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THE GOVERNANCE OF ALGERIAN PUBLIC ENTERPRISES AND DECISIONAL RATIONALIZATION (CASE – EPA. SONATRACH-HYDROCARBON SECTOR)

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ABSTRACT

The purpose of this study will be to present the state of play of the governance of public enterprises in Algeria, through a description of the efforts made to develop and promote this theme (the Algerian code and system of governance, economic reforms, Performance, decision-making, etc.). Today, these companies (APE[1]) must reach reliable and transparent economic plans, and effective and correct strategies to satisfy good governance. In the case of the Algerian EP the State is the sole shareholder and the directors are controllers. And the rationality of the decision-making process remains a main mechanism for good public management through good practices that present efficient economic reforms, knowing that Algeria adapts a system of corporate governance (Bank-oriented systems) oriented to banks Which play a decisive role in the management and financing of shareholders in the Algerian economy. After the mismanagement of Algerian companies, especially public enterprises, and the financial, ethical scandals, especially in the national company "Sonatrach[2]". This is considered a rentier economy In Algeria, over 97% of national exports.

The transition from the administered economy to the market economy has not yet changed this heavy trend of the Algerian economy. And After the failure and inability to make rational and

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[1] (APE) Algerian public enterprise

[2] **Sonatrach** "National Society for Research, Production, Transport, Transformation and Marketing of Hydrocarbons (S.P.A) " is an Algerian public company created on December 31, 1963, a major player in the petroleum industry known as the African major. Sonatrach is ranked the first company in Africa.

effective managerial and financial decisions by the state and public management supervisors of the company "Sonatrach" to improve economic performance and lucrative institutional sustainability. All this called for the need to look for the efficiency of the system of corporate governance in Algeria and the rationalization of decision-making.

Key words: governance, APE (Algerian public enterprise), decision making, power, government shareholder, CA, economic reforms, APE sonatrach (hydrocarbon sector).

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Introduction

In the economic and managerial literature, the theme of corporate governance has grown due to numerous financial scandals in which business leaders have been questioned. The importance of these shortcomings, both nationally and internationally, has led to questions about the effectiveness of the modes of governance. This resulted in the emergence and dissemination of a set of practical recommendations, often formalized in the form of codes of good governance. (A. Lamia., K. Ahmed, (2015, 02).

Beginning in the 1990s, corporate governance was the subject of numerous theoretical studies, rapidly complemented by the emergence of the first personality reports on governance (Cadbury-1992 report, Vienot 1 reports in 1995 & 2 in 1999 and the report Bouton-2002, Breeden report ... for example). The financial scandals of the 2000s have sparked a growing awareness that governance should be stepped up to prevent economic enterprises as a whole from being swept into a recurrent maelstrom.

This wave of resounding bankruptcies has had the merit of encouraging shareholders to question the reliability of accounts and financial reports presented by management teams.
The disappearance of economic giants such as ENRON, WORLDCOM or VIVENDI UNIVERSAL has taken the company's specialists to the limit and has engendered a process that we can only see as the first steps: the endless crisis of 2008 has raised questions about how Taken certain decisions (hut stone, 2013,02).

In a market economy, the company must comply with the rules of good governance, the main one being the complementarily between the technical and economic logic and the ethical requirement of the company. This new approach is based on the respective rights, obligations and responsibilities of internal and external stakeholders and their interrelationships.

The practice of good governance thus makes it possible to favor the conditions of a seine and dynamic market economy with a network of efficient and competitive companies. (O. Dahbia, B. Chabane, 2015, 17).

After experiments in the management of Algerian public enterprises and the relationship of the owner state with these, it is important to note that this experience went through two major phases: the first spreading from Independence (1962) the first reforms of autonomy (1988), and the second since then. Each of these two phases is characterized by elements that resemble those

of the corporate governance system.
In Algeria (especially), the Public sector remains dominant in the economy. This leaves very little room for the "Invisible Hand" to regulate the market.

In Algeria, the terms of productivity, efficiency and performance continue to represent the essential goals of the series of changes that began in 1980, and subsequently in 1988 with the process of structural adjustment of the Algerian economy between 1995 and 1998, Or the restructuring of the Algerian public enterprise and the socialist management form a part. There was a need to improve and develop management practices in national societies, to improve and refine structures in the light of experience, the implementation of new objectives and the raising of the level of maturity workers.

And After the failure and inability to make rational and effective managerial and financial decisions by the government and public management supervisors of the company "Sonatrach" to improve economic performance and institutional lucrative sustainability. All this called for the need to look for the effectiveness of the system of corporate governance in Algeria and the rationalization decision.

The problem of study

In this short text it is possible to start the research on the basis of a number of theoretical and practical reflections on the Algerian public society (EPA), What is known as a major economic crisis from 2008 to 2009 and in particular the crisis of the fall in oil prices in Algeria in 2014. And by raising some theoretical questions based on the Algerian experience and international research, we can propose some avenues for discussion that could possibly, at least I hope humbly, be useful.

This text attempts to complement some of the previous studies in the field of governance of public enterprises according to the Algerian economic system. We must remember the peculiarities of the control of the PE or of their governance to rationalize the decision-making process in a more contemporary vocabulary. And the entrepreneurs who run them must be allowed to undertake state control, and their capacity to be instruments of economic policy must be re-examined.

And the fact that the application of corporate governance in "Sonatrach" as a "state enterprise" (state shareholder), which represents the rentier economy in Algeria. Through this, we analyze the relations between Algerian public companies and their governance and their decision-making process in order to propose an original synthesis.

In light of these events and brief explanations on the subject, we arrive at the following dilemma for the study:

How does the governance of public enterprises in Algeria affect the decision-making process? And what is the reality of this relationship at Sonatrach level?

By the main dilemma, we can pose the following partial problematic:

✓ What type of managerial governance formalized by Algerian public enterprises? And the impact of theoretical approaches to corporate governance on decision-making?

✓ What type of relationship Between the Algerian sovereign powers (Government shareholder)? And decision-making (information system)? And good governance (management control, board of directors, senior management ...)? Within Algerian public enterprises?

✓ What is the degree of application of the concept of corporate governance at ″Sonatrach»? And its impact on managerial decision-making rationalization in front of the managerial, financial and institutional scandals of ″sonatrach? ″

The importance of study

The importance of this study is linked to the topicality and concerns of the Algerian government because of the financial, ethical, managerial and organizational scandals in public management and particularly the Algerian public company, for example scandals 1 and 2 of the Sonatrach, as the APE governance system is a topical and recent concept and is being implemented on one side and is a measurable mechanism for evaluating and developing economic, organizational and structural reforms Efficiently on the other hand.

Study objectives

These objectives are:

✓Define the concept of corporate governance in Algeria, including emergence, theories and practices;

✓ Determine the reforms and economic policies of the Algerian EPs;

✓ Show the impact and need to apply corporate governance in Algeria, especially in the current economic crisis, due to lower oil prices;

✓ Identify the extent to which the principles of governance (at the level of the Algerian public institution Sonatrach) have been implemented, thereby contributing to the streamlining of the decision-making process, such as the degree of financial and accounting disclosure, symmetry of information Stakeholders and concepts of responsibility and accountability.

The fundamental objective is to determine the impact of upgrading the notion of governance on the APE and the role of this new form of public enterprise management in economic growth through the creation of added value, Improvement of institutional performance, social responsibility, and decisional rationalization ... etc.

Methodology of work

In this research, the following methods were adopted:

✓ Descriptive method: As long as this study has a theoretical part, then we apply this method which allowed us to present the theories related to the research, at the same time, we did not make an empirical study, which allowed us to present Periods and economic reforms that relates to the APE, practices .., in general, basing on decrees, laws, and decisions by the state and guardianship authorities

✓ Historical method: This method is devoted in the theoretical context that has presented the history of the economy and the Algerian EP and their economic reforms manager and their code and system of corporate governance to this day.

Review of the literature and methodological framework

In its broadest sense, governance refers to the way in which an organization is governed, including the various processes, systems and control mechanisms that are used for this purpose.

What is corporate governance?

More concretely, it relates to the ability of a governance team, the board, to lead and lead an organization in a strategic way, including making key decisions about the organization's priorities and roles, Defining expectations, delegating authority and complying with official requirements. Governance is not about the management of programs or people, and does not include the operational specificities of the organization. The exercise of good governance, at the end of the day, serves the objectives of the managerial body.

The problem of governance

The problem of controlling the decisions of managers is not particularly recent: since then large companies have developed, leading to the dilution of capital and the dissociation between ownership and management. The owners became aware of the risk that the lack of regulation of the leaders they mandate with the mission to optimize the performance of the firm. For Berle and Means (2004), this awareness took place after the crisis of 1929 when the risk of spoliation was clearly established: "The problem of governance was born from the dismemberment of the function of property into a function of control, which involves the incentive and supervisory systems supposed to be carried out by the shareholders, and a decision-making function supposed to be the prerogative of the managers. ". In this context, shareholders should set up control systems to ensure that their interests are defended in order to prevent opportunistic behavior by managers. This issue of executive control, and thus of corporate governance, has recently taken on a new dimension and has become the focus of debates on managerial performance. There are three main reasons for this renewed interest: the increasing role of financial investors in business development, recent stock market and financial crises, and inefficient or even fraudulent managerial practices that have marked recent events. (Khaddouj. K. 2016, 4).

In its widespread dissemination, the issue of corporate governance risks casting doubt on corporate governance itself in the event that governance is assimilated to management. As a result, it would obscure the focus on executives and certainly lead to the allocation of the company's financial results. The results will be generated much more by the mode of corporate governance than by the decisions made by the leaders themselves. Corporate governance can be designed according to the name of Edgar Morin as "management of management". (F.sadaoui, A.badi, 2015, 04)

1. The conceptual framework of governance

The roots of the word ″governance″ go back to the Latin word ″gubernator″ which comes from the Greek ″Kubernetes″ relating to the individual holding the rudder of warships. The role of the gubernator was neither to row nor to decide on those who row or the combination, is its role to monitor the trajectory of the ship. Therefore the first definition of governance is to monitor and direct. (J. O′Grady, 2002).

According to Jean-Pierre Gaudin , the word ″governance″ meant in the thirteenth century the action of piloting something. The emergence of modern states from the sixteenth century onwards, and the reflection on this concept, led later to an empowerment of the notion of government in relation to that of governance. (J.P. Gaudin, 2002).

The first notion was associated with the idea of a hierarchical power, and the second took on the meaning of the science of government, that is, the proper way of managing a thing or a situation. It was according to this conception, more linked to the idea of management than to that of power, that governance was exported to the Anglo-Saxon world. This term refers, at present, to a pragmatic steering of powers.
In the 1970s, some economists will define governance as ″devices implemented by the company to conduct internal coordination to reduce transaction costs generated by the market.″

In the 1980s, international institutions seized the expression ″good governance″ to define and clarify the criteria for ″good public administration″ applicable to countries with strong incentives (in exchange for loans) to set up Institutional reforms for the success of their economic programs. They advocate good governance, a new public management based on an entrepreneurial logic. They advocate the waning of the welfare state, the targeting of beneficiaries of social policies, and the privatization of public services.
During the 1990s, governance would be ″a relational practice of cooperation's not predefined and always to reinvent, at a distance from hierarchical frameworks of the past and routine procedures″. (J.P. Gaudin, 2002).

Governance is also defined as ″the set of actions and means adopted by society to promote collective action and to provide collective solutions in order to pursue common objectives″.

According to the OECD: "Corporate governance specifies the distribution of rights and responsibilities through the various participants in the corporation, such as staff, managers, stakeholders and other stakeholders. (OECD, Principles of Corporate Governance, 2004).

In this context, we return to the definition of corporate governance presented by G. Charreaux in order to clarify the nature of the debates related to this theme. At first glance, this definition applies to businesses, in their increasingly widespread form of corporations. The capital emanates from majority or scattered shareholders and this form of enterprise has an important and new characteristic, at least for the time; the dissociation of ownership and control. This is reflected on the managerial level where the company is headed by non-shareholders (G.charreaux, 1997).

On the Algerian accounting and financial level, this type of property is reflected in the division of capital into two categories: the active form and the passive form.

✓The active form: represents the values belonging to the company and;

✓The passive form, on the other hand, represents all the debts of which the contributions of the shareholders.

This often leads to a situation where managers sometimes exercise absolute control over the assets of the corporation. Thus, Berle and Means arrive at the thesis according to which there appears a new type of "non-controlling property" having undergone the break-up of the traditional ownership into passive and active.

Where as in the case of Algeria, these are mainly publicly owned enterprises. The State has put in place administrative and fiscal control mechanisms. Some institutions, including the public administration or the courts of auditors, take over the control action.

