and subcultural knowledge on the route to persuasion. *Journal of Consumer Research*, 29 (2), 258-69.
- Camacho, L. (2015a). Impacto de la diversidad en las estrategias de mercadeo internacional. Retrieved from: [http://www.uned.ac.cr/ocex/images/Impacto\\_de\\_la\\_Diversidad\\_en\\_el\\_Mercadeo\\_Internacional\\_UNED\\_Agosto\\_14\\_2015.pdf](http://www.uned.ac.cr/ocex/images/Impacto_de_la_Diversidad_en_el_Mercadeo_Internacional_UNED_Agosto_14_2015.pdf). [Accessed on March 15, 2017]
- Camacho, L. (2015, August 2015b). Productos étnicos: nuevo paradigma en el comercio internacional latinoamericano. Universidad Nacional de Costa Rica. San José, Costa Rica.
- Camarena, D. & Sanjuán, A.I. (2008). El mercado de la comida étnica en España. El caso de la comida mexicana. *Estudios Sociales*, 16(31), 7-37.
- Contreras, J. & Gracia, M. (2005). Alimentación y cultura. Perspectivas antropológicas. Barcelona: Ariel.
- Cruz, M., López, C., y C. Schatan. (2004). Pequeñas empresas, productos étnicos y de nostalgia: oportunidades en el mercado internacional. Estudios y Perspectivas. CEPAL (Ed.) Naciones Unidas, México, 64 pp.
- Diamantopoulos, A., Schlegelmilch, B. & Paliawadana, D. (2011). The relationship between country-of-origin image and brand image as drivers of purchase intentions: A test of alternative perspectives. *International Marketing Review*, 28, 508-524.
- Doku, P.N. & Oppong Assante, K. (2011). Identity: Globalization, culture and psychological functioning. *International Journal of Human Sciences*, 7(2), 1-8.
- Fanning, J., Marsh, T. & Stiegert, K. (2002). *Determinants of fast food consumption*. WAEA. Selected paper. Long Beach, CA.
- Finkelstein, J. (1989). *Introduction. dining out: A sociology of modern manners*, Polity: Cambridge.



- Grier, S.A., Brumbaugh, A.M. & Thornton C.G. (2006). Crossover dreams: Consumer responses to ethnic-oriented products. *Journal of Marketing*, 70(2), 35-51.
- Ha J. & Jang S. (2010). Perceived values, satisfaction, and behavioral intentions: the role of familiarity in Korean restaurants. *International Journal of Hospitality Management*, 29, 2-13.
- Jang S., Ha A. & Silkes A. (2009). Perceived attributes of Asian foods: from the perspective of the American customers. *International Journal of Hospitality Management*; 28, 63–70.
- Insch, A. & Jackson, E. (2013). Consumer understanding and use of country-of origin in food choice. *British Food Journal*, 116, 62-79.
- Insch, G.S. & McBride, J.B. (2004). The impact of country-of-origin cues on consumer perceptions of product quality: A binational test of the decomposed country-of-origin construct. *Journal of Business Research* 57 (3), 256-265.
- Jang, S., Ha, J. & Park, K. (2012). Effects of ethnic authenticity: Investigating Korean restaurants customers in the U.S. *International Journal of Hospitality Management*, 31, 990-1003.
- Kaynak, E., Kucukemiroglu, O. & Hyder, A.S. (2000). Consumers' country-of-origin (COO) perceptions of imported products in a homogenous less-developed country. *European Journal of Marketing*, 34(9/10), 1221-1241.
- Kim, J. & Jang, S. (2016). Determinants of authentic experiences: an extended Gilmore and Pine model for ethnic restaurants. *International Journal Contemporary Hospitality Management*, 28(10).
- Kim, Y. & Kang, J. (2001). The effects of ethnicity and products on purchase decision making. *Journal of Advertising Research*, 41(2), 139-48.
- Kim, Y. & Rao., (2017). Customer responses to food-related attributes in ethnic restaurants. *International Journal of Hospitality Management*, 61, 129–139.
- Kwon, D. (2017). Ethnic Foods and Globalization, *Journal of Ethnic Foods*.
- Kwon, D. (2015). Why ethnic foods? <http://dx.doi.org/10.1080/09243046.2014.975928>.
- Madrid, L., Santoni, M. & Torres, G. (2004). El alimento, la cocina étnica, la gastronomía nacional. Elemento patrimonial y un referente de la identidad cultural. *Scripta Ethnologica*, 55-66. Retrieve from <http://www.redalyc.org/articulo.oa?id=14802603>. [Accessed on March 15, 2017]
- Maríñez, P. (n.d). Relaciones de México con el Caribe: un enfoque sobre sus estudios. Retrieved from [http://bidi.unam.mx/libroe\\_2007/0768708/A11.pdf](http://bidi.unam.mx/libroe_2007/0768708/A11.pdf). [Accessed March 15, 2017]
- Nagashima, A. (1970). A comparison of Japanese and US attitudes toward foreign products. *Journal of Marketing*, 34, 68-74.
- ONE. (2017). Dominicana en cifras 2016. Retrieved from <http://www.one.gov.do/Categoria/Publicaciones/1973#>. [Accessed March 20, 2017]
- Ogunnaike O. (2010). Nigerians Perception of Locally made Products. A Study on Textile Fabrics Consumers in Kaduna State. Petroleum Gas. University of Ploiesti Bulletins, 30-36, vol. LXII No. 1/2010.
- Park, C. (2004). Efficient or enjoyable? Consumer values of eating out and fast food restaurant consumption in Korea. *International Journal of Hospitality Management*, 23(1), 87– 94.
- Papadopoulos, N. & Heslop, L. (2002). Country equity and country branding: problems and prospects. *Journal of Brand Management*, 9(4/5), 294–314.
- Park, C.W. & Lessig, V.P. (1981). Familiarity and its impact on consumer decision biases and heuristics. *Journal of Consumer Research*, 8, 223-231.
- Peñaloza, L. (1994). Border crossing: a critical ethnographic exploration of the consumer acculturation of Mexican immigrants. *Journal of Consumer Research*, 21, 32–54.
- Peterson, R.A. & Jolibert, A.J. (1995). A meta-analysis of country of origin effects. *Journal of International Business Studies*, 26(4), 883-899.
- Piron, F. (2000). Consumers' perception of the country-of-origin effect on purchasing intentions of (in) conspicuous products. *Journal of Consumer Marketing*, 17(4), 308-321.
- Roth, K. & Diamantopoulos, A. (2009). Advancing the country image construct. *Journal of Business Research*, 62(7), 726–740.
- Suh, Y., Hur, J. & Davies, G. (2016). Cultural appropriation and the country of origin effect. *Journal of Business Research*, 6(9), 2721-2730.
- Roth, M. & Romeo, J.B. (1992). Matching product category and country image perceptions: a framework for managing country-of-origin effects. *Journal of International Business Studies*, 23(3), 477–497.
- Schiffman, L.G. & Kanuk, L.L. (2004), *Consumer Behavior*, 8th ed. NJ: Pearson.
- Solé, C., Parella, S. & Cavalcanti, L. (2007). El empresariado inmigrante en España. Barcelona: La Caixa.