1.1. The main theories of corporate governance

The most important corporate governance theories related to management control can be presented as follows:

1.1.1. The theory of property rights and the shareholder state (the sovereign power) of the public enterprise: To define more precisely property rights, emphasis must be placed on two dimensions, the right to residual yield and the right to control. Indeed, to own the right to own an asset is to have the right to the residual return resulting from the production or, in other words, to benefit from the profit. The person entitled to this return is, in the case of the firm's analysis, the owner of the firm. But there is also the right to residual control, that is to say, the right to take all decisions concerning the use of the asset with only the legal or contractual specifications.

The type of public enterprise is the antithesis of the model of capitalist enterprise; it is characterized by the non-transferability of a collective right of ownership. So we are in a situation where there are no negotiable rights on the assets. And the state owns (shareholder) and bears losses and profits.

The theory of property rights is based on a relatively simple idea: the existence of well-defined property rights is an essential condition of individual initiative.

The conclusion is that the discretionary practices of managers will tend to be more important than in a private company, because there is no real control of the shareholder (the state), there is no threat of corporate takeover as well as in the private sector, and the traditional incentive mechanisms of managers cannot be put in place. (KHERRAF H. 2014, 25).

1.2.2. Agency Theory and Conflicts of Interest (Jensen & W.H. Meckling 1976): Distinguishing itself from the theory of the agency that privileges the notion of conflicts of interest. The traditional conflict between shareholders and managers, Jensen and Meckling's analysis also deals with the established agency relationship with creditors. Indeed, the use of indebtedness allows the owner-manager to evade the discipline of shareholders, but creates another agency relationship with the creditors. The latter may protect themselves by contractual clauses or by the taking of guarantees. The bankruptcy procedure is also a control mechanism. (Charreaux, G. 1997, 1). Jensen and Meckling also cite the role of management's reputation in reducing agency costs and the control function of financial analysts. It can be said that the relationship between shareholders / managers / and financial creditors. It is then necessary to extend the analysis to all parties involved; this is what was done by Oliver Williamson in 1985 through the theory of transaction costs.

1.2.3. The theory of transaction costs and the opportunistic behavior of managers (Williamson 1981): The theory of transaction costs proposes a variant of what can be described as a contractual vision of the firm: the firm is defined as a system of contracts, of specific form, between individual economic agents. This is basically an explanation of the firm by the market failures deriving from information imperfections and asymmetries.

Opportunism: is central to the current reformulation of the analysis of Individual behaviors that aim to consider men "as they are", in an imperfect information context. Opportunistic behavior is to seek self-interest through cunning and various forms of cheating. Opportunism is based on an incomplete, distorted or falsified revelation of information by an agent, notably on its capacities, preferences or intentions, and therefore the existence of information asymmetries between agents (for example, on the quality of a product, or the vagaries of its production); it can go as far as pure and simple breach of its commitments. The risk of opportunism increases transaction costs, in this case the cost of negotiating and overseeing a contract; it therefore encourages the internalization of the transaction. The risk of opportunism increases transaction costs, in this case the cost of negotiating and overseeing a contract; it therefore encourages the internalization of the transaction. (CORIAT, B. WEINSTEIN, O, 1995).

1.2.4. The rooting theory and the discretionary power of managers: The theoretical framework describes the various mechanisms that delimit the discretionary space of managers, with the aim of limiting transaction costs, without questioning the behavior of managers. Indeed, in this theoretical framework, the role of the leader appears very discreet or even absent, yet the leaders are not passive, pursuing an objective of rooting, they seek to neutralize the various disciplinary mechanisms.
Leadership is for managers to value (for themselves) their presence within the company by making it expensive to revoke them and thus reducing their risk of replacement. The leader will then adopt strategies of rooting, that is to say make it indispensable to shareholders (PARRAT, F. 1999).

The manager increases the need for his role and know-how, exacerbating his status as a specific asset. This entails neutralizing the governance mechanisms imposed on the manager as the board of directors as a formal mechanism of market-driven control. Indeed, executives benefit from an asymmetry of information that allows them to make decisions that are not necessarily for the benefit of the shareholders and the stakeholders of the company, but these decisions reinforce the position of these leaders.
In summary, the contractual theories of the firm propose a corporate organization representation based on contract, information asymmetry and opportunism and deduce optimal forms of

governance as regards borders but also organizational structures to ensure that executives are acting in the best interests of shareholders. These are disciplinary approaches to governance. (Khaddouj, K. 2016,11).

1.2. The principles of governance of SOEs according to the OECD (2015)

The Guidelines on Corporate Governance of Public Enterprises were first published in 2005. In 2014, the OECD Committee on Corporate Governance mandated its subsidiary body, the Working Party on Corporate Governance, and privatization, to review and revise the instrument in the light of the lessons learned from almost ten years of implementation. (OECD, 2015- Guidelines on Governance of Public Enterprises),

A. Reasons for public ownership: The State exercises its rights as a shareholder of public enterprises in the service of the public interest. It must carefully evaluate and make public the public policy objectives for its participation and submit them to periodic reviews.

B. The State in its role as a shareholder: The State must behave as an enlightened and active shareholder in order to ensure that governance of public enterprises is exercised in a transparent and accountable manner with a high degree of professionalism and efficiency.

C. Public undertakings on the market: In accordance with the grounds for public ownership, the legal and regulatory framework governing public enterprises must guarantee a level playing field when they are engaged in economic activities.

D. Equal treatment of shareholders and other external investors: When public enterprises are listed or have investors other than the State as their shareholders, the State and public enterprises must recognize the rights of all shareholders and ensure that, they receive fair treatment and equal access to company information.

E. Stakeholder relations and corporate accountability: The government must conduct a shareholder policy that takes full account of the responsibilities of public enterprises vis-à-vis the stakeholders and oblige public enterprises to report on their relations with Stakeholders. All State expectations of public enterprises regarding the responsible conduct of enterprises must be clearly stated.

F. Dissemination of information and transparency: State-owned enterprises must comply with stringent transparency standards and be subject to the same high standards of accounting, disclosure, compliance and auditing as listed companies.

G. Responsibilities of the boards of directors of public enterprises: The board of directors of a public company must have the necessary powers, competence and objectivity to carry out its strategic steering and supervisory functions. The Board of Directors must act with integrity and be accountable for the decisions it makes.

The conclusion that the Guidelines (OECD 2015) should continue to be a demanding source of inspiration for States and serve as a reference for reforming the public enterprise sector.

1.3. Corporate governance and shareholder / manager conflicts

The agency theory aims to solve types of problems that arise in the relationship between the principal and the agent: (Wassila, L. Melha, 2015,05),

✓When the interests and goals of the principal and the agent differ and it is difficult and costly for the principal to verify what the agent does. The problem is that the principal cannot verify whether the agent is behaving adequately or not.

✓When the principal and the agent have different attitudes towards risk;

✓These agency conflicts induce significant costs grouped into three categories (Jensen & Meckling, 1976).

✓Costs of supervision by the principal to ensure that the agent does not act against his interests;

✓ the costs of self-discipline granted by the agent to show to the principal that he acts in accordance with his interests;

✓And lastly, the residual losses incurred by the principal arising from the fact that, although the agent is controlled and self-discipline, the contractual relationship results in a loss of utility.

Thus, in order to mitigate agency problems and the resulting costs, agency theory highlights the need for the establishment of tools and a mechanism for controlling managers.

1.4. The principle of separation between control and decision-making

The separation of management and control roles is seen as a primary requirement of corporate governance, which must provide a clear and identifiable framework for each of the roles of the two stakeholders and the relationships between them. However, in Society Anonyms (SA), the Board of Directors plays an important role, which consists mainly of:

✓ To determine the strategic axes of the company, its main action plans, budgets and programs of periodic activities;

✓ To recruit and replace the principal officers (mandataries) responsible for managing the strategy and fixing their remuneration;

✓ To follow the activities of the managers, to define the desired results and to check their adequacy with the forecasts. (K. Aksil., A. Aissat. 2015, 02-03).

The objective here is to guarantee the independence of the board of directors and its chairman whose decisions should not be influenced by the special interests of the general management but dictated solely by the objective of creating long-term shareholder value.

1.5. The role of information in decision-making through corporate governance

The shareholder model of corporate governance advocates maximizing the appropriate profits by the shareholders of the company. To achieve this objective, they monitor the managers, and consequently impose on them the optimization of the sustainable management of the company. ′Business. Continuously taking decisions that materialize this imperative can be seen as a lever for the company′s continuity.

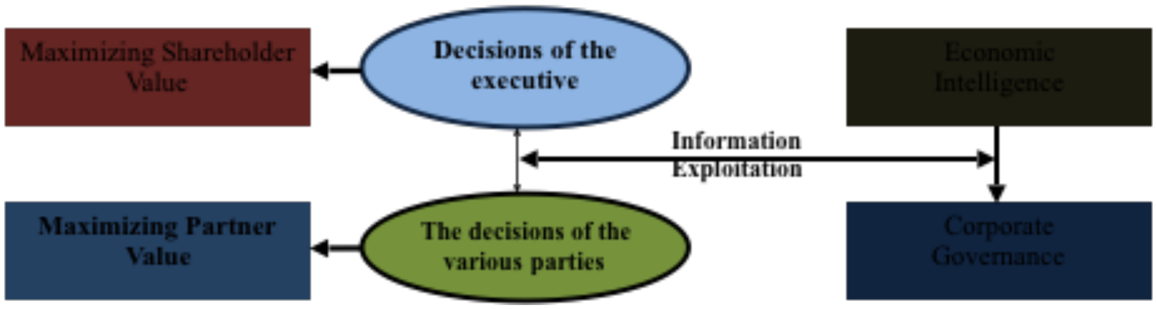
The partnership model of governance also requires better decision-making by the various stakeholders, with the aim of generating a considerable organizational rent, which is intended to be distributed among the parties that contributed to its creation.

Business decision-makers (managers and stakeholders) often have to make decisions, even when they do not have all the cards in their hands. They are forced to continue to make strategic decisions for their company, an exercise which is increasingly difficult in this new framework of evolution[1].(Coggia. V, 2009,11)

[1] Coggia. V, (2009), « Intelligence économique et la prise de décision dans les PME », L'Harmattan, p 11.

Economic intelligence helps the company′s decision-maker to make strategic decisions that generate greater value (shareholder or partner). As shown in the following figure:

Figure (1): The use and role of information in decision-making according to models of disciplinary governance



Source: Matmar. D., Naneche. F., (2015), Economic Intelligence in the Service of Corporate Governance, International Colloquium on Corporate Governance: New Approaches and Experiences, SECG- Laboratory LAREMO- Tizi ouzou University, 23-24 November 2015, Algeria: 10

Par conséquent, l'intelligence économique est destinée dans cette perspective à informer la prise de décisions au sein de l'entreprise, dans la mesure où elle pourvoit le décideur des informations, qui lui permettent de prendre des décisions congruentes. Dans le modèle actionnarial de la gouvernance, l'intelligence économique vise à assister le dirigeant dans la création d'une valeur actionnariale maximale. (Matmar. D., Naneche. F., 2015,10).

Economic intelligence also finds its legitimacy in the partnership model of governance, since through the information it drains allows the various stakeholders in the company to optimize their decision-making, to create a maximum organizational rent.

2. Corporate governance in Algeria

The debate on governance in Algeria originated in the early 2000s with the bankruptcy of banks ELKHALIFA and BCIA, added to this the constraint of the market economy, the weight of structural adjustment on the ″ Algerian economy in general and enterprises in particular.

All these factors have prompted governments to adopt the principles of good governance, particularly in public enterprises. Good governance, which before this period was a term almost at the margin, and on which new environmental data have emphasized and propelled its principles in this case, transparency; Equity, accountability and responsibility. The move was reflected in a significant public awareness through the promulgation of the Code of Commerce in the first place, but has also spread to the business community, which has increased its efforts to implement the rules of good governance and this through the establishment of the governance code for Algerian companies (first version in 2008 and then updated in 2009), the creation of an institute of governance (2010) but also through The need to investigate these companies. (A.Malika, A.Khellodja, 2015, 06)

In 2003, the World Bank launched a strategy to assist African countries, and especially Algeria, in fiscal 2004-2006, aimed at increasing the government's ability to regulate the market and encouraging the private sector to adopt good Practices through technical assistance.

In a 2004 Financial Sector Assessment, the World Bank noted that since the late 1980s the Algerian authorities have undertaken a broad and credible modernization of the laws and regulations governing financial intermediation. However, significant gaps remain with regard to laws and regulations, and Algeria lacks a modern governance framework. In addition, although shareholder rights appear to be well protected, the absence of corporate governance regulations weakens the protection of minority shareholders. (World Bank, Algeria: Economic Monitoring Report, April 2016).

In Algeria For exercises years 2004-2006, aimed at increasing the government's capacity to regulate the market and encouraging the private sector to adopt good governance practices through technical assistance.
With regard to the Financial Sector Assessment in 2004, the World Bank noted that since the late 1980s the Algerian authorities have undertaken a broad and credible modernization of the laws and regulations governing financial intermediation. However, significant gaps remain with regard to laws and regulations, and Algeria lacks a modern governance framework. In addition, although shareholder rights appear to be well protected, the absence of corporate governance regulations weakens the protection of minority

The 2007 report on the evaluation of African Peer Review Mechanisms and the new Partnership for Africa's Development Initiative. This report recommends that transparency and shareholder rights be improved in Algeria, that management instruments be streamlined and that private companies be encouraged to become joint stock companies. Ethics is developed for businesses at all levels and corruption is slowed down.

Corporate governance is at the beginning of the Algerian enterprise and shows that the understanding of its principles remains dependent on the efforts made in this direction by all the parties concerned. And the perception of the Algerian leaders, whether at the level of public or private companies, remains limited to the bodies of management, control and supervision.

The scope of governance of this fact should be extended to other governance mechanisms, this being possible only by acting primarily on the macroeconomic level in other words from the institutional and regulatory point of view. (African Peer Review Mechanism - APRM Assessment Report No. 4)

However, Algeria is not in the rest of the world in terms of corporate governance, even if the models pursued are not identical, and the aim remains the same: that of performance and profit for the Of all stakeholders.

Finally, we can emphasize that the development of good practices in corporate governance in Algeria should be based on a common sense rule that would avoid confusion and contradictions of interest.

2.1. The systems of corporate governance in Algeria

Traditionally, there are two corporate governance systems in Algeria. In the first, attention is focused on the predominant role of financial markets as an instrument of regulation and control.

The second is a bank-oriented system. The latter bases its analysis on the incompleteness of the contracts to study the allocation of resources and residual decision rights and possibly the right of appropriation of the residual gains. If the authors have mentioned in their analysis the existence of two models of control, Anglo-Saxon or German-Japanese.

Existence of many mixed systems with a strong emphasis on shareholder sovereignty. Enterprises also create cross-shareholdings with the state, banks, markets and families. (MOERLAND, P.W. 1995, 17-34).

✓ Market-oriented systems: they are mainly found in Anglo-Saxon countries and are characterized by a dominance of the markets in the process of acquisition of financial funds or recruitment of directors ... etc. They are characterized by: low financial intermediation, strong dispersion of ownership, low participation of banks in the capital of companies, investors are looking for reliable information on the future profitability of the projects, And that in projects with better profitability according to the information communicated by the markets, takeover operations are quite frequent and very hostile (OPA, OPE ...).

✓ Bank-oriented systems: They are located in countries with debt-economies, where banks intervene more, such as Algeria. This type is characterized by: a strong presence of banks in the capital of companies, a higher debt-to-equity ratio, a smaller dispersion of shareholders, a greater concentration and homogenization of receivables, And companies build lasting relationships with banks that become partners and take on high risks, providing long-term credits and large sums of money. (Z. Lounis, C. Khedidja, 2015, 07).

What type of governance within the Algerian economic enterprise?

The first is based on the financial market, while the second is based primarily on network-oriented systems where banks play a key role in financing. The characteristics of this system are reflected in the financing model of the Algerian economy. This naturally refers to the other characteristic that cites the concentration of shareholders since it is a single shareholder, the state in this case, and the equity holdings of the banks in the companies are not yet a shareholder, Since, despite very stable financing relationships, they did not acquire shares on the financial market. Banks have been confined to traditional forms of financing. (F.sadaoui, A.badi, 2015, 13).

2.2. What role does the government play in the consolidation of corporate governance?

The government can commit itself alongside companies as a benevolent guardian to strengthen their capacity for good governance by responding to three main objectives within the framework of the new governance instruments:

✓Anticipate: the government, within the framework of the anticipation can become producer of prospective studies. It informs and informs companies, about the future in the medium / long term in the field of markets, techniques or mutations of the future likely to destabilize them.

✓Produce appropriate information and treatment: focusing on the procedures and means of disseminating the state to enterprises in the context of EI.

✓ Accompanying: the government must make available to companies guidelines for action in order to conquer external markets.

2.3. Algerian Institute of Corporate Governance: Hawkamat El Djazair

The Algerian Institute for Corporate Governance was launched by the Circle of Action and Reflection on the Company (Care). This project is part of the continuation of the Algerian Code of Corporate Governance, (See below), with the support of the Ministry of SMEs and crafts. It is an accomplishment that arose from a public / private initiative, addressing the company and all of these stakeholders. (Kheroua hind, 2015, 149).

Mission and objectives.

The mission of Hawkama El Djazair[2] is to develop the performance of the economic fabric in Algeria by promoting good corporate governance practices through training, information, advice, studies and advocacy. Its objectives are to popularize and spread the principles of corporate governance, to support companies in the implementation of good governance practices and to encourage the introduction of the criterion of "governance" in access to finance. It also contributes to improving the legal and regulatory framework relating to corporate governance and contributing to the training of human resources in and around the company, also to involve the Algerian International dynamic of work and reflection on issues of governance and corporate social responsibility.

2.4. The Algerian code of governance

Any business is likely to live in original and unique governance issues. It is up to each Member State to undertake its self-assessment in this area and to take the necessary steps (Algerian Corporate Governance Code, version 2009).

The Algerian Code of Corporate Governance was drawn up by a Task Force, called GOAL 08, in reference to GOVERNANCE ALGERIA 08. This Task Force was created at the initiative of CARE (Circle of Action and Reflection on (FBA) and the APAB (Association of Algerian Beverage Producers). It brought together volunteer skills representative of the business and business world. Specifically, the purpose of the corporate governance code in Algeria is to address the following concerns:

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[2] Algerian Institute of Corporate Governance - HAWKAMA El Djazair, "Study on Corporate Governance and Governance" pp 2-6, from www.hawkama-eldjazair.org

✓How to improve the bank / business relationship?

✓How to attract external investors to the initial core, often family?

✓How to establish a relationship of trust with the accounting and tax administration?

✓How to clarify the relationship between shareholders and non-shareholder managers?

✓How to clarify responsibilities in the executive team?

By definition, the task of the Task Force is limited in time. It is contained in the elaboration of a code of corporate governance in Algeria. (HAWKAMA El DJAZAIR- from www.hawkama-eldjazair.org)

Figure (3): Principles of governance in Algeria

Fairness (equity): The rights and duties of stakeholders, as well as the privileges and obligations attaching to them, must be equitably shared.	**Transparency**: these rights and duties, as well as the prerogatives and responsibilities arising from them, must be clear and explicit for all.
Responsibility: responsibilities, each other have specific, non-shared objects .	**Accountability: Each stakeholder is responsible to another for the thing on which he is responsible.**

Source: Algerian Corporate Governance Code, version 2009

The standards of corporate governance in Algeria cover the relationships that are established between, on the one hand, the internal stakeholders of the company; on the other hand, between them and external stakeholders. These relationships are already largely governed and defined by the company's business law, the company's by-laws and the company's contracts and agreements with third parties. The "added value" provided by the standards of good governance consists in specifying how rigorously, ethically and efficiently in these different frameworks of intervention.

✓The standards of good governance apply to all legal forms of companies;

✓The most developed form of legal organization is the SPA. It is based on three distinct bodies:

✓ When its owners exercise their rights and prerogatives;

✓ Control of the company's activities; and the person responsible for carrying out these activities.

The denominations vary according to the formulas used. For purposes of simplification, reference is made here to the most commonly used in SPAs:

✓ The General Meeting, which brings together all the shareholders;

✓ The board of directors, which brings together the directors;

✓ General management, which is provided by the management team.

2.5. Main stages of development of GOAL 08 (Algerian governance 2008)

✓July 2007: first international seminar on corporate governance in Algiers;

✓November 2007: first meeting of the Task Force (Working Group). Establishment of a select committee; ✓November 2007 to October 2008: work of GOAL 08;

✓October 2008: validation of the code with the initiators of the FCE, CARE and APAB project; ✓December 2008: presentation of the corporate governance code to a panel of experts and to the Ministry of SMEs and Handicrafts;

✓January 2009: edition of the code;

✓March 2009: launch ceremony of the Algerian Code of Corporate Governance.

Aware of the need to disclose the principles of corporate governance in Algerian private and public companies, several efforts have been made by public authorities, business owners and various organizations, although for the time being all Incentive and leaves companies free to choose whether or not to adhere to the principles of corporate governance.

For example, managers of SOEs are invited to align themselves with the OECD Corporate Governance Principles in relation to the 2004 Guidelines, and private companies are encouraged to adopt the principles of corporate governance Algerian companies (GOAL 2008) update in 2009, to improve their management and optimize their performance. (A.Malika, A.Khellodja, 2015, 06) .

2.6. The Institutional and Organizational Devices of Corporate Governance in Algeria

In Algeria, apart from the trade code adapted rather to the centralized economy and then re-adapted in its new version to the rules of market economy because of the opening of the economy, there is a single Algerian code of governance business. Edited in 2009 by an independent task force, "Task Force Goal 08", is aimed more at private SMEs than at public sector companies. The time has come to define the scope of the managerial concept of corporate governance, because today these codes are concerned with the harmonization of these institutional mechanisms, which take on an international dimension. (F.sadaoui, A.badi, 2015, 10).

Thus, in the current Algerian economic context, corporate governance goes beyond the interest of shareholders in the individual performance of their companies. It is recognition of the contribution that a quality corporate governance system can make to the stability of capital markets, investment dynamics and overall economic growth. In a different way, all financial institutions (banks and insurance companies, etc.), investors, collective investment undertakings have become aware of the role they can play in favor of good governance practices, business.

Harmonization of institutional arrangements takes place within a framework that can make these arrangements compatible. These include:

✓Internal bodies and procedures constituting the company's own system;

✓The external bodies and procedures constituting the support system;

✓Organization and procedures for guardianship of appeals and arbitration constituting the regulatory mechanism;

✓The operational instruments used by the various bodies in the procedures relating to corporate governance (F.sadaoui., A.badi., 2015, 11).In the internal systems of corporate governance, certain issues relating to the fund of the problem of governance arise with acuity. At first glance, what is the degree of sovereignty of the general meeting of shareholders? What is the main role of the Board of Directors? Is it the administration of the enterprise or the control of the administration?

3. The Algerian public enterprise

As mentioned above, the Algerian public economic enterprise (EPA) as a joint-stock company (SPA) dates back to 1988 and is part of the economic reforms aimed at moving towards the market economy. These EPEs were grouped into eight (8) equity funds, which were replaced in 1995 by public holding companies. In 2001, the latter took the place of the asset management companies (SGP) in view of the privatization of government trading capital. The resolution of the conflicts that can arise, in particular, from the asymmetry of information, will concern the various partners of the company (employees, customers, suppliers, environment ...). (A. Lamia., K. Ahmed, 2015, 03).

The dissolution of the GSPs in 2015 signals the return to industrial groups. The various reforms implemented by the institution (the government) were intended to govern the public enterprise. However, it should not be inferred from these reforms that there is no link between the enterprise and the government, because when one considers the status of the directors, one realizes that these are designated by the State either directly (Statutory directors) or indirectly by the general meeting of shareholders.

In the Algerian context, government -owned enterprises covered a wide range of legal forms. Today the predominant form is the joint stock company (SPA). These companies have legal personality and financial autonomy of management. Its legal existence is distinct from that of the government and the guardianship to which it belongs. The public enterprise must therefore strive to meet often divergent needs and interests. Apart from the fact that the techno-structure is subject to control systems that respect compliance with budgetary rules and the relevance of decisions.

The Algerian public firm constitutes for the government an instrument of regional balance of development. The management of the public company is therefore a challenge because it escapes the models conceived for the private company while being inspired by it.

New public management is subordinated not only to the requirements of efficiency, competitiveness and profitability of capital, but also to the imperatives of national structural and cyclical policies.

The evolution of the Algerian public enterprise was carried out in four stages:

✓ The period 1966-1978: During this period, the national enterprise appears as an extension of the administration.

✓ The period 1978-1988: This period was marked by the implementation of organic restructuring.

✓ The period 1988-1995: During this period, a series of reforms were undertaken in order to give national enterprises the means of their autonomy.

✓Since 2001 to date: And by Ordinance No. 2001-04 of 20 August 2001 on the organization, management and privatization of public economic enterprises; Which repeals Order 95-22 of 26 August 1995 on the privatization of public undertakings and Ordinance No. 95-25 of 25 September 1995 on the management of State trading capital. , The structuring of EPAs in SPA involves: (Boussadia. Hichem, 2014, 65)

A separation of powers: Owners (Board of Directors); With those of the managers (CEO, DG).

Implementation of controls: Management by the Board of Directors and General Meetings; Accounting and financial information by the auditor.

The Algerian public enterprise is currently a joint-stock company whose sole owner is the State. According to F.DEBLA, from this lack of ownership, all the overruns (administrative injunctions, clientelist choice of officials, abuse of social goods, etc.) that affect public enterprises prevent them from becoming genuine firms. (F. DEBLA, 2007).