- Solomon, M.R. (2009). *Consumer Behavior: Buying, Having, and Being*. Upper Saddle River, NJ: Pearson/Prentice Hall.
- Stayman, D. & Deshpandé, R. (1989). Situational Ethnicity and Consumer Behavior. *Journal of Consumer Research*, 16(3), 361–71.
- Stein, R.I. & Nemeroff, C.J. (1995). Moral overtones of food: judgments of others based on what they eat. *Personality and Social Psychology Bulletin*, 21, 480–490.
- Stewart, H., Blisard, N., Bhuyan, S. & Nayga, R. (2004). The demand for food away from home: Full service or fast food? Food and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture.; Agricultural Economic Report Series. Report 829.
- Strizhakova, Y., Coulter, R. & Price, L. (2008). Branded products as a passport to global citizenship: Perspectives from developed and developing countries, *Journal of International Marketing*, 16(4), 59–87.
- Swahn, J., Mossberg, L., Öström, Å. & Gustafsson, I.B. (2012). Sensory description labels for food affect consumer product choice. *European Journal of Marketing*, 46 (11/12), 1628–1646.
- Thakor, M.V. & Kohli, C.S. (1996). Brand origin: Conceptualization and review. *Journal of Consumer Marketing*, 13(3), 27–42.
- Thakor, M.V. & Lavack, A. (2003). Effect of perceived brand origin on associations on consumer perceptions of quality. *Journal of Product & Brand Management*, 12(6), 394–407.
- Usunier, J.C. & Cestre, G. (2007). Product ethnicity: Revisiting the match between products and countries. *Journal of International Marketing*, 15, 32–72.
- Verbeke, W. & Poquiqui, L.G. (2005). Ethnic food attitudes and behavior among Belgians and Hispanics living in Belgium. *British Food Journal*, 107, 823–840.
- Verlegh, P. & Steenkamp, J.B. (1999). A review and meta-analysis of country-of-origin research. *Journal of Economic Psychology*, 20(5), 521–546.
- Wang, C. & Mattila, A. (2015). The impact of service scape cues on consumer prerepurchase authenticity assessment and patronage intentions to ethnic restaurants. *Journal of Hospitality Tourism Research* 39(3), 346–372.
- World Trade Organization. (2014). Total merchandise trade. Retrieved from <http://stat.wto.org/StatisticalProgram/WSDBViewData.aspx?Language=E>. [Accessed March 20, 2017]
- Worchel, S. (1999). *Written in blood: ethnic identity and the struggle for human harmony*. New York: Worth.
- Yalcinkaya, G. (2008). A culture-based approach to understanding the adoption and diffusion of new products across countries. *International Marketing Review*, 25(2), 202–214.

## Appendix. Facebook Screen-shots

in the last week

★★★★★ Nice place. my girlfriend loves the margaritas.



Helpful? Share

a week ago

★★★★★ The plates has the original taste, its like having a Mexican chef cooking for you. They also have a pretty good variety of Mexican plates. The decorations and the flavors just what you expected, it's like going back to Mexico.

Helpful? Share

in the last week

★★★★★ Great place for Mexican food and they have a little store right next to the restaurant were you can buy the ingredients to cook Mexican food for yourself, awesome.

Helpful? Share

in the last week

★★★★★ Traditional mexican food! The best in town, they also have a market that sells hard to find mexican food ingredients.

Helpful? Share

3 weeks ago

★★★★★ One the few places where you can get a well done Michelada.

Helpful? Share

2 months ago

★★★★★ very nice place excellent food ... service is slow though

Helpful? Share

in the last week

★★★★★ Excelente Ambiente y Comida  
Buenisima! Precios Comodos!

Helpful? Share

Best michelada in town. I would highly recommend the Chile con carne appetizer.

Only 4 stars because the place have a huge parking problem, sound you go by car you will have a bad time parking.

2 weeks ago

★★★★★ Really great restaurant, awesome and tasty food. The burritos are incredibly large and the sangria is soooo good, I highly recommend it. We ordered a VERY large burrito, a chimichanga, shared chimichanguitas and had 4 glasses of sangria for about RD\$1,700. LOTS of food, very affordable.

Helpful? Share

in the last week

★★★★★ Nice place. my girlfriend loves the margaritas.



Helpful? Share

10 months ago

★★★★★ Good food. Big portions. Decent happy hour

10 months ago

★★★★★ Service sucks. Waiting too much to be attended. Price is not fair. Meal tastes so good so far.

Helpful? Share

10 months ago

★★★★★ Best Mexican restaurant un DR, with a touch of dominican flair.

Helpful? Share

3 months ago

★★★★★ Awesome food, great drinks

Helpful? Share

a year ago

★★★★★ This is an excellent place. Good dtinks and better food.

Helpful? Share

2 months ago

★★★★★ Great food



1 Helpful? Share

# THE CONCEPT OF “JUGAAD”: EVIDENCE FROM INNOVATIONS AT THE BOTTOM OF THE PYRAMID IN INDIA

*Abhinav Chaturvedi, Bennett University, India*

*Smitu Malhotra, XLRI Jamshedpur, India*

*Mukesh Chaturvedi, NIFTEM Sonapat, India*

Jugaad is always referred to as a creative improvisation, quick fix, and has many other positive and negative connotations attached to it. Many different views are given in respect to what is Jugaad, many link it with frugality, some say it's the mind-set, which is all about flexibility, making breakthrough innovations; many regard it as makeshift arrangements and so on. How the ingenious individual is able to come up with ideas, which are nowadays on the verge of being patented in countries like India, is an interesting phenomenon. However, the interesting bit is how Jugaad originated and what is its concept is an area important to explore. In this paper we try to with the help of content analysis of common examples try to bring out the concept. The result of the study based on qualitative methodology helps to explain Jugaad as a confluence of the constructs: (1) Bounded Situation, (2) Cognitive Style, and (3) Improvised Artefact.

## Introduction

Human beings are considered the most adaptive of all species. Our survival is through the process of adaptation. As evolutionary individuals, there is an innate disposition that more than our bodies our minds are able to become accustomed to our surroundings while also in parallel attempting to be in charge of it and modify it to ensure survival. It is considered to be our defining ability to create, invent and ultimately as innovators of newness design to accomplish a dream, tackle a constraint/barrier, resolve a problem or recognize an opportunity (Fry, 2002). Such ability displayed by “modern day alchemists” (Radjou *et al.*, 2012) of India, China, Brazil have forced the advent of an innovation paradigm with a strong focus on core functionalities by alternative utilization of available resources. A large part of the literature on (new) product development is based on the assumption of resource sufficiency for the structured process of development to be performed. However, there are very few studies (see for example Chaudhuri, 2011; Cunha, Rego, Oliveira, Rosado, & Habib, 2014; Desa & Basu, 2013; Gibbert & Scranton, 2009; Gibbert, Hoegl & Valikangas, 2014; Gibbert, Hoegl & Välikangas, 2007; Hewitt-Dundas, 2006; Hoegl, Gibbert, & Mazursky, 2008; Sharma & Iyer, 2012; Stokes, 2009) that consider resource constraints as predictors of innovative outcomes. The reason attributed to this is that when restricted or limited by constraints or rules, the human mind is highly likely to recognize the unexpected idea, which then the innovation engine refines further (Gibbert, Hoegl, and Välikangas 2007). The augmented creativity due to resource limitations likewise makes it more probable that individuals can have either serendipitous findings and/or identify analogies (Kalogerakis, Lüthje & Herstatt, 2010), both of which are likely to increase the chance of developing innovative solutions.