Table (4): Evolution of the EPE status in Algeria

Management body	Equity Fund	Holdings	GSP
Number	**7**	**11**	**28**
Status	Trustee of Public Capital Management.	Management and Administration Of the merchant capital of the State.	Management and privatization State-owned enterprises
Organization	Board of Directors 5 to 9 members a Chairman of the Board elected a Designated Chief Executive Officer.	A board of 3 members including a CEO. A D supervisory board of seven members.	A board of 2 to 3 members including a CEO.
guardianship	General Assembly of Presided over by the Head of Government	National Council of State Participations (CNPE), chaired by the Head of Government	State Participation Council (EPC), chaired by the Prime Minister..
Legislative text	Laws 88-03 of 12 January 1988	Ordinance 95-25 of 25 September 1995	Ordinance 01-04 of 20 August 2001.
Mandate's duration	5 years, renewable.	6 years, renewable.	2 years, renewable

Source: Boussadia. H, (2014), corporate governance and control of the executive: case of the Algerian public company, Thesis of Doctorate -Option: Management of Organizations, Specialty: Audit and Management Control- Faculty of Economic, Commercial and Management Sciences- Tlemcen University -, Algeria, 2014, p.65

The organization and tasks of these management bodies, which are subject to the external auditing of the statutory auditors, can be summarized as follows: (Boussadia, H., 2014, pp. 121.123).

✓These are EPE securities management companies. They may take shareholdings in any company or company established in Algeria or abroad;

✓ They contribute to the implementation of government policy;

✓ They act as fiduciary of the state to ensure the management of the public funds held by the FIEs and to make the necessary investments. They may optionally

✓They are required to pay dividends.

✓ They were administered by a management board of 3 members, including a CEO and a seven-member supervisory board.] The appointment and renewal of the terms of office of the members of the Management Board and the Supervisory Board is made by the General Meeting of the Management Authority. They elect a president who is invested by decree;

These appointments are endorsed by the government, through the National Council of State Participations (CNPE). The latter was replaced by the State Participation Council (CPE), under Ordinance 2001-04 of 20 August 2001, which is under the authority of the Head of Government, currently Prime Minister.

✓ The function of administrator is incompatible with the exercise of an authority function;

✓The Board of Directors, or the Executive Board, appoints the persons of its choice to represent it at general meetings.

3.1. Public Enterprise (EP) and governance: as a new dimension of management in Algeria

The governance of the public enterprise is now recognized as an important dimension of the company. It is she who is in a position to ensure sustainability and good financial health, although concerns over governance have arisen in recent years following the various financial scandals that have affected several major international companies (Enron in the United States, Credit Lyonnais in France, etc.). At the root of this growing enthusiasm there is the opportunism of managers and information asymmetry, the inefficiency of boards of directors, doubts about the integrity of audits ... etc.

However, the governance of Algerian public enterprises is still being sought. The relationship between the government / shareholder and the designated directorates is ambivalent. Before discussing the governance of the public enterprise, it seems necessary to clarify the notion of public enterprise.

3.2. The reasons for the governance of the Algerian public enterprise

The notion of a public company does not have a true definition in law. Commercial law speaks only of "company" and not business. However, the 1980 EEC Directive regards the public undertaking as:

'Any undertaking over which the public authorities may exercise a dominant influence by virtue of the financial participation or the rules governing the undertakings'. (M. Poyet, 2001, 35)

3.2.1. The government / public company contracting

Established in January 1988, the Public Economic Enterprise (EPE) succeeded to its eldest Socialist Enterprise, which was administered within the framework of the Socialist Management of Enterprises. The FIEs are grouped by branch of activity and managed by government participation bodies (directory); their capital is held by the only SGP (Asset Management Company) and is grouped by activities: Public Works, Hydraulics, Construction, Industry, etc. There are twenty-eight (28) GSPs.

Public enterprises: subject to the accompanying control in place of prior control are linked to the government through program contracts.

Program contracts: define, for a multiannual period, in particular the commitments of the State and the contracting agency, the technical, economic and financial objectives assigned to the organization and the means to achieve them, of their execution. (A. Z. Malika & Chertouk, 2015, 04).

Indeed, the State undertakes to generalize contracting to all public enterprises, whatever the nature of control they are subject to, the main objectives are:

✓ Optimization of budgetary transfers between the state and public enterprises;

✓ State remuneration - shareholders;

✓The rescheduling of the investment program and the control of indebtedness ... With the policy of contracting, the State espouses the two roles of:

*″The Shareholder State″ concerned with financial results;

* ″Government power″.

The logic of the contractual approach makes it possible to put in place a balanced compromise between the requirements of financial control and the requirements of management autonomy. This rebalancing ensures a global control of the management of the public company. From this angle, contractualisation appears as a mechanism of global governance.

3.2.2. The shareholder state

The State must behave as an enlightened and active shareholder and define a clear and coherent shareholder strategy in order to ensure that the government of public enterprises is exercised in a transparent and accountable manner, with all the necessary professionalism and efficiency.

A. The public authorities must draw up and publish a shareholder strategy defining the overall objectives of state ownership, its role in the governance of public enterprises and how it implements this shareholder strategy;
B. Public authorities should not be involved in the day-to-day management of public enterprises and should be given complete autonomy to achieve the objectives assigned to them;

C. The State must leave the boards of directors of public enterprises to exercise their responsibilities and respect their independence;

D. The exercise of the rights attached to shareholder status must be clearly identified within the administration. In order to facilitate this identification, it may be useful to set up a coordination body or, better still, to consolidate all the shareholder functions;

E. The coordinating entity or shareholder must report to the representative bodies, such as Parliament, and maintain clearly defined relations with the public bodies concerned, in particular the supreme audit institutions;
F. As an active shareholder, the State must exercise the rights attached to the shareholdings it holds in a manner adapted to the legal structure of each company.

3.2.3. Board of directors and decision-making

It follows from the provisions of Article 638 of the Commercial Code that the Chairman of the Board of Directors also holds the post of Chief Executive Officer of the State Economic Enterprise (EPE).
However, since the adoption of Legislative Decree No. 93-08 of 25 April 1993, public economic enterprises (EPE) may opt for the non-cumulation of the above two functions by setting up a Management Board and a Supervisory Board instead Of a board of directors. This alternative formula remained however: Marginal. (A. Lamia, K. Ahmed, (2015, 09).

The board of directors, as a management body, is the main control mechanism for EPE. (SPA) activities and the essential lever for corporate governance. The law confers very important prerogatives and powers on the board of directors, but this collegial body is far from covering and ensuring its missions fully and efficiently.

After giving an overview of the component of the board of directors of the Algerian public economic enterprise which consists of three categories. (C. Lahlou, .2015, 03),

✓A first category: of external members including the members of the guardianship and the Holding. They are appointed either by the Holding or by the guardianship in order to control the leaders in the pursuit of the objectives of the State.

✓A second category: no less important, consists of members of the company's senior management and its senior management. They may in some cases be members of the Governing Board.

✓Finally, a final category: consisting of two statutory auditors responsible for certifying the parent company financial statements.

Responsibilities of the board of directors of Algerian public enterprise must have the powers, competences and objectivity necessary to ensure its strategic steering and supervisory role. The Board of Directors must act with integrity and be accountable for the decisions it makes.

3.2.4. The sovereignty of the general meeting of shareholders in Algeria

In Algeria, as in many developing countries, their prerogatives of sovereignty are considered to exonerate the political leaders - and they alone - from all constraints in their choices, in particular from the constraints of rationality - economic or otherwise. This leads to the policy of norming the behavior of operators and decision-makers, which is perceived as a necessity to inscribe the choices made in a specific logic. This desire for standardization has a direct effect on the autonomy of the public enterprise. In fact, from the 1960s to the present: (F.sadaoui, A.badi, 2015, 10)

✓The government does not admit the public enterprise as a place of power, admittedly "subordinate", but autonomous;

✓As a result of the logic of GSE, which institutionalizes the direct dependence of the management of the company vis-à-vis the responsible minister and the criminal risk incurred, the managers of the public enterprises themselves rarely use the latitudes of Recognized by them (M.LIASSINE, 1996).

As a general rule, sovereignty belongs nominally to shareholders on the basis of the fundamental rule: "one share = one vote". This is not without indifference in the case of Algeria insofar as all the capital (assets), are held by the State through the participation committees of the State (CPE), then the holdings. As soon as the majority of votes, if not all, belong to the State, The internal devices of the enterprise become de facto devices belonging to the bodies and procedures of guardianship. (F.sadaoui, A.badi, 2015, 10.)

3.3. The management of Algerian public enterprises and the governance system

After this overview of management experiences in Algerian public enterprises and the relationship of the owner state with these, it is important to note that this experience has gone through two major phases:

✓ The first: extending from Independence (1962) to the first reforms of autonomy (1988). Referring to the Algerian corporate governance models already cited, this experience can be placed in the oriented- Banks, it was characterized by the intervention of banks where the national economy was an economic system of indebtedness.

✓ The second: from this date until today. Each of these two phases is characterized by elements that resemble those of the corporate governance system. During the second phase (from 1988 to the present), the governance model of Algerian public enterprises remains the same, with a slight improvement in the economic and legal environment conditions, which can prepare the conditions more or less adequate to The application of principles and theories of governance, in order to benefit from its effects. With regard to the question of the agency, it can be seen that the new forms of management of Algerian public enterprises and the preparation of a large majority of them for privatization go in the direction of the reunification of factors helping to empower business leaders to become agents. (F.sadaoui, A.badi, 2015, 13)

In another view, it is easy to see that the holding funds, the public holding companies, as intermediaries between the owner-state and the enterprise, gave birth to an agency relationship in two forms:

✓ The first between the government and these agents: who are mandated, to ensure the management and control of state holdings on the one hand?

✓ The second one between these agents and the companies on the other: These two agency relationships generate agency costs, which will increase the costs of Algerian national companies and the management costs, and consequently they decrease the added value of these enterprise, therefore their performance whether in terms of book values, or in shares of company shares ... etc. It is important to remember, however, that its two institutions are set up for a limited period and for a mission defined by legal texts in a framework of restructuring and reform of the national economy, a transitional phase.

3.4. The management of Algerian public enterprises and decision-making

The notion of public enterprise has reconsidered that of property. The latter is characterized by two aspects:
The decision allocation aspect covers all decisions taken, mainly those related to the use of the company′s assets. These decisions are not explicitly controlled by law, let alone allocated to other agents. It is the difference of a private company where the entrepreneur, the sole owner, makes the residual decisions and undergoes all of his decisions. The public enterprise is characterized in particular by the decisive role of the state or the public authorities in the designation of the leaders capable of the manager and giving them the relatively important decision latitude on the strategic options. With respect to executive compensation and the possibility of obtaining personal benefits, the various types of SOEs express only minor variations in the discretionary leeway granted to management. Thus, the remuneration of the chief executive officer of the public company falls within the area of regulation on the one hand and negotiation on the other hand as regards the mandate of the president and chief executive officer.

In the case of Algeria, public enterprises operate in a wide range of activities. They cover all sectors of economic activity. Some are derived from nationalization (hydrocarbons) and others are created during the various development plans. Historically, the reasons that have prompted the authorities to initiate this vague industrial process are ideological, political as well as macroeconomic. (F.sadaoui, A.badi, 2015, 09)

This is because, constantly in Algeria, the sphere of decision-making and managerial prerogatives does not merge with the sphere of responsibility. When decisions of an economic or social nature are taken, the corresponding costs are not borne by the public finances, but by public enterprises whose shareholders, the State, allow losses to increase. This system, in which the decision-maker is not the payer, has not allowed the development of mechanisms for evaluating public policies or the search for synergies: in multiform actions of an administrative and economic nature, each authority pursues Its objectives as if they were isolated, without taking account of the costs incurred directly or indirectly by microeconomic operators, and of the possibilities of consultation and coordination with other authorities, which in turn develop mechanisms of their own with which there is redundancy. (M. Liassine, 1996).

4. The Algerian public enterprise "sonatrach" common example of study

The oil and gas group Sonatrach is involved in the exploration and production, pipeline transportation, processing and marketing of hydrocarbons and their derivatives. Sonatrach is also active in the fields of petrochemicals, electricity generation, new and renewable energies, seawater desalination and mining.
Based in Algeria, Sonatrach is active in several regions of the world, including Africa (Mali, Tunisia, Niger, Libya, Egypt, and Mauritania), Europe (Spain, Italy, Portugal, Great Britain, Peru) and the United States. The company employs 41,204 employees (120,000 with its subsidiaries), generating 30% of Algeria's gross national product (GNP). Sonatrach is an Algerian national company of international stature, and the cornerstone of the Algerian economy.

In 2005, its production was 232.3 million PET (tonne of oil equivalent), of which 11.7% (24 million PET) for the domestic market. And Sonatrach operates the largest oil field in Algeria, Hassi Messaoud, which produced about 440,000 bbl / d (70,000 m3 / d) of crude oil in 2006. Sonatrach also operates the Hassi R'Mel field (north of Hassi Messaoud, south of Algiers), which produces approximately 180,000 bbl / d (29,000 m3 / d) of crude oil. (H. Malti, 2010, p. 99)

4.1. The Organization of Sonatrach must be rethought

Created on December 31, 1963, Sonatrach was amended three times by presidential decrees; the last one dated February 11, 1998, with the aim of bringing the statutes of Sonatrach (joint-stock companies) into line with the creation, In April 1995, of the National Energy Board.

Proved oil reserves in Algeria were estimated by BP at 1.5 billion tons at the end of 2015 (12.2 billion barrels), ie 21 years of production at the rate of 2015. These reserves ranked Algeria 17th with 0.7% of the world total and 4th in Africa behind Libya, Nigeria and Angola (Balances for 2015, International Energy Agency).

4.1.1. The degree of information disclosure at Sonatrach

Table (5): The degree of information disclosure at Sonatrach (Petroleum - Proven reserves –M/ of barrels)

years	*1995s*	*2005s*	*2014s*	*2015s*
Proven reserves	10000	12300	12200	12200

Algeria: Balances for 2015, International Energy Agency, 16 October 2016

According to some experts, the prospects of Sonatrach's reserves can not be understood in the absence of real indicators such as internal costs, the international price vector and substitutable energies faced with the new model of energy consumption that is emerging around the world 2020. The repetitive review of the hydrocarbons law shows that the country does not have a national energy strategy given the instability of the petroleum jurisdiction, which only pays for the increase in hydrocarbon production. (International Energy Agency)

Sonatrach must respond to the concern to mobilize the resources of the oil revenue perceived very early as a driving force in the development of Algeria. Over the years, it has become a powerful element of national integration, stability and economic and social development.

Table (6): Oil production (thousands of barrels per day)

years	*2005s*	*2010s*	*2014s*	*2015s*
production	*1990*	*1689*	*1589*	*1286*

Source: International Energy Agency

In 2015, Algeria consumed 19.3 Mt (million tons) of oil, or 422 kb / d (thousands of barrels per day), up 5.8% in 2015 and 69.5% since 2005, Accounting for 0.4% of world consumption. Its consumption only absorbs 26.6% of its production. (International Energy Agency).

The decree of 11 February 1998 on "the organization and functioning of the organs" has three bodies: the general assembly, the board of directors and the executive. In addition, a presidential decree dated September 13, 2000, slightly amended Sonatrach's statute decree, relating exclusively to paragraphs 2 and 5 of article 11, which stipulates that "vice-presidents and directors-general Deputies are appointed by presidential decree "in the same way as the president and CEO of the company. As regards prerogatives, Sonatrach is no longer authorized to grant the operating areas under the new hydrocarbons law of 28 April 2005 as amended by the Ordinance of 29 July 2006 (the January 2013 Act extending the rule of 49/51% and introducing the exploitation of shale gas and renewing the same procedures) but to an agency dependent on the Ministry of Energy ALNAFT, thus maintaining functional relations with this structure as well as with another agency, Regulatory authority responsible for monitoring price mechanisms. The new law has set at least 51% of Sonatrach's share in ALNAFT's perimeters and less than 49% in the oil companies. But partnership has always existed even in the socialist era of the 1970s. For it is necessary to avoid the predominantly negative view because this association has made it possible to revitalize the oil and gas production in free fall, hence the amendments of the years 1990, which extended the 1986 Act to a broad partnership with international companies. Therefore, in keeping with the current organization of the hydrocarbons sector, it is necessary to distinguish between several operational structures. We have (A. Mebtoul, 2017).

The National Energy Council, the supreme organ of any energy strategy, unfortunately frozen for years. It was established by Presidential Decree on 19 April 1995, which stipulates that "the Council shall meet periodically at the convocation of its President", the President of the Republic whose secretariat (Article 5) is Minister of Energy and composed of so-called sovereignty ministers (National Defense, Foreign Affairs, Energy and Finance), the Governor of the Bank of Algeria and the Delegate for Planning.

Article 6 stipulates that "the National Energy Council shall be responsible for the monitoring and evaluation of national long-term energy policy, including the implementation of a long-term plan to ensure the country's energy future.

D'un modèle de consommation énergétique en fonction des ressources énergétiques nationales, des engagements extérieurs et des objectifs stratégiques à long terme du pays.

✓Preservation of the country′s strategic energy reserves;

✓Long-term strategies for the renewal and development of national hydrocarbon reserves and their valorization;

✓The introduction and development of renewable energies;

✓Structures of strategic alliances with foreign partners involved in the energy sector and long-term commercial commitments ″.

4.1.2. Sonatrach's decision-making hierarchy

✓ The General Assembly: Composed of the Minister of Energy and Mines - the Minister of Finance - the Governor of the Bank of Algeria - the Delegate for Planning - a representative of the Presidency of the Republic. Article 9.3 specifies that the General Assembly is required to meet ″at least twice a year in ordinary session″ and in ″extraordinary session on the initiative of its chairman or at the request of at least three of its members , The statutory auditor (s) or the Chairman and Chief Executive Officer of Sonatrach ″. At the end of each session, the General Assembly is required to send its report to the President of the National Energy Council, which is the President of the Republic.

✓ the Board of Directors: which is composed of the Chairman and Chief Executive Officer of Sonatrach, the Chairman and Chief Executive Officer of Sonelgaz, Vice President Amont, Vice President Aval, Vice-President, Transport by pipeline, Vice- The Director General of Hydrocarbons of the Ministry - another representative of the Ministry - of two representatives of the union of Sonatrach. Finally comes the peg,

✓ the Executive Committee: the Sonatrach Workers′ Committee of Sonatrach′s President and CEO - Sonatrach′s General Secretary - the Upstream, Downstream, Channeling and Marketing Vice-Presidents - of the Executive Director of Finance - the Executive Director of Sonatrach Human Resources - from the Executive Director of Central Activities (DAG) - from the Strategy, Planning and Economics Director to the Executive Director Health, Safety and Environment. Not to mention the holding enterprises which are annexed to the vice-president. Thus, upstream is attached to the holding services oil and oil; for the downstream, the holding refining, hydrocarbon chemistry (example Naftec); for the marketing Sonatrach holding, it is attached to Sonatrach holding / recovery of hydrocarbons (example Naftal).

At the international level, the Sonatrach Group has set up a system for the reorganization of its activities through the grouping of foreign subsidiary companies around an International Holding Company (S.I.H.C) created in July 1999, which operates in different countries. (A. Mebtoul, 2017)

4.2. The slump in global oil prices since mid-2014 has led to deterioration in macroeconomic balances

In 2015, growth slowed to 2.9 % from 4.1 % in 2014, hit by a falling average oil price from $100 p/b. in 2014 to $59 p/b. in 2015. Under initial expectations that the fall in oil prices would be short-lived, lack of fiscal consolidation led the budget deficit to double to -15.9 % of GDP in 2015. The current account deficit tripled to -15.2 % of GDP in 2015. Hydrocarbon exports amount to 95 % of total exports and around two-thirds of government revenues. Hydrocarbon exports have fallen from a peak of 36 % of GDP in 2011 to 19 % of GDP in 2015, while hydrocarbon revenues have dropped from a peak of 27.4 % of GDP to 14 % of GDP. Due to very large draw downs, the size of the oil stabilization fund has fallen from 25.6 % of GDP in 2014 to 16.2 % of GDP. International reserves remain high at 28 months of imports, but are declining fast. Despite tight monetary policy, inflation rose to 4.8 % as the partial result of pass-through effect from a 20 % nominal depreciation of the dinar, aimed to correct the external imbalance. Unemployment rose to double digits and was acute among women and youth. (La banque mondiale, 2016).

Table (7): the oil drop and the need to adopt corporate governance in Algeria

Main Economic Indicators	2014	2015e	2016e	2017p
Real GDP growth (%)	*4.1*	*2.9*	*3.4*	*3.1*
Inflation rate (%)	*3.9*	*4.8*	*4.3*	*4.0*
Budget balance (% of GDP)	*-7.7*	*-15.9*	*-15.7*	*-12.6*
Current account balance (% of GDP)	*-4.6*	*-15.2*	*-16.2*	*-14.4*

Source: World Bank, Algeria: Economic Monitoring Report (April 2016). On the website / http://www.worldbank.org/en/country/algeria/publication/economic-outlo, seen 21/03/2017 at 21:54

In 2009, its turnover amounted to $ 77 billion. It is ahead of the South African subsidiary of the insurer Old Mutual, ranked second. Sonatrach is the 12th largest oil group in the world, the first in Africa and the Mediterranean basin, the 4th exporter of LNG (liquefied natural gas), the 3rd exporter of LPG (liquefied petroleum gas) and the 5th largest exporter of natural gas. (H. Malti, 2010)

At the end of 2016, Algeria had a trade deficit of $17.84 billion (thanks to the oil sector), according to final statistics on foreign trade published by the General Directorate of Customs. Imports of the country amounted to $46.72 billion, while exports were only $ 28.88 billion in 2017.

The only significant document being the balance of payments, it would also be necessary to postpone to the outflow of foreign exchange services imports which between 2010/2015 of more than 10/12 billion / year of services and 4/6 billion $ / year of legal repatriations Of foreign firms. However, hydrocarbon exports are in free fall with non-hydrocarbon exports less than two billion dollars. Indeed, the Regulatory Fund was exhausted at the end of 2016 and foreign exchange reserves rose from $ 192 billion at the end of 2014 to $ 112 billion at the end of 2016. (The World Bank, April 2016).

To overcome the current situation, the new local and corporate governance, including that of Sonatrach, can not be based on the bureaucratic diktat but implies an understanding of the functioning of society taking into account the morphology of society, economic anthropology in The effectiveness of organizations and that influences public or private enterprise Institutions have a very important role on organizations and society. They constitute one of the determining factors in long-term economic growth, as an institution designating "the formal and informal rules governing human interactions" and also as "the rules of the game".

4.3. SONATRACH Code of Conduct (2011)

This code contains a message from the president, presents the values, practices and commitments of Sonatrach as well as the ethics charter of staff.

6.3.1. The core values of SONATRACH

Engagement in the best interests of the country; Entrepreneurship ; Ethics; Professionalism; Confidence and team spirit; Exemplary governance; The quest for excellence; Fairness. (Kheroua. hind, 2015, 156).

6.3.2. Corporate values are:

✓Training and skills development for employees;

✓Monitoring and control of technology;

✓ Improvement and quality of the social environment;

✓ Customer satisfaction and marketing spirit and Respect for partners;

✓ Transfer of know-how to other Algerian companies and Respect for the environment and a sustainable development approach.

6.4. The governance of the common sonatrach context of decision making

Sonatrach has known for several years changes of directors-general. Sonatrach being Algeria and Algeria being Sonatrach, the decline in its revenues has led to the deterioration of the balance of payments between 2015/2017. Algeria is not immune to the perils of the global crisis, notably through a drop in hydrocarbon prices, which can not continue to operate on the basis of $ 110 per barrel, as between 2010/2015 and $ 87 according to the IMF in 2016. Having spent more than 35 years in this structure, we come to the conclusion:

That these changes will have no impact on the revenues of Sonatrach, externalized, totally dependent on the evolution of the international market, despite its many skills, to improve its internal strategic management to reduce its costs.

So the central question asked for decades, what is the objective of the management of the company Sonatrach, the object of this contribution resulting from field surveys, referring to the urgency of the democratization of its management to streamline the decision-making process.

6.5. Corporate management is inseparable from the overall governance of sonatrach

The organization of Sonatrach is an organization that combines both the hierarchical organization and the decision-making organization, which does not acquire the flexibility of its competitors at the international level, not to mention the rigidity of the banking system and especially the political interference, which is unique to any public enterprise even in developed countries. Of course, the CEOs of major public companies such as France are appointed by the President of the Republic in Council of Ministers, but with the notable difference, they are linked to a performance contract with the shareholder state, which is not the Often, for our country, the law on the autonomy of public enterprises of 1990 having little application. This is all the more true for Algeria with the return to an administered economy that affects the majority of companies, as stressed by the Secretary General of the UGTA at the Tripartite of Annaba on 06 March 2017. (A. Mebtoul, 2017 on the website https://www.algerie1.com/eclairage/change-de-pdg-urgence-d-nouveau-management).

In this way, the regulatory government is confused with a market economy that can hold blocking minorities for certain segments considered strategic, this notion being historically dated, with the State as a whole. It is necessary to take into account the international environment and the issue of the new global gas strategy. In terms of financial results, for lack of clarity in the governance of Sonatrach, it is not clear what is due to good internal management and what is attributable to the international contingencies that are decisive. This is because the growth or not of the world economy plays as an essential vector in the increase or decrease of the revenues of Sonatrach. Thus, the analysis of how Sonatrach works can not be understood without replacing it in the new configuration of the world energy strategy, taking account of costs, which can uncover thousands of deposits but which are not financially profitable. Undepreciated costs of the new ecological challenge with a significant change in the pattern of energy consumption that is taking shape between 2017/2020/2030.