The above research findings hint at what the emerging markets specialize in, innovation under constraints. Sheth, (2011) proposes there are some peculiarities, “heterogeneity, socio-political governance, and scarcity of resources, unbranded competition, and inadequate infrastructure” (Sheth, 2011), mainly common to the majority of developing nations leading to the creation of a new market segment. Also, the economic ascent of developing markets, particularly in China furthermore, India, has added to the creation of a new market segment, differently alluded to as the middle market, the low-income market (Sanchez & Ricart, 2010), and also the good-enough market as portrayed by Gadiesh, Leung & Vestring, (2007). In such markets the innovations have been captured by various names such as Frugal innovations (Radjou & Prabhu, 2013); Reverse innovation or Blowback innovation (Brown & Hagel, 2005; Immelt, Govindarajan & Trimble, 2009); Cost Innovation (Williamson, 2010; Zeschky, Winterhalter & Gassmann, 2014); Gandhian Innovation (Prahalad & Mashelkar, 2010) and at times as simple workarounds (Alter, 2014; Bishop, 2010) or even as Jugaad (Krishnan, 2010; Radjou, Prabhu & Ahuja, 2012).

Although the literature is scant about Jugaad, but due to its popularity, it is slowly moving towards mainstream literature, thus, this lack of academic recognition makes it interesting to study. However, it would be important to understand the two important reasons for the evolution of such innovation approaches.

## **Sagging Innovation and Intumescing Research and Development Expenditure**

As per the recent study of the “Global Innovation 1000” companies revealed that the rate of growth in innovation output declined primarily because the innovation expenditure has decelerated severely to just 1.4 per cent in 2014—the slowest ever growth rate over the last decade for these 1,000 global companies that spent the most on specifically product R&D (Jaruzelski *et al.*, 2014). The primary reason that could be attributed is that in the developed economy a lot of companies are now following the principle of “doing more with less” (Radjou *et al.*, 2012; Sridhar, 2008) and trying to figure out how to battle the growing complexities in the processes and outcomes which shape the business environment from within an organization.

### **Exiguous Resources and Intricacies**

Doing “more with less”, is a prominent contrast to the “bigger is better” R&D approach followed by many companies across the globe (Radjou *et al.*, 2012). Growing scarcity of resources, major demographic shifts, changing consumer preferences, and rapid shift in technology have created today a most complex and turbulent business environment. Due to this, the old innovation models and processes are becoming ineffective and outmoded. Here, one of the key ingredients is “Improvised ingenuity” (Radjou *et al.*, 2012) that holds the key to tackle the emerging complexity and chaos. Thus, at times complex and highly structured business processes wear out the “power of positive deviance” (Marsh, Schroeder, Dearden, Sternin, & Sternin, 2004) of solving incommensurable situations or problems which can’t be dealt with the conventional methods (Radjou *et al.*, 2012). Further, the emerging nations face acute shortages of resources. Particularly, financial sources are difficult to raise since the banks are conservative, the venture capitalists, and angel investor networks are poorly developed (Radjou *et al.*, 2012). As a result, there are individuals who cannot afford to invest and reap the benefits of capital-intensive innovation. Born out of so much of chaos are innovations, which go unnoticed but serve a large section of the society. Hence, a phenomenon like Jugaad takes birth and makes it distinct in the field of innovation.

### **Hints of Jugaad in Literature**

In history, across different periods, novel inventions or innovations with limited resources or under constraints have been manifestations of what is called Combinatorial Innovations (Varian, 2003). Such innovations are based on the principle of *Yukti*, the Sanskrit word which means “union, combination, junction, and connection” (Monier-Williams, 2005).

### **Combinatorial Innovation**

One important aspect of innovation is provided by Barnett (1953): “when an innovation takes place, there is an intimate linkage or fusion of two or more elements that not have been previously joined in just this fashion, so that the result is a qualitatively distinct whole.” Also fits the thought is “the carrying out of new combinations” (Schumpeter, 1942, 1971). Later Weitzman (1998) referred to the same thought as “recombinant innovation”. The very famous Gutenberg press, the development of famous assembly line and Model T Ford, etc. are the most significant examples of what can be termed as “combinatorial innovations” (Varian, 2003, 2010) also. But such innovations truly are works of a Bricolage - “making do with what is at hand” (Levi-Strauss, 1967) and the protagonist a Bricoleur. Confluence or combinations are nothing but *Yukti*. However, this is not to dismiss the importance of the brilliance of the individual as an innovator and the idea.

### **Individual Innovation and the Jugaadu**

According to Barnett, everyone is an innovator. An example is the use of a discarded food bowl by an individual to be replaced as a chimney cap is innovation with practical use value, a kind of “forced relationship” (Whiting, 1958). Typically an innovator is seen as someone thinking “tangentially” (Kirton, 1976), an inherent capability of being creative which is a critical element to innovation because an innovative person breaks patterns of accepted modes of thought and action (Rogers, 1959) from different viewpoints, and often challenges past customs. Barnett (1953) also laid emphasis on the fact that many innovations primarily take place on the mental level where divergent ideas meet, this is a model of creative thinking referred as “*Bisociation*” (Koestler, 1964). Turner & Fauconnier (1995) referred to this basic mental operation as “Conceptual Blending,” an invisible, unconscious activity involved in every aspect of human life (Turner & Fauconnier, 2002). This is in line with literature which provides that Individual innovation is nothing but a result of a particular make up of an individual’s cognitive experience which facilitates as a hauler of all the expression of individual innovation, in other words, of its qualities and characteristics (Shavinina & Seeratan, 2003).

## Methodology

In this study, the objective is to understand what Jugaad is and how only few individuals are able to perform this act, so differentiated from others under similar conditions. There are primarily two reasons for the selection of a qualitative approach to study a phenomenon like Jugaad. First, a concept like Jugaad is in an infancy stage. It is because a recent trend, which has been observed, is about the shift in power of innovation from professional and the elite class (*i.e.* scientists, PhDs, and engineers) to the masses or the common person. In addition, the literature stands divided into two different opinions, one, which accepts Jugaad as important (see Brem & Wolfram, 2014; Radjou, Prabhu & Ahuja, 2012) and other, which rejects it (see Gupta, 2016; Krishnan, 2010; Prahalad & Mashelkar, 2010). Moreover, there seems to be a lack of any comprehensive study in this regard, and it becomes imperative to explore this phenomenon in detail. With the help of a qualitative method techniques, a holistic perspective is to be achieved in exploring how and why of Jugaad. Second, a fine-grained analysis of this topic is warranted and hence, by adopting a qualitative analysis method the focus is on involute interdependencies and process dynamics that cannot be condensed to any linear, cause and effect relationships and/or a few discrete variables. Primarily the use of Unobtrusive Measures (Webb, Campbell, Schwartz, & Sechrest, 1966) like content analysis and others helped in analyzing primarily secondary data where ever possible, in order to reduce the bias. Twenty examples were analyzed in depth and few of them in brief are presented here.