The governance of a country is itself inseparable from the global changes that must therefore avoid isolating the micro-governance of the macro-governance that is inextricably linked. The current situation of the Algerian government makes strategic management more and more urgent and a transparency of the management of Sonatrach to be based for all scientific and operational procedures from the general to the particular, in order to grasp the interactions and be able to carry out actions by Successive keys.

Making Sonatrach more efficient requires several strategic actions:

✓Replace it in the international and national context;

✓ A real-time organization system based on networks and no longer on the current organization marked mainly by a hierarchical vision, transparent cost centers including management of the partnership;

✓ A rational management of human resources and essential element of strategic management, to involve managers and to listen to the collective of workers through a permanent constructive dialogue. (A. Mebtoul, 2017).

All of these actions in fact refer to the establishment of the rule of law and the urgency of renewed governance. As demonstrated throughout this operational analysis, Sonatrach is currently assimilating to the entire Algerian economy, exporting 98% and accounting for more than 75% of our needs. The security of the country is posed; it implies the urgency of the political will to initiate a production and export without hydrocarbons far from the rentier logic, assuming a profound rearrangement of the logic of the power.

The global crisis is not the only explanation for the decline in Sonatrach′s revenues. The main reasons are the bureaucratic system and the lack of visibility in the economic policy process through perpetual legal instability, the rent allowing GDP growth, a declining unemployment rate and an artificial social stability. So, for the time being, Sonatrach is assimilating to the entire Algerian economy, exporting 98% and accounting for more than 75% of our needs, being the largest Algerian company. It accounts for between 35% and 45% of the gross domestic product, but in fact with the indirect effects of more than 80% (public works, hydraulic and many other sectors being driven by public spending via hydrocarbons). The Group at the domestic level is thus the real engine of the Algerian economy, an essential supplier of income from exports, tax revenues and jobs. Sonatrach is therefore Algeria and Algeria is the Sonatrach and its management and its image directly affects the whole of Algerian society, hence the importance of drawing lines of action because unfortunately recently, Sonatrach has emerged from its core businesses despite the weakness of its human resources and, above all, duplicating its work with other ministerial departments, notably in desalination of seawater, recently in cement production, aviation and planning to found Of the banks, this dispersion to want to do everything at the same time thanks to financial resources that are the property of the Nation, has also harmed its strategic global management.

6.6. Some examples for streamlining managerial decisions through governance at the sonatrach level:

✓ For transparent accounting of Sonatrach: To reduce costs an audit of tangible and intangible assets is urgently needed for Sonatrach. It should be recalled that, on a strictly accounting basis, tangible fixed assets include land, buildings, technical installations, industrial equipment and tools, as well as general facilities, fixtures, transport equipment, office equipment and computer equipment, furniture And Recoverable Packages In company accounting, only property owned by the enterprise is taken into account, with leased tangible assets not included in assets, which is a significant deficiency that some international Not having a biased balance sheet. Intangible assets include establishment costs, research and development costs, concessions and similar rights, patents, licenses, trademarks, processes and the right to commercial lease.

✓ Evaluate contracts according to international standards and optimize the management of human resources: The objective is the objective assessment of the balance sheet of contracts in terms of international standards, the partnership and the impact of the generalization of the tender notices and the contracts negotiated by law, Assessment of Sonatrach's financial position, prospects and operating cost structure, taking into account international comparisons. This will necessarily involve a description of the following operations: (A. Mebtoul, 2017).

* Evaluation of the financial position;

* Balance sheet structure, expenses (revenue), reconstitution of cost centers for operations, evaluation of management systems and identification of cost centers. Implementation of these necessary instruments in any international company should improve contract management and partnership development, economic and financial projections, and simulation / modeling, which should help to Decision-making in real time.

In this context, it cannot be overstated that a new statutory auditors who have become public servants of the board of directors, by urgently issuing transparent tender notices for their recruitment, Not to exceed three to five years, both at the level of Sonatrach's general management, as well as of all its units wholly owned by its subsidiaries.

Finally Sonatrach's pillar, an audit of human resources management that must be based on ongoing dialogue. Indeed, the management of human resources is the foundation of the effectiveness of Sonatrach.

Good governance of sonatrach.

Sonatrach conducts its business and develops its relationships in a transparent manner, while making publicly available credible information about its results and performance.

Sonatrach exercises good corporate governance in accordance with national and international laws and regulations. Also in Algeria than in the countries where it operates.

Sonatrach respects the principles of fair competition and prohibits conduct that can be characterized as anti-competitive practices.

Sonatrach is the guarantor of the application and respect of the principles of ethics in the conduct of all the operations of its activities. (Sonatrach code of conduct 2011, pp.6-7)

Integrity: sonatrach builds relationships with all its employees, suppliers, customers and partners on ethical principles closely related to honesty and integrity

Sonatrach rewards and knows the loyalty of its employees. It is a moral commitment demanding fidelity and respect.

Excellence: sonatrach strengthens the professionalism of its staff and encourages individual know-how, innovative spirit, creativity and initiative. It devotes a special effort to the training of its employees and to the improvement of its management mode of organization and the functioning of its structures of national development.
Recognition of skills and performance: sonatrach creates a healthy, serene, stimulating and supportive work environment for professional development and the development of a corporate culture based on Skills and Performance Recognition.

Respect for Individuals and Commitments: Encourages each member of staff to maintain honest, respectful and honest relationships with colleagues, clients, clients and partners.
Sonatrach honors its commitments to its customers, suppliers, partners and institutions.
Equity and equal opportunities: Sonatrach ensures that women and men have the same opportunities for employment, as well as professional and access development, with equal

responsibilities at all levels of responsibility. She pays particular attention to the female staff, assuring her rights and dignity and recognizing her merit.

Sonatrach enshrines the principle of non-discrimination with respect to all its employees and candidates for employment.

7. Towards the adoption of corporate governance principles in Algeria

Prior to the adoption of the good governance program initiated by the OECD in support of Economic and Social Development, a study published in November 2001 in Algeria on Corporate Governance was presented at the time in the hope that Principles of corporate governance would be introduced, at least in Practice, into Algerian corporate practice. The focus was then on two points:

✓ Expansion of the Board of Directors to "External Professional Directors";

✓ Establishment of an "audit committee".

Nearly four years later, before the reform of the public banks, there was nothing on the ground in terms of corporate governance.

7.1. The limits of the adoption of the principles of good governance of the enterprise in Algeria

One may question the effectiveness of the Boards of Directors. Are public banks that have the reputation of having operated according to criteria of "clientelists" or on the injunction of people who are well established in the machinery of political power or profiting from its proximity, in so doing, these practices in the light of this reform? Is an administrator, a representative of the government, the antidote to the deep-seated evil that is plaguing the African banking community? Has it ended with doubtful debts, which some people rather like to describe as "syntactic" claims of "non-performing" claims?

There really are no principles of good corporate governance in Algeria. However, it can be assumed that the process already begun at the level of public banks and enterprises despite the shortcomings will have a contagion effect in other companies that continue to suffer financial mismanagement in many Algerian public enterprises.

The OECD′s plan with the Arab States to implement the corporate governance principles should accelerate the movement.

7.2. The problems of the governance of the Algerian economic enterprise

The state of progress of corporate governance in Algeria deserves to be scientifically identified by a survey of a sample of companies. However, the situation in the field is sufficiently well known to enable us to recall at the outset the main problems which arise in this field.

✓ General problems: Algerian public enterprises, as a whole, are confronted with the specter of the few issues traditionally covered by governance. But she saw them differently depending on whether she was concerned about survival or growth.

✓ The specific problems: these problems concern, to varying degrees, all EPEs and, in a specific way, the Algerian code of corporate governance aims to address the following concerns:

∗How to improve banking relationships? And to attract external investors to the initial family nucleus?

∗How to establish a relationship of trust with the tax administration? And how to clarify the relationship between shareholders?

∗How to clarify the relations between shareholders and non-shareholder managers?

∗How to clarify the responsibilities of the management team?

∗How to solve succession problems?

Conclusion

The Algerian authorities have signed and ratified a number of corporate governance codes that conform to international standards, although there has been insufficient progress to date in terms of implementation and compliance.

At the end of this presentation on the reality of corporate governance in Algeria, we can say that Algeria, like all developing countries, is called upon to promote good governance in the management of public economic affairs and the various policies Of development (B. Riadh, 2008,08).

Public enterprises in Algeria and large private companies generally comply with current legislation on workers′ protection, social responsibility and compliance with environmental standards. Most Algerian companies have not yet developed adequate mechanisms for communicating information to their partners or shareholders.

Governance refers to limited rationality, the incompleteness of contracts, but also to the specificity of certain assets (which cannot be substituted) and taking into account the need to adapt organizations by introducing the importance of trust and Transparency and ″social capital″ as the cement of cooperation. All these actions in fact refer to the re-founding of the state based on the rule of law and the urgency of renewed governance. As demonstrated throughout this analysis, one must be realistic.

The multidimensional reforms of the APE are characterized by numerous hesitations where decision-makers advocate wait and see at times and stop and go by others. Through its budget, financed by the annuity, the government plays a central role in these reform contract managers. The logics induced by the reforms on the APE will be inherent in the processes that the Algerian economy has integrated into the governance context. They are based on institutional logics; both government dirigisme is omnipresent, but also on economic and financial logics, as this leverage will help to maintain the main dynamics initiated by the public authorities. The ″cooperation-confrontation-autonomy″ cycle describes what happens between two institutional crises. The full cycle includes the two crises: A first period of crisis sees the emergence of new government organizations. These live; Then the cycle described above until a second crisis creates a new deal. The most elaborate model of relations between the State and public enterprises. Presents organizations as having two decision-making sub-systems: a central subsystem concerned with decisions affecting the vital organs of the enterprise, and a border sub-system dealing with environmental The government and the state in particular. This model allows us to explain the differences and contradictions between the empirical studies done so far on the relations between the State and the public enterprises. These relationships can be classified according to a typology in three points: cooperation, confrontation and autonomy.

Algeria will again depend on Sonatrach′s recipes for many years. But the danger is that Sonatrach dedicates a growing fraction of its income to its own investments without real profitability in the medium term at the expense of the other inductive sectors allowing to gradually free itself from the dependency rentier. Hence the importance of a serene and passionate national debate, to concretely realize both the economic and energy transition (energy mix).

In this context, the government has put in place a rich legislative, regulatory and institutional framework to improve and promote good corporate governance at sonatrach. But the results held below those set by the State (Z. Lounis, C. Khedidja, 2015).

The question that arises of itself is why this discrepancy between texts and facts? In Algeria, like many countries in the world, the problem of good governance is hampered by the reform of the government and the political power that animates it (B. Kouider).

This problem has long been posed in Algeria, since the late President H. Boumedienne, who said he wanted to build a state and institutions that would survive people and events, until the current president, A. BOUTEFLIKA, who Constituted a national think-tank on state reform, in other words, good economic and corporate governance rests on good political governance. (D.ahmed, 1999).

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INSUFFICIENT NON-FINANCIAL DEVELOPMENT ASSISTANCE: A BARRIER TO SMMES PERFORMANCE IN SOUTH AFRICA

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ABSTRACT

The purpose of this study is to investigate why non-financial assistance has not been sufficiently provided for small and medium enterprises (SMMEs) in Buffalo City Municipality (BCMM) – Eastern Cape of South Africa; and to identify the types of non-financial assistance that were not sufficiently provided. The necessity of this study is due to a gap that in this field of research, studies have not shown why the non-financial development assistance have not been sufficiently given to SMMEs in South Africa. Qualitative data was collected from the entrepreneurs and business development assistance providers in King Williams Town and East London with the use of an interview guide. Results showed that only ten out of thirty-five SMMEs benefited from non-financial assistance; and non-financial assistance like training and workshops, consultancy services by development assistance providers, after-care/after loan services, skills development advice and capacity building services were not sufficiently provided. The scope was directed to SMMEs operators and development assistance providers in BCMM (Eastern Cape Province). In addition, this study did not focus on financial assistance but non-financial assistance because it is an essential aspect that could contribute immensely to promoting SMMEs.