## What is Jugaad?

In India, a large population is obsessed by the buzzword “Jugaad”. And it’s not only in India, but in the west also that nowadays “*Jugaad*” is talked about very frequently. It is essentially a colloquial word of Indian origin derived from the dialect ‘*Jugat*’ (Shakespeare, 1834) having one of the meanings as contrivance which can further be traced back to its Sanskrit form ‘*Yukti*’, a comprehensive term meaning union, connection, combination, also means, contrivance or to contrive something, expedient, artifice, trick, etc. (Monier-Williams, 2005). But, Jugaad as an “expedient contrivance” is termed by various authors and researchers as ‘creative improvisation’ (Krishnan, 2010) or ‘making do’ (Tully, 2011) with the things you have and mostly ‘makeshift arrangement’ (Gupta, 2013). In their seminal work Radjou, Prabhu, & Ahuja, (2012) term Jugaad roughly as “the gutsy art of overcoming harsh constraints by improvising an effective solution using limited resources.” It is also termed as an “improvisational approach of solving problems of self or others’ in a creative way, at a low cost, in a short amount of time, and without serious taxonomy or discipline” (Brem & Wolfram, 2014). There is malleability in the word Jugaad and its usage. As a concept it can be “reconfiguring materialities to overcome obstacles and find solutions” (Sekhsaria, 2013). Prahalad & Mashelkar (2010) describe this phenomenon as the one of “developing alternatives, improvisations, and makedos to overcome a lack of resources and solve seemingly insoluble problems”. They however, completely dismiss the term “Jugaad” for what they call “Gandhian Innovation” (Prahalad & Mashelkar, 2010) due to the connotation of low quality. Birtchnell (2011), “questions the intentions behind Jugaad” by highlighting the impact of Jugaad as “negative” and of “undesirable ways” on the society. He (Birtchnell, 2011) further highlights that “it is wholly unsuitable both as a development tool and as a business asset”. However, according to Ghosen, “In the West, when we face huge problems and we lack resources, we tend to give up (too) easily. Jugaad is about never giving up!” (Radjou & Prabhu, 2013) hinting at the optimism of making it happen the belief of Indian people. Although, Jugaad has been termed as the model of low cost or “Frugal Engineering” a term coined by Carlos Ghosen, CEO of Renault-Nissan Alliance, 2006, construed as doing more with less, is the low cost. All these perspectives label the term Jugaad in isolation and fail to recognize that frugality may or may not be in the practices of Jugaad. However, Jugaad is much more than frugal innovation or simply a “quick problem solving approach” (Bachani, 2013) and an “innovative workaround for complex problems” (Govindraj, 2011)

## Examples of Jugaad

### Jugaad – The Automobile

Probably the first example of Jugaad, according to Mitra (1995) “Jugaad” – “the epitome of simplicity”, a “modest contraption” (Mitra, 1995) is an automobile also called “Jugaad”, commonly found on the roads of Northern India and in some parts of west and Central India too. It is the farmer, in a typical socio economic condition of poor facilities of education, poor health care centers, lack of electricity, and very less employment opportunities in rural India tries to address the recognized need or in this case necessity of transporting the farm goods to market in time and that too for a low cost. It is the crisis, which triggers the farmer to get this contraption developed with the help

of semiskilled and semiliterate small repair shop or garage mechanic when faced with a constraint. The farmer due to severe financial constraint opts for a wooden body instead of steel, mounts an old jeep engine having eight horsepower, buys four used tyres, a chassis, and a gear box, no electrical fittings or battery are fixed with no cabin too (Mitra, 1995). The farmer goes in for only two plastic seats and rest remains open and free for the goods to be kept. Even no headlights are installed. The farmer spent \$600 to get the piece of machinery built (Mitra, 1995). Here we assume that the farmer and the semiskilled mechanic may be treated as one entity “Jugaadu” or Jugaad Innovator. Since it is the demand of the farmer to which the supply is being done by the semiskilled mechanic, but to understand what idea sharing has happened between the two towards the making of this contraption is difficult to figure out. Similar situations are possible where one individual initiates the idea and the other improvises it or both together improvise it. In such a situation, it is better to treat them as one entity and proceed. Even today, many assemble these vehicles across the country. The reason why such contraptions are emerging day in and day out based on the “*Jugaad – the automobile*” philosophy is because of the price-performance trade-off (Mitra, 1995). This reminds of the famous example of “reassembled cars” in the country of Taiwan (Lin, 2009) also known as “iron cattle”, “siqazi” or “laqizai” (Lin, 2009), basically reassembled cars that use either single, four, or six- cylinder engines to power such vehicles.

An interesting point emerges out of this is which has been mentioned by many that “*Jugaad- the automobile*” or say the “*iron cattle*” is usually unsafe and low on quality. Lin (2009) provides a perceptiveness where the claim is that “quality parameters cannot be universalized and have to be looked at in a specific context” (Sekhsaria, 2013). The accident figures are compared between commercially manufactured vehicles and that of “reassembled cars” by Lin (2009), leading to a question that when not all commercially manufactured city riding automobiles are considered unstable but they tend to be unsafe in mountain terrain are they low in quality? Similarly, in case of Jugaad, may it be an automobile or as a concept the quality parameters are context specific and a generalized statement may be inappropriate (Sekhsaria, 2013). However, this argument does not completely justify the inference that all Jugaad is of low quality but it does refer to the notion that “something cannot be dismissed as bad quality or unsafe just because it is Jugaad” (Sekhsaria, 2013)

### **Bullet Santi**

The case of Mr. Mansukhbhai Jagani (44) from Mota Devaliya in Amreli, developing multi-utility farm device which has a leveler, ploughing machine, and sowing machine, all by transforming a bullet motorcycle to overcome the increasing difficulty of ploughing the land using animals post the 1994 drought in the region of Saurashtra, India. In search of a solution, Mansukhbhai, who had been a self-motivated canvasser in farming, in 1994 post drought, inspired by a local mode of transport, the three wheel taxi, he designed and gave birth to the contraption which he called as 'Bullet Santi'. This astounding machine that was basically a petrol motorcycle was converted into a diesel one having a 5.5 hp engine, which had the back wheel removed and replaced with an attachment along with two identical sized wheels. Also, a multi utility tool bar was fixed to the attachment which converted this unique machine to perform the functions of, ploughing, weeding and sowing seeds. The contraption is a cost effective proposition in comparison to the bullock or a tractor (Parmar, 2001).

### **Uzi Fly Trap**

One of the major problems faced by Mohammed Wakeel Ahmed, a silk worm farmer, while growing mulberry leaves, was to prevent the menace of a *tachnid* fly, popularly known as Uzi fly (*Exorista bombycis*) which is an endo-parasitoid of the delicate silk-worm that effected the yield of his crop. Financial difficulties due to the decline in the cocoon price and due to the decline in the yield due to the destructive Uzi fly made him desperate to try all the ways and means as advised by the local sericulture department, but all resulted in failures. After much struggle, he came up with the idea of the Uzi Fly trap. The trap consists of a nylon mosquito mesh, a plastic bottle (be it any ordinary disposable plastic soft drink or mineral water bottle) with perforation with a plastic cork attached to one end, a hollow metal pipe and PVC collars. Frames just like the windows are secured with nylon nets. Two–three holes are made for the flies to enter. To this, a nylon mesh measuring two feet by three inches with PVC collars inside is attached. At the end of this pipe, a fine nylon mesh is fixed and the pipe is slid into a plastic bottle and secured with a cork. Small holes are made in the plastic bottle and it is hung from the window or ventilator of the silk worm rearing room at two feet. The Uzi flies enter the fly-trap through the holes as they are attracted to the smell of the silk worm larvae where they get trapped in the bottle and unable to come out, die (Pritvi, 2005).

In all the above examples, we identify that persons look upon barriers as boundaries, which define for them the limits of what is possible or acceptable within the situation. Thus, the productive action defined by the boundaries gives birth to innovations, which are bounded in terms of limited available resources, technical knowhow, financial

support, space, and time. Such innovations then may be best termed as *Bounded Innovations*. “Jugaad” may be considered as an extreme case of Bounded Innovation.