Keywords: consultancy, entrepreneurship orientation, training, poor performance, development assistance, non-financial

Introduction

Small, medium and micro enterprises (SMMEs) serve as the pillar that uphold economies of the developing nations; contributing significantly to employment generation and poverty reduction (Mahembe, 2011). Even in the developed nations such as United States of America USA) and United Kigdom (UK), history showed that their economies were built through SMMEs. In other words, the significance of SMMEs has a global recognition (Mahembe, 2011). Its contributions to economic growth, social development and job creation cannot be ignored. SMMEs have longtime been considered a crucial formula for accomplishing economic growth (Vosloo, 1994). Other authors like (Ahiawodzi & Adade, 2012) argued that 70% of the gross domestic product (GDP) of Ghana was generated from SMMEs. Agbor & Quartey (2010) established that in South Africa and Nigeria the formal businesses sector is made up of 97.5% and 70% respectively.

In some past studies Thompson (1991); Ladzani & Van Vuuren (2002); Tlhomola (2010) denoted that development of SMMEs contributes significantly to social stability, economic welfare, job creation and improving quality of lives of the people universally. For example, in the USA, the innovation of new products and services has been achieved through SMMEs. New jobs were created, opportunities were created for foreign markets and importantly, the economy of USA was ignited into a more competitive edge of the gloouth bal economy (World Bank, 2007). Similarly, SMME sector serves as the mechanism for providing employment, promoting local economies and increasing the quality of lives of the Japanese (The Ministry of International Trade and Industry, 1997). It is also a similar situation in Taiwan, Scarborough & Zimmerer (1996) tells that roughly 98% of Taiwan's GDP was generated from SMMEs. Even though the SMMEs are quite small in scale, basing on their definitions, yet they are making substantial contributions to both local and national economies in both developed and developing world.

The South African democratic government has discovered the value of SMMEs after the 1994 independence The government has since then adopted the tradition of promoting SMMEs across the country in order to establish and maintain a stable economy both at the local and national level, and to combat the long-due unemployment predicament that has already been estimated at 24.2% of 52.98 million (Statistics South Africa, 2013) citizens. Berry et al. (2002) confirmed that about 75% of all formalised enterprises in South Africa are SMMEs, and they are the grease that lubricates the wheels for employment creation. The finding also confirmed that 52% to 57%of GDP in South Africa is from the SMMEs sector.

All kinds of SMMEs in South Africa contribute greatly to the economy and are considered as unemployment-reducing drivers, therefore that aspect of relying on formal sector as the sole job creator is old-fashioned (National Credit Regulator (NCR), 2011). Despite the social and economic contribution of SMMEs across the globe and to South Africa in particular, the sector still encounters many challenges that impede its growth (Mahembe, 2011); resulting in the alarming rate of SMMEs deterioration and thereby making South Africa the poorest region for SMMEs survival worldwide (Ahiawodzi & Adade, 2012; Mahembe, 2011). Most of the challenges identified by many scholars include lack of access to credit and finance, lack of appropriate technology, building entrepreneur-customer relationships, lack of managerial skills (Thwala & Mvubu, 2008; Ahiawodzi & Adade, 2012; Agbor & Quartey, 2010).

Having understood the significance of SMMEs, the democratic government of South Africa fashioned a framework that supports SMMEs growth across the coutry. A series of initiatives are therefore directed to the promotion of SMMEs in South Africa; these include National Business Act of 1996 which actually prompted the establishment of SMMEs in the country and also natured the creation of the National Small Busness Council as well as Ntsika Enterprises Promotion Agency (Republic of South Africa – National Small Business Act, 2004).

Although, most of these initiatives are basically established to provide financial support for SMMEs for instance, Khula Enterprise Finance was established to pioneer SMMEs access to finance; there is also another initiative known as Skills Development Programme, lunched in 1998. According to Thwala & Mvubu (2008) the Khula Enterprise Finance initiative was established to assist SMMEs to acquire all relevant business skills (by attending workshops, training and getting after-loan monitoring) in order for them to deal with the non-finacial challenges such as building entrepreneurs-customers relationships and acquiring management skills and maintaining business sustainability. Even though reseachers have identified several challenges facing the SMMEs sectors which they categorised under two headings – the financial and non-financial challenges (Thwala & Mvubu, 2008), most of those studies focused more on the financial challenges. Even few researchers that identified lack of non-financial assistance as a challenge to business development are yet to ascertain the reason why non-financial assistance remain insufficient to SMMEs despite all the development assistance initiatives from the government. Therefor, the study at hand seeks to explore reasons for the insuffient non-financial assistance to SMMEs. The study started by debating the overview of SMMEs definition in South Africa, it also analysed the non-fiancial development assistance using the entrepreneurship orientation theory considering the availability of development assistance agencies, followed by discussion on the study area; and thereafter the methodology. Findings are presented and discused; and finally, conclusion was drawn and recommendations were made.

Overview of SMMEs in South Africa

Even as the importance of SMMEs is globally recognised, having a definite definition for SMMEs remain a challenge irrespective of any country, this is because the meaning of SMMEs defers from country to country (Mahembe, 2011). Storey (2003); Mutezo (2005) informs that there is no common global definition for SMMEs, because business levels of sales, employment, capitalisation and size are different. However, definitions that include turnover, number of employees, net worth and profitability in one sector could make all firms being categorised as small, while a definition with same number of employess , when used for different sector, may give different result (OECD, 2000).

Meghana et al (2003) established that there are various groups of SMMes which exist in different business activities ranging from large agricultural production to a sole farmer, and a computer center in a small towns to a small mordernised engineering business. It does not matter whether the owner is rich or not, such businesses operates at different maket levels – local, rural, urban, regional, national and international; symbolising levels of capital, skills, complexity, growth orientation which could be in the informal or formal system (Meghana et al. 2003; Mbonyane, 2006).

Mahembe (2011) emphasised that there are two broad categories of SMMEs definitions – the economic category and statistical category. To identify businesses under the economic category, such businesses must meet up with the following standards: managed by owners, having a relatively small market share, be independent and not part of any larger firm. On the other hand, businesses under statistical category are quantified by size and contribution to GDP, cross-country economic contributions and the rates of change in the economy contribution of such small firms (Brijlal, Visvanathan, & Ricardo, 2013). However, these definitions have some weaknesses, for instance, the economic definition which advocates for a sole ownership and management is not compatible with that of statistcal definition of a small manufacturing company whose size could be up to two-hundred. Although, these definitions are in sometimes indispensable, yet are not adequate to understand a dynamic sector whose realities are complex.

In the South African context, referring the 1996 Small Business Act 102, SMMEs are businesses owned and managed by one or more persons. Such business entities include non-governmental organisations, co-orperative societies or any business subsidiaries (Rwigema & Venter, 2004). In addition, SMMEs in South Africa are defined baseed on different classifications. The table below best describes the summary of the generally accepted definition of SMMEs in South Africa.

Table 1: SMMEs categories in South African context

Size/category	Number of employees	Total annual turnover (in Rand)	Total gross asset value (in Rand)
Micro	5	500 thousand	100 thousand
Very small	10	2.5 million	700 thousand
Small	50	10 million	3 million
Medium	200	25 million	8 million

The focus of this study was on the micro and very small enterprises classification which was adopted for data collection purpose.

Non-financial development assistance

Literally, non-financial business assistance refers to any form of effort or endeavour undertaken for the purpose of improving the performance of a business entity; such efforts include giving training to individual entrepreneurs, orientation for the potential business persons, provision of market links to business entrprises, development and extension of modern technologies for entrepreneurs (Storey, 2003). The management and sustainability of SMMEs does not depend on financial reseources alone, but also on having adequate knowledge of business and possesing managerial skills. This therefore, necessitate the adoption of the theory of entrepreneurship orientation to underpin this study. The theory of entrepreneurial orientation emphasised that for sustainability to be achieved in the SMMEs sector of any economy, sufficient non-financial support must be made available to entrepreneurs (Lumpkin & Dess, 1996).

The term "orientation" was concisely defined by Hornby (2010) as the training and information that is given to an individual before starting a new job or course. The above definition shows that there is positive relationship between entrepreneurial orientation and SMME performance. Entrepreneurial orientation is therefore strategic orientation through which firms are expected to behave entrepreneurially and improve their performances (Wiklund, 1998).

Although, only limited empirical indications show that entrepreneurial orientation affects the performance of SMMEs, there are some scholarly arguments that show the relationship between both. For example, Zahra & Covin (1995) argued that businesses with entrepreneurial orientation are liable to direct the best market segments, fix high prices and browse markets before their competitors and thereby improve their performance. Such firms are able to observe changes in the market and respond fast, thus taking advantage of new opportunities and through innovation; they are always ahead of competitors. Nieman, Hough, & Nieuwenhuizen (2009); Kuratko & Hodgetts (2002:409) also argued that the combination of financial and non-financial assistance contribute to successful business operations. Anderson, Covin, & Slevin (2009) and Wales (2016) emphasised on the importance of entrepreneurial orientation that, firms are considered to be entrepreneurial oriented when they have shown a sustained behavioural pattern over a period of time. However, Driver et al. (2001) informs that, most entrepreneurs in the South African SMMEs sector lack adequate experiences like managerial skills, customer relations, market opportunites, among others.

In South Africa, there are many initiatives which are meant to cater for the non-finacial support of SMMEs such as Small Enterprise Development Agency (SEDA), Industrial Development Corporation (IDC), Enterprise Development Business Unit (EDBU). These agencies are national agencies that have their offices in every province all across the country, plus other provincial agencies like the Eastern Cape Development Corporations (Tlhomola, 2010). But the high failure in SMMEs sector despite many initiatives for non-financial support necessitated this study.

Buffalo city metropolitan municipality as the study area

The Buffalo City Metropolitan Municipality (BCMM) is a municipality in the Eastern Cape Province, South Africa, it is located on the east coast of the province. It is made up of King Williams towns, Bisho and East London and large townships like Zwelitsha and Mdantsane. BCMM was separated from Amathole District Municipality in 2011 and recognised as metropolitan municipality, of which its establishement was dated back in 2000. Its population stood at 701,873 (2001 census), with statistical data of 85% Black, 8.4% White and 5.7% Coloured as well as very little percentage of Indian community of 0.6%. Most of the manufacturing and automobile companies in the municipality are located in King williams town and East London mainly because those are the two major commercial towns in BCMM.

Methodology

The study adopted qualitative research method by using an interview guide for data collection. The targeted participants for the study were SMMEs in King Williams town and East London. These are the two major towns where commercial activities are greater in BCMM. Data collection process involved thirty-five SMMEs that have existed more that five years and fifteen development assistance officials. The sampling process were staged. In the first sampling stage, SMMEs were sampled into sizes group considering the list of all SMMEs in the population that contain assisted and non-assisted enterprises. The SMMEs in the sampling frame were later divided in three clusters (groups) of Small, Medium and Microenterprise. According to (Galway, et al., 2012) cluster sampling is used as a technique with a mark of heterogeneous grouping in a statistical population. The technique suggests the division of total population into groups (clusters) and randomly select sample in the group. SMMEs were therefore divided into category/cluster (Micro, Small and medium); and seven businesess interviewd from each category as the unit of analysis.

SMMEs categories in this study include manufacturing, pharmacies/surgery, wholesale/retail trade, transportation service, finance and business services that have operated for at least five years and above. This was done in order to confirm the literature assertion that SMMEs in South Africa usually collapse within their first five years of operation (Ladzani & Van Vuuren, 2002, p. 115; Van Eaden, Viviers, & Venter, 2003, p. 13).

Findings and Discussion

Findings from the interviews relating to the nature of business and years of operation revealed that ten out of thirty-five businesses have been in existence for ten years, eleven have existed for eight years and only two of them have existed for six years. This result contradicts the argument of other authors like Ladzani & Van Vuuren (2002) and Van Eaden, Viviers, & Venter (2003) who said SMMEs in South Africa usually collapse within their five years of operation. The reason may be because the result in this study does not represent the whole SMMEs sector in South Africa but part of the Eastern Cape province; or may be prove that those studies are outdated.

Table 2: Non-financial assistance and SMMEs beneficiaries in BCMM

Types of non-financial development assistance	Number of beneficiaries	Percentage
General business ethics training/workshop	2 out of 35	5.7%
After care/after loan services	1 out of 35	2.9%
Skill development training	2 out of 35	5.7%
Consultancy service	0 out of 35	0%
Capacity building training.	0 out of 35	0%
Total	**5**	**14.3%**

The presentation from the findings in table 2 revealed that non-financial assistance is insufficient to SMMEs in the BCMM. Only five (14.3% in total) out of thirty-five SMMEs received non-financial assistance. The result shows that there is poor outreach in terms of non-financial assistance given to SMMEs in BCMM. The finding agrees with the result of a study conducted by Drivers et al. (2001) which argued that entrepreneurs in South Africa lacks managerial and other entrepreneurship skills which contributes to SMMEs poor performance. Meanwhile, for sustainability and efficient performance to be achieved in the SMMEs sector of any economy, sufficient non-financial support must be made available to entrepreneurs (Lumpkin & Dess, 1996).