### **Constructs of Jugaad**

#### **Bounded Situation**

As observed earlier in the paper, the quintessence of individual innovation is in the uniqueness of an “individual’s intellectual picture of the world” (Shavinina & Seeratan, 2003). In case of Jugaad, it is not only the “intellectual picture” but also the situation, which plays an important role. In case of Jugaad, the operative situations are bounded in some way or the other. For example, some situations may be bounded in terms of availability of resources, and time, or lack of technical knowhow and time, or financial support and space, or any other single or combination of factors such as limited available resources, technical knowhow, financial support, space, and time, etc. Thus, a bounded situation is constrained circumstances of the protagonist (in this case the innovator or the Jugaadu).

#### **Space**

The use of local knowledge and available local resources aid in achieving best solutions in any local problem (Mehta & Mokashi-Punekar, 2008). Since the solutions evolve for necessity as seen in the cases above, they are developed to solve the specific local problems at hand, and not for any business motive (Mehta & Mokashi-Punekar, 2008), to begin with and can be termed as bounded in *space*. Since solutions are local, it is a limitation in terms of their commercialization, although it is a big opportunity to harness, thus, bounded in scope also.

#### **Time**

Time can be referred to as points or intervals (Allen, 1983). In the first, reference is to a precise point in time at which the finding event occurred (or was occurring). In the second, reference is to an interval in which the finding event occurred (Allen, 1983). Also, there are some events that appear to be instantaneous. We take an example to illustrate the same. The real life case is of R. N. Janakiram, an owner of vineyard. Birds attacking the vineyard was the problem faced by him. The solution he came up after everything available failed was to swarm honeybee in the vineyard (Honeybees did not allow the birds to attack wherever they were present). The solution was born out of conceptual blending. Time was binding, as when again the grapes would grow the birds would attack. The time period he had was only till the time the grapes were not ripe as post which the solution to have the honey bees swarm across the vineyard would be of no use (Krishnan, 2001). Thus, in case of Jugaad although there can be many possible solutions in a very short time or when time is a binding factor for a situation. This is dependent also on amount of loss that is at stake.

#### **External & Internal Barriers**

External barriers are the barriers outside the skin of the Jugaadu *i.e.* the origin is in the environment external to the individual, while internal are the characteristics or personal traits of the individual or in case of an organisation that of the organisation member/employee. In case of the examples as observed, the following were the prominent barriers such as Adequate financial resource including unforeseen costs, the socio-economic barriers, usually characterized by lack of basic amenities, lack of any technical expertise or guidance from any experts or a Centre of training which could influence the internal barriers, little technical or self-developed skills, and being a “jack of all trades” (Levi-Strauss, 1967) as such an individual happens to be a non-specialist due to lack of proper education, training and practice in a formal controlled environment in their area of work. However, an interesting point that emerges is about the local knowledge the jugaadu possess, in other words the limited information he/she has acquired from the environment he/she lives in acts as a barrier in following the formal activities of the new product development process as provided by Cooper & Kleinschmidt (1986). However, whatever local knowledge is possessed by the jugaadu is also about the locally available resources, which it attempts to use in alternative manner, as seen in the Jugaad Automobile example.

#### **Cognitive Style**

It is important to know how human problem solving occurs as sensing information and utilizing it. The term Cognitive style is “an individual’s way of performing perceptual and intellectual activities” (van Gigch, 1991). As per Klein (1951) cognitive styles are “perceptual attitudes – special ways, distinctive for the person, for coming to grips with reality” (Klein, 1951), in other words it is the “patterns of adaptation” (Klein, 1951; Kozhevnikov, 2007) to the external environment, which control an individual’s intellectual and perceptive working. However, it is believed that upon looking at a group of objects a human being generally perceives it in totality even before focusing



on the separate individual objects. This is primarily what Koffka (1935) described Gestalt as “the whole is other than the sum of the parts”.

### **Gestalt**

The primary factors of the Gestalt Theory (Wertheimer, 1959) that evolved from the Gestalt psychology emphasizing the structural quality (i.e. the wholeness) of “the way in which we perceive, think about, and feel, the world around us” (Laurillard, 1997), also called the “law of organization” are explained in the context of perception and problem solving (Laurillard, 1997; Wertheimer, 1938). Conventionally as per Gestalt psychology, an individual’s ability to solve the problem has been allied to perception and learning (Ormrod, 2011; Wang & Chiew, 2010).

### **Power of Observation and Insight**

The individual observes the total problem to identify the specific or the core of the problem. One of the arguments of the Gestalt psychologists was that problem solvers in order to reach a solution relied on gaining “insight” rather than the problem solving approach of the behaviorists of trial and error (Dunbar, 1998). The Jugaadu searches for the cue for the conceptualization of the solution by observing similar or related solutions existing, to gain insight about the functioning of parts of an existing similar solution. He/she forms a gestalt image of what he/she wants to accomplish. He/she then analyses the specific requirements *i.e.* take stock of the available resources, which he/she has at hand. The important part is the focus on insight, *i.e.* in other words, understanding the functionality of the different available resources (*e.g.* parts or pieces) in relation to the gestalt image of what is desired.

### **Heuristic Approach**

When one is faced with a “problem space” (Simon & Newell, 1971:148) that is too large to be searched exhaustively, they tend to use “the rule-of-thumb” better known as heuristics or as Cognitive heuristics (Sherman & Corty, 1984). Heuristics allow the Jugaadu to move through a problem space. With the heuristic method, the real problem space to examine may emerge to be narrower than the entire or whole problem space (Weisberg, 2006). The Jugaadu follows one such cognitive heuristic of “One-Clever-Cue” (Gigerenzer & Gaissmaier, 2011). He/she focuses his attention only on one thing *i.e.* the functional relationships among the vital parts, such as the engine attached to the steering, the wheels, fuel tank, etc. like in the case of Jugaad – the automobile the way the contraption functions as a whole and each of its parts, another insight for the future course of action.

### **Tacit Dimension**

In case of Jugaad, the knowledge type is “tacit” or “implicit” (Polanyi, 1966), hard to express, highly personal to the individual and unsystematic or difficult to formalize (Nonaka, 1991). The phenomenon as suggested by Polanyi relates to Gestalt psychology which points to the fact that we can integrate the particulars of a physiognomy without being able to identify, in any precise way, those particulars. Tacit knowledge is like “unconscious competence” (Seidman & Grbavac, 2014) incarcerated in the term “know-how” (Nonaka, 1991) that combines attitude, knowledge, and skills having acquired and honed through experiences, just like that of a mechanic, an artisan, etc. This knowledge is highly specific to context. However, the things they do are so natural to them that they are unable to be coherent about the either scientific or technical principles behind what they do or know (Seidman & Grbavac, 2014), similar to what the Jugaadu does. The Jugaadu’s awareness about the functional combination of the parts is similar to what Polanyi refers to as “the functional structure of Tacit Knowing” (Polanyi, 1966). Further, the jugaadu is aware about a link between what is desired and what is existing in form of cues. This awareness of this link is the tacit dimension of the knowledge he possess. This enables him to act with the givens and achieve the desired goal.

### **Esemplastic Power**

The “Esemplastic Power of imagination” (Coleridge, 1817), described as the unifying power of the human imagination which acts to integrate disparate and opposite elements into a unified whole. Coleridge (1817) classifies “Imagination” into primary, secondary, and Fancy. According to Coleridge (1817), primary imagination is the general ability of perceiving various impressions about the objects of sense from the external environment, together in their parts and as a whole. It is considered as an extemporaneous act of the mind. On the other hand, Secondary imagination is more deliberate in action and conscious, which requires tenaciousness and volition. It primarily works on the sensed impressions communicated by the primary imagination. It is “a magical, synthetic power” (Coleridge, 1817), which complements and bring together opposites as it “re-shapes and re-models” (Coleridge, 1817) the convictions and sensations captured by the primary into objects of novelty and beauty. Thus, the

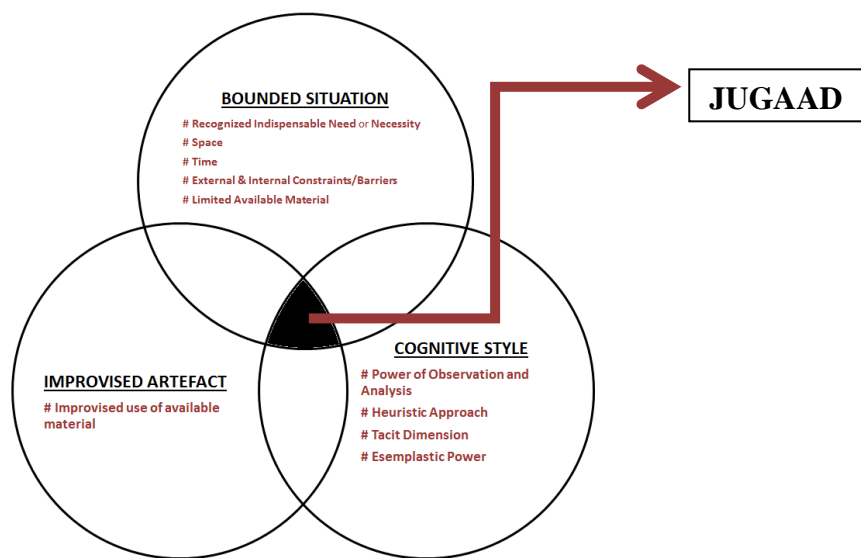
secondary is a peculiar privilege that is enjoyed by the creative people like artists, poets, innovators and in this case, the Jugaadu, who creates a new contraption based on the gestalt image created in the mind. The creation of the gestalt image is only possible once the union or the combination is created in the mind by the Esemplastic power of imagination. In addition, this Esemplastic power of imagination along with the local knowledge of the jugaadu leads to the generation of *yukti*.

### Improvised Artefact

Any form of improvisation takes place when the design and execution of novel activities unite (Miner, Bassoff, & Moorman, 2001). Improvisation increases the chances that Bricolage will occur because there is less time to obtain appropriate resources in advance. In addition, being skilful at Bricolage may help produce valued improvisation. The Jugaadu acts much like a bricoleur in the sense that he/she begins with the end goal and focuses on preparing the possible effect/s from the available means (Sarasvathy, 2001). The improvised artefact as a solution may not be perfect in shape and size or even function, but is good enough and within the budget level or acceptable risk level (Sarasvathy, 2001).

### Model of Jugaad

The model is presented in Figure 1. Here it is important to know that the above constructs are not mutually exclusive. It is the confluence of the three constructs, which leads to the creation of Jugaad. The model represents “Jugaad” as an innovative approach to fulfil need in a bounded situation (bounded in space, time, and resources) by alternative usage of resources to create an improvised artefact which is satisficing and ingeniously indigenious.



**Figure 1. Model of Jugaad**

*Source: Elaborated by the authors*

Therefore, the following distinctive aspects of Jugaad are that: (1) The principle of alternative utilization of available resources is followed in comparison to frugal innovation where the principle of minimizing the use of resources is followed; (2) In case of Jugaad, the Jugaadu who have local knowledge of the available resources have self-taught skills that would otherwise go unapplied; (3) The use of “Esemplastic” imagination assists in transforming the heterogeneous resources into homogenous resources by putting the available resources to alternative uses for solution seeking; (4) It is directed, targeted, with an end in mind; (5) The replicability or scalability of a solution is difficult as solutions are very local – differs from situation to situation and person to person; and, (6) Finally, Jugaad as a heuristic is to do something somehow with available & alternative resources.

## Conclusion

It was March & Simon (1958) who provided the most widely accepted model where people in constrained conditions/situations search for improved conditions; *i.e.* they will search until the point when a satisficing result is obtained or found. March & Simon, (1958) assumed a threshold level for people to take action when their level of satisfaction is lowest. However, since human beings are a composition of complex mental faculties they unconsciously adapt to the constrained situations. Usually the level of threshold for action is never reached which does not initiate or trigger any action. However, few individuals take the imaginative leap. It is for those individuals when situations have deteriorated to the point of trigger, innovative practices like Jugaad turn out to be crisis management ideas. Thus, Jugaad suggests the following: (1) When in a bounded situation, look to the cognitive style of the Jugaadu to generate novel approaches/insights. (2) Innovation does not require the creation of finished entities; much can be learnt from observing and creating improvised solutions. Such innovations are possible blueprints for structured and formal innovations. Therefore, in times of emerging complexity and chaos understanding the challenges and nuances of Jugaad is imperative for marketers.

## References

- Allen, J.F. (1983). Maintaining knowledge about temporal intervals. *Communications of the Association for Computing Machinery*, 26(11), 832–843.
- Alter, S. (2014). Theory of Workarounds. *Communications of the Association for Information Systems*, 34(March), 1041–1066.
- Bachani, J. (2013). Understanding “Jugaad”: An Indian Way to Innovate, or Not? In Western Academy of Management (Ed.), *Narrow Streets, Open Minds Constructive Conversations*,. Santa Fe: Sage Publications.
- Barnett, H. (1953). *Innovation: the basis of cultural change*. New York: McGraw-Hill.
- Birchnell, T. (2011). Jugaad as systemic risk and disruptive innovation in India. *Contemporary South Asia*, 19(4), 357–372.
- Bishop, R. (2010). *Workarounds That Work: How to Conquer Anything That Stands in Your Way at Work*. McGraw-Hill Education.
- Brem, A. & Wolfram, P. (2014). Research and development from the bottom up - introduction of terminologies for new product development in emerging markets. *Journal of Innovation and Entrepreneurship*, 3(9), 1–22.
- Brown, J.S. & Hagel, J. (2005). Innovation blowback: Disruptive management practices from Asia. *McKinsey Quarterly*, 34–45.
- Chaudhuri, A. (2011). Utilizing constraints to identify opportunities for innovation: Findings from Indian industries and future research directions. Available at SSRN 2291071.
- Coleridge, S. (1817). *Biographia literaria or Biographical Sketches of MY LITERARY LIFE AND OPINIONS*. London: Rest Fenner.
- Cooper, R.G. & Kleinschmidt, E.J. (1986). An investigation into the new product process: steps, deficiencies, and impact. *Journal of Product Innovation Management*, 3(2), 71–85.
- Cunha, M.P.E., Rego, A., Oliveira, P., Rosado, P. & Habib, N. (2014). Product innovation in resource-poor environments: Three research streams. *Journal of Product Innovation Management*, 31(2), 202–210.
- Desa, G. & Basu, S. (2013). Optimization or Bricolage? Overcoming resource constraints in global social entrepreneurship. *Strategic Entrepreneurship Journal*, 7(1), 26–49.
- Dunbar, K. (1998). Problem solving. In W. Bechtel & G. Graham (Eds.), *A Companion to Cognitive Science* (pp. 289–298). Oxford, UK: Blackwell Publishing.
- Fry, A. (2002). Creativity, Innovation and Invention : A Corporate Inventor’ s Perspective. In *The Spirit of Invention* (pp. 1–5). New York: The Creative Problem Solving Group, Inc.
- Gadiesh, O., Leung, P. & Vestring, T. (2007). The battle for China’s good-enough market. *Harvard Business Review*, 85(9), 81–89.
- Gibbert, M., Hoegl, M. & Valikangas, L. (2014). Introduction to the special issue: Financial resource constraints and innovation. *Journal of Product Innovation Management*, 31(2), 197–201.
- Gibbert, M. M., Hoegl, M. & Välikangas, L. (2007). In Praise of Resource Constraints. *MIT Sloan Management Review*, Spring(48308), 1–5.
- Gibbert, M. & Scranton, P. (2009). Constraints as sources of radical innovation? Insights from jet propulsion development. *Management & Organizational History*, 4(4), 385–399.
- Gigerenzer, G. & Gaissmaier, W. (2011). Heuristic decision making. *Annual Review of Psychology*, 62, 451–82.

- Govindarajan, V. (2011, June). Vijay Govindarajan: Jugaad - A model for innovation. Retrieved June 30, 2013, from <http://forbesindia.com/printcontent/25512>
- Gupta, A. (2013). "Jugaad" — a misnomer for majority of grassroots innovations. Retrieved June 30, 2013, from <http://www.dnaindia.com/analysis/1833953/column-jugaad-and-m-dash-a-misnomer-for-majority-of-grassroots-innovations>
- Hewitt-Dundas, N. (2006). Resource and capability constraints to innovation in small and large plants. *Small Business Economics*, 26(3), 257-277.
- Hoegl, M., Gibbert, M. & Mazursky, D. (2008). Financial constraints in innovation projects: When is less more? *Research Policy*, 37(8), 1382-1391.
- Immelt, J. R., Govindarajan, V. & Trimble, C. (2009). How GE is disrupting itself. *Harvard Business Review*, 87(10), 56-66.
- Jaruzelski, B., Staack, V. & Goehle, B. (2014). The global innovation 1000: proven paths to innovation success. *Strategy + Business*, (77), 18.
- Kalogerakis, K., Lüthje, C., Herstatt, C. (2010). Developing innovations based on analogies: Experience from design and engineering consultants. *Journal of Product Innovation Management*, 27(3), 418-436.
- Kirton, M. (1976). Adaptors and innovators: A description and measure. *Journal of Applied Psychology*, 61(5), 622-629.
- Klein, G.S. (1951). The personal world through perception. In R. R. Blake & G. V Ramsey (Eds.), *Perception: An approach to personality* (p. 442). The Roland Press Company.
- Koestler, A. (1964). *The act of creation*. London: Hutchinson & Co. Ltd.
- Koffka, K. (1935). *Principles of Gestalt Psychology*. *International library of psychology philosophy and scientific method* (Vol. 20).
- Kozhevnikov, M. (2007). Cognitive styles in the context of modern psychology: toward an integrated framework of cognitive style. *Psychological Bulletin*, 133(3), 464-481.
- Krishnan, R. (2001). Protection of grapes from birds attack with the help of Honey bees. Retrieved September 14, 2013, from <http://nif.org.in/awards/profile/Protection-of-grapes-from-birds-attack-with-the-help-of-Honey-bees/132>
- Krishnan, R.T. (2010). *From jugaad to systematic innovation: the challenge for India*. Bangalore: Utpreraka Foundation.
- Laurillard, D. (1997). Styles and approaches in problem-solving. In F. Marton, D. Hounsell, & N. J. Entwistle (Eds.), *The Experience of Learning: Implications for Teaching and Studying in Higher Education* (2nd Editio, p. 273). Scottish Academic Press.
- Levi-Strauss, C. (1967). *The Savage Mind (La Pensee Sauvage)*. (J. P.- Rivers & E. Gellner, Eds.) (English Tr). Great Britain: The Garden City Press.
- Lin, C.H. (2009). The silenced technology-the beauty and sorrow of reassembled cars. *East Asian Science, Technology and Society*, 3(1), 91-131.
- Marsh, D.R., Schroeder, D.G., Dearden, K.A., Sternin, J. & Sternin, M. (2004). The power of positive deviance. *BMJ: British Medical Journal*, 329(7475), 1177-9.
- Mehta, S. & Mokashi-Punekar, R. (2008). Exploring Indigenous Innovations: Ascertaining the Scope for Design Interventions for their Successful Commercialization. In *In Changing the change, An international conference on the role and potential of design research in the transition towards sustainability*. (p. 14).
- Miner, A.S., Bassoff, P. & Moorman, C. (2001). Organizational improvisation and learning: a field study. *Administrative Science Quarterly*, 46(2), 304.
- Mitra, B.S. (1995, January 26). India's informal "car." *The Asian Wall Street Journal*, p. 10. Retrieved from <http://barunmitra.blogspot.in/1995/01/indias-informal-car.html>
- Monier-Williams, M. (2005). *A Sanskrit-English Dictionary: Etymologically and Philologically Arranged with Special Reference to Cognate Indo-European Languages*. Motilal Banarsidass Publ.
- Mukherjee, K. (2012). Frugal innovation: Key to penetrating emerging markets. *Ivey Business Journal*.
- Nonaka, I. (1991). The Knowledge-creating company. *Harvard Business Review*, 69(6), 96-104.
- Ormrod, J.E. (2011). *Human Learning* (6th Editio). New Jersey: Pearson Education, Inc.
- Parmar, M. (2001). Bullet Driven Santi. In *First National Grassroots Technological Innovation and Traditional Knowledge Awards - 2001* (p. 93). National Innovation Foundation.
- Pascale, R., Sternin, J. & Sternin, M. (2010). *The Power of Positive Deviance: How Unlikely Innovators Solve the World's Toughest Problems*. Boston: Harvard Business Press.
- Polanyi, M. (1966). *The Tacit Dimension*. *The British Journal of Aesthetics* (Vol. 19).
- Prahalad, C. & Mashelkar, R. (2010). Innovation's holy grail. *Harvard Business Review*, (July-August), 2-10.

- Pritvi. (2005). Uzi Fly Trap. In *Third National Grassroots Technological Innovation and Traditional Knowledge Awards - 2005* (p. 228). National Innovation Foundation.
- Radjou, N. & Prabhu, J. (2013). Frugal Innovation: A New Business Paradigm | INSEAD Knowledge. Retrieved June 30, 2013, from <http://knowledge.insead.edu/innovation/frugal-innovation-a-new-business-paradigm-2375>
- Radjou, N., Prabhu, J. & Ahuja, S. (2012). *Jugaad Innovation: Think frugal, Be flexible, Generate breakthrough growth* (1st ed.). New Jersey: Jossey-Bass.
- Rao, B.C. (2013). How disruptive is frugal? *Technology in Society*, 35, 65–73.
- Sanchez, P. & Ricart, J.E. (2010). Business model innovation and sources of value creation in low-income markets. *European Management Review*, 7(3), 138–154.
- Sarasvathy, S.D. (2001). Causation and Effectuation: Toward a Theoretical Shift from Economic Inevitability to Entrepreneurial Contingency. *Academy of Management Review*, 26(2), 243–263.
- Schumpeter, J.A. (1942). *Capitalism, socialism, and democracy*. Harper and Brothers.
- Schumpeter, J.A. (1971). The Fundamental Phenomenon of Economic Development. In P. Kilby (Ed.), *Entrepreneurship and Economic Development I* (p. 384). New York: The Free Press.
- Seidman, W. & Grbavac, R. (2014). Discover and Describe : the detective. In *The Star Factor: Discover What Your Top Performers Do Differently--and Inspire a New Level of Greatness in All* (pp. 23–25). New York: American Management Association.
- Sekhsaria, P. (2013). The Making of an Indian STM & “Technological Jugaad” as a Culture of Innovation. In *International Workshop on “New Models of Innovation for Development” at the University of Manchester* (pp. 1–25).
- Shakespear, J. (1834). *A dictionary, Hindustani and English: with a copious index, fitting the work to serve, also, as a dictionary of English and Hindustani*. (3rd ed., m). London: J L Cox and Son.
- Sharma, A. & Iyer, G.R. (2012). Resource-constrained product development: Implications for green marketing and green supply chains. *Industrial Marketing Management*, 41(4), 599–608.
- Shavinina, L., & Seeratan, K. (2003). On the nature of individual innovation. In L. Shavinina (Ed.), *The International Handbook on Innovation* (pp. 31–43). Oxford: Elsevier Science Ltd.
- Sherman, S.J. & Corty, E. (1984). Cognitive Heuristics. In R. S. Wyer & T. K. Srull (Eds.), *Handbook of Social Cognition* (Volume 1, pp. 189–286). Hillsdale, NJ: Lawrence Erlbaum Associates.
- Sheth, J. N. (2011). Impact of Emerging Markets on Marketing: Rethinking Existing Perspectives and Practices. *Journal of Marketing*.
- Simon, H. & Newell, A. (1971). Human problem solving: The state of the theory in 1970. *American Psychologist*, 26(2), 145–159.
- Sridhar, R. (2008). *Gandhian Engineering is not just for the poor*.
- Stokes, P.D. (2009). Using constraints to create novelty: A case study. *Psychology of Aesthetics, Creativity, and the Arts*, 3(3), 174–180.
- Tully, M. (2011). *Non Stop India*. Allen Lane, Penguin Books India.
- Turner, M. & Fauconnier, G. (1995). Conceptual integration and formal expression. *Metaphor and Symbolic Activity*, 10, 183–204.
- Turner, M. & Fauconnier, G. (2002). *The way we think: Conceptual blending and the mind's hidden complexities*. New York: Basic Books Inc.
- Van Gigch, J.P. (1991). *System Design Modeling and Metamodeling*. New York: Pelnum Publishing Corporation.
- Varian, H. (2003). Innovation, components and complements. *University of California, Berkeley, October*, (1984), 1–5.
- Varian, H. (2010). Computer mediated transactions. *The American Economic Review*, 100(May), 1–10.
- Wallas, G. (1926). *The Art of Thought*. *The Sewanee Review* (Vol. 35).
- Wang, Y. & Chiew, V. (2010). On the cognitive process of human problem solving. *Cognitive Systems Research*, 11(1), 81–92.
- Webb, E.J., Campbell, D.T., Schwartz, R.D., & Sechrest, L. (1966). Unobtrusive measures: Nonreactive research in the social sciences (Vol. 111). Chicago: Rand McNally.
- Weisberg, R.W. (2006). *Creativity: Understanding Innovation in Problem Solving, Science, Invention and the Arts*. Creativity. John Wiley & Sons, Inc.
- Weitzman, M.L. (1998). Recombinant Growth. *The Quarterly Journal of Economics*, 113(2), 331–360.
- Wertheimer, M. (1938). Laws of organization in perceptual forms. In W. D. Ellis (Ed.), *A Source Book of Gestalt Psychology* (p. 403). The Gestalt Journal Press.
- Wertheimer, M. (1959). *Productive Thinking*. (M. Wertheimer, Ed.) (2nd Enlarg). Harper & Brothers.
- Whiting, C.S. (1958). *Creative Thinking*. New York: Reinhold Publishing Corporation.

- Williamson, P.J. (2010). Cost innovation: Preparing for a “value-for-money” revolution. *Long Range Planning*, 43(2–3), 343–353.
- Zeschky, M., Widenmayer, B. & Gassmann, O. (2011). Frugal Innovation in Emerging Markets. *Research-Technology Management*, 54(4), 38–45.
- Zeschky, M., Winterhalter, S. & Gassmann, O. (2014). From Cost to Frugal and Reverse Innovation: Mapping the Field and Implications for Global Competitiveness. *Research Technology Management*, 57(4), 20–27.

## Errata

The following abstract should be read as the following.

<a href="#">Business Ethics in Government Sector in Russia</a> .....	4
<i>Natalia Ermasova, Governors State University, USA</i>	
<i>Dina Clark, Bloomsburg University of Pennsylvania, USA</i>	
<i>Lam D. Nguyen, Bloomsburg University of Pennsylvania, USA</i>	
<i>Ermasov Sergey, Saratov State University, USSR</i>	

## AUTHORS INDEX

Abidi, Dora, [77](#), [99](#)  
Akkaya, Bilge, [17](#)  
Berry, William, [5](#)  
Brache, Jose, [5](#)  
Calignano, Giuseppe, [38](#)  
Calix, Lorette Pellettiere, [61](#)  
Camacho, Luis, [109](#)  
Chaturvedi, Abhinav, [122](#)  
Chaturvedi, Mukesh, [122](#)  
Clark, Dina, [4](#)  
Cordova, Alejandro, [5](#)  
Ferguson, Kristen, [3](#)  
Geyfman, Victoria, [3](#)  
Govender, Cookie M., [68](#)  
Guler, Hayrettin, [17](#)  
Gupta, Vipin, [2](#)  
Jasson, Cashandra, [53](#)  
Joshi, Maheshkumar, [4](#)  
Kao, Chiang, [1](#)  
Lingelbach, David, [2](#)  
Malhotra, Smitu, [122](#)  
Manoharan, Bhupesh, [1](#)  
Mapanga, Farikai, [27](#)  
Meric, Tugce, [17](#)  
Mersha, Tigineh, [2](#)  
Muiruri, Kevin, [53](#)  
Nakagawa, Koichi, [77](#)  
Pandit, Deepak, [4](#)  
Potgieter, Marius, [27](#)  
Prusko, Patrice, [61](#)  
Rakshit, Krishanu, [1](#)  
Rodriguez, Constance, [61](#)  
Rosenbaum, Stephen Mark, [7](#)  
Russell, Miriam, [61](#)  
Samanlioglu, Funda, [17](#)  
Saxunova, Darina, [6](#), [89](#)  
Sengur, Evren Dilek, [5](#)  
Shah, Grishma, [3](#)  
Sriram, Ven, [2](#), [2](#)  
Szarkova, Rita, [89](#)  
Tiwari, Shalini Rahul, [4](#)  
Vaaland, Terje I., [38](#)  
Wefers, Jarmila, [89](#)  
Zhang, Xiaozheng, [1](#)  
Zhang, Yi, [2](#)  
Zuniga, Andrea, [5](#)

3<sup>rd</sup> 2017 ACADEMY OF BUSINESS AND EMERGING MARKETS (ABEM)  
CONFERENCE PROCEEDINGS

August 1-3, 2017, Santo Domingo, Dominican Republic, Caribbean Sea  
[www.abem.ca](http://www.abem.ca)