Even though, very few pecentage (14.3%) received cetain non-financial assistance like, after loan/care assistance (2.9%); general business ethics training (5.7%) and skills development training (5.7%), zero percentages were recorded for consultancy services and capacity building respectively. Although, the respondents were not interviewed together, they all shared similar experiences in terms of non-financial development assistance. The following speech of a wholesaler in East London provides an idea of their experiences:

"I received business loan but after I had received the loan and started my business, things were not going well. I approached the financial providers for advise but my appointments with them were always rescheduled, I got depressed and stop going there. I have been struggling for the past five years now to grow the business. I need some enlightenment from experts in terms of new business opportunities out there. I believe that I could have done better if they assisted me".

One of the objectives of this study is to identify the types of non-financial assistance that are not sufficiently provided for SMMEs in BCMM, and basing on the findings, the objective was achieved.

Lack of Non-financial Development Assistance: responses from assistance agencies

The development assistance providers formed the second part of the interview. These agencies indicated that financial services are given to qualified entrepreneurs. However, they admitted being guilty of not performing to expectation in terms of providing consultancy services, training and workshops. Meanwhile, nine of fifteen officials claimed that their failure to provide better service is due to shortage of qualified staff and inadequate funds in the agency. The head of Eastern Cape Development Corporation (ECDC) King Williams' Town office said:

> We are trying our best to provide necessary assistance to support the development of SMMEs in Eastern Cape in so many ways. We have funded about 330 SMMEs so far. Although, we also provide non-financial support like training and workshops, we need to do more in that aspect, presently we are short of manpower, but we will do something about it.

From the above finding, it was recorded that the assistance providers focused more on funding businesses financially but giving less attention to the non-financial assistance. This therefor, may have been the reason for poor performance of SMMEs in the BCMM. Even though, most of these agencies admited that they have put less effort on non-financial assistance provision, some of them tried to justify their failures. For example, a spokesperson from the SEDA office in EL said:

> Most entrepreneurs mix pleasure with business. so we try to give proper counselling before we award loans and we also pay prompt visits to them to see how well they are doing and to see if there is any way we can still assist. Yet, on our own side we also face the challenge of staff shortage, and undedicated staff in most cases. This has been the

reason for not doing so well in aspect of non-financial assistance to our clients, but we know how to deal with that within the organisation.

The finding revealed that the provision of non-financial development assistance to SMMEs in BCMM is insufficient and that has perpetuated the poor performance in the sector.

Summary

Findings from this study have shown that very little non-financial development assistance has been provided to SMMEs in BCMM. Entrepreneurs lamented that development agencies are not available enough to provide them with counselling when needed. Accordingly, development agencies confirmed that they are not performing to expectation in non-financial assistance, which has led to poor performance of SMMEs. This shows that financial assistance (loans) alone are not enough to keep SMMEs on track, but prompt business advice plays a crucial role on business sustainability. Although, the majority of respondents revealed that they enjoyed more financial assistance and responses from the assistance providers also proved that to be true, however the major concern of this study was on non-financial assistance. Importantly

Conclusion

This study set out to investigate the reason behind insufficiency of non-financial development assistance, and to identify types of non-financial assistance that was insufficient for SMMEs in BCMM; those objectives have been achieved. Shortages of manpower and insufficient funds have been identified as the factors that hindered the development assistance agencies to provide sufficient non-financial assistance to SMMEs. Also, all types of non-financial assistance are insufficiently available to SMMEs in BCMM, but notably, assistance like consultancy service, capacity building training, as well as after loan care were not made available. The entrepreneurs consequently established that the insufficiency of those non-financial assistance have led to their poor performances. Though, the sample in this study was limited, yet findings indicated that insufficient non-financial assistance to SMMEs results to poor performance. Hence, results established from this study serves as an eye opener that effective performance of SMMEs cannot be achieved through financial assistance alone but also with sufficient non-financial assistance. Therefore, business development assistance agencies should endeavour to provide sufficient and prompt non-financial assistance in order to improve SMMEs performance. For subsequent study, researchers may explore more on non-financial assistance for SMMEs performance using larger samples in other province of South Africa.

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EXPLORING PARTICIPANTS' PERCEIVED DISCLOSURE VS PARTICIPANTS' KNOWLEDGE OF TAKAFUL INSURANCE: EMPIRICAL FINDINGS FROM SAUDI ARABIA

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ABSTRACT

Takaful (Islamic insurance) is one of the fastest - growing developing segments in the Islamic financial industry. GCC gross takaful contribution have reached around $8.9 billion in 2014 from $7.9 billion in 2013 . Saudi Arabia accounts for the majority of the total gross takaful contribution at 77 percent, followed by UAE, which accounts for 15 percent. The rest GCC account for only 8% of gross takaful contributions. Globally, Saudi Arabia remain s the core market of Islamic insurance business, commanding approximately half of the global contributions . However, there is a large gap of information transformation among the policyholders who require the service and the suppliers who provide it . One possible reason of this gap may be due to lack of information dissemination or a shortfall of disclosing the required information to participants by the takaful operators (TOs) . Which causes weak knowledge among participants of the takaful principles. Although , a number of international standard - setting bodies require proper dissemination of relevant information by TOs to policy holders, as takaful participants are the main stake holders and their equity consists of ownership of the underwriting activities and the investment funds . However, there is no solid regulations that guaranteed proper information dissemination that reflect participant's rights and features in the takaful fund. No studies been conducted to systematically document the effect of an efficient TOs disclosure mechanism on enhancing participant's knowledge. The main purpose of which is to find out if participants' perceived disclosure hasany association wit h their knowledge . Hence, t o explore the relationships between *disclosure and knowledge variables , a set of inferential statistics tools been used . S pearman's c orrelations and M ultinomial l ogistic regression a nalysis been used. It has been used to analyse the perceptions of 420 partici pants of takaful companies in Saudi Arabia on seven disclosure and knowledge dimensions. T he correlation results indicated a straight positive significant association between participants' perceived disclosure and participants' knowledge . T he multinomial l ogistic regression analysis findings indicate that disclosure of participants' fund investment returns and disclosure of TOs' key personnel power and activities have the greatest impact on participants' knowledge . General conclusion, there is a need for the TOs to spend more efforts to educate their participants about their rights and obligations in the takaful fund.*

Keywords: Takaful , Participants, Saudi Arabia, Disclosure vs. Knowledge

THE CORRELATION RESULTS BETWEEN THREE DETERMINANT INDEPENDENT VARIABLES WITH THE SATISFACTION AS DEPENDENT VARIABLES: EMPIRICAL FINDINGS FROM TAKAFUL INDUSTRY IN SAUDI ARABIA

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ABSTRACT

Takaful (Islamic insurance) is one of the fastest - growing developing segments in the Islamic financial industry. The global takaful contributions were estimated at $ 14.9 billion in 2015. The GCC has overall market share of 88% of the global general takaful market in 2015 in terms of total contributions. The general takaful industry in the GCC markets exhibited the highest growth globally with a CAGR of 19%. The largest market is Saudi Arabia, as the entire market is defined as shariah – compliant, with GWP of US$ 9.7 billion in 2015. The market in Saudi Arabia is predominantly general insurance, with limited life insurance business. Takaful participants are the main stakeholders and their equity consists of ownership of the underwriting activities and the investment funds . I t will be quite useful to explore participants satisfaction in regards to the service or products . Exploration can be made in terms of whether that product or service has met their needs, wants and expectations. However, the re is a noticed information gap about the sector among the policyholder s or participants who require the service and suppliers who provide it is large . One possible reason of this gap may be due to lack of information dissemination or a shortfall of disclosing the required information to participants by the takaful operators (TOs) .

Which causes weak knowledge among participants of the takaful principles. No studies have been conducted to enhance and improve participants ' patronage and satisfactions. This research paper explores participants' satisfaction, by exploring the relationships strength and significant association between participants' perceptions about Takaful operators' disclosure systems, participants' knowledge and participants' preferences with participants' satisfaction levels, by using Spearman's correlations. The paper reports results on the perceptions of 420 participants of takaful companies in Saudi Arabia. The correlation results indicated a number of significant forms of relationships between the three determinant independent variables with the satisfaction as dependent variables. General conclusion, there is a need for the TOs to spend more efforts to satisfy the needs and wants of their participants. Efforts can be made towards enhancing the disclosure mechanisms of the TOs, enhancing participants knowledge by educating them about their rights on the takaful fund, and satisfying participants preferences. TOs can develop best practise customer service management systems and process to ensure that participants are treated fairly, honestly, and professionally.

Keywords: Takaful Ins urance , Company Disclosure Mechanisms, Participants Knowledge , Preferences and Satisfaction , Saudi Arabia

MERGERS AND ACQUISITIONS IN THE EDUCATION SECTOR: A REVIEW FROM DUBAI

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ABSTRACT

As academic institutions are working to control costs and avoid duplication in challenging and changing economic times Mergers and Acquisitions are becoming increasingly common. The higher education sector in the UAE has witnessed rapid growth and enhanced competition particularly in Dubai. The educational institutions with standalone and with international campuses have adopted various strategies for growth, expansion and repositioning in the past two decades. This paper is an addition to limited literature on Mergers and Acquisition in the Education sector in UAE. It will focus on the problems and strengths of acquisitions in selected higher education institutions in Dubai.

Keywords: Mergers and Acquisition; Education sector; Dubai; UAE

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Background

His Highness Sheikh Zayed Bin Sultan Al Nahyan, a visionary leader transformed UAE's desert landscape to a business hub. His vision for high quality academic and technical progress of the younger generation has been facilitated today through the growth of higher education sector especially in Dubai. Since the inception of UAE University (UAEU) in 1976, the country has become an education hub with three federal universities and seventy plus private universities with ministry accreditation. The Private Sector caters to the needs of the large expatriate population comprised mainly of South Asians and Pan Arabs. Yet another initiative in the higher education sector was Dubai Knowledge Village which was set up in 2003 as an educational free trade zone campus where learning institutions can operate with 100% foreign ownership. However, with the launch of Dubai International Academic City (DIAC) a few of the higher educational institutions were moved to DIAC.

Motivation of the research

Mergers and Acquisitions have always been areas of interest for research oriented academicians. This research paper is an attempt to analyze the process of change during acquisition in selected higher education institutions in Dubai.

UAE's Ministry of Education is keen on the implementation of their ambitious 2020 strategy in terms of technology enabled high quality education.(Khaleej times, April 15,2018).This has kindled a healthy competition among the higher education sector in Dubai on the quality front. Inorder to withstand the competition, and to ensure sustainability strategies like merger, acquisition, and consolidation are being considered and undertaken in the sector.

In this competitive, fast changing landscape, higher education institutions have an inevitable need to adopt aggressive strategies to sustain their competitive edge. A common business strategy adopted is Merger or Acquisition. However, the numbers of research studies that analyze mergers and acquisitions in the higher education sector in Dubai are limited. This research study is an attempt to bridge this research gap.Personal experience of an acquisition process in one of the higher education institution in Dubai is one of the formative influences for this study.

Two educational institutions located in Dubai will be considered for this case study. Of these first one is the case of two international campuses with their parent campus in India.Second one is the case of complete acquisition of a Dubai based institution by its sponsoring organization. The objective of this paper is to understand the impact on organization culture and on employee's attitude towards change in the context of acquisition in these in Dubai. The focus of this study was on the micro and very small enterprises classification which was adopted for data collection purpose.

Review of Literature

The available literature on M&A indicates that European countries were the first to start mergers in higher education, followed by China, Georgia and the United States of America. (Kogan, M. (2006), Altbach (2007), Sursock (2010).In general, focus of many research studies on Mergers and Acquisitions wason the measure of performance in terms of profitability in the business. While in the education sector, existing researchfocuses on nonfinancial performance more than the impact created on the organizational culture and employees' attitude. organizations (Vander Vennet, R., 1996, Barney, J.B., 1988, Haleblian, J 2009).

Mergers of education systems can be voluntary or involuntary (Skodvin, 1999). At times the difference is not very clear. However, the situations that force higher education institutions to go for M&A vary.The main purposes were to manage the different divisions of the institution, academic viability, lack of financial viability, low efficiency and quality. Other factors include tough competitions, and failing student demand. Moreover, (Harman & Harman, 2003) indicated that acquisitions were often presented publicly as consolidations for political reasons. Irrespective of being voluntary or involuntary, one of the key reasons for the failure of some mergers and acquisitions is the impact of employees. (Cartwright & Cooper, 1996) opines that the neglect and mismanagement of employee stress has proved to be the common cause for disappointing outcomes in failed cases of mergers and acquisitions. Hence, a detailed study of the process from planning until the implementation stage will provide deeper insight into the aspects of integration of many moving parts of successful organizational change.In higher education, the decision making process should consider the benefit for all parties, both students and employees, not just a few individuals at the top.

As indicated by Azziz (2013), one third of the universities in China were merged during late 1990s. The next one to follow was the University System of Georgia in 2012 with the decision to merge eight colleges into four. Each college/university had its own unique organizational culture, background, missions, values, school colors, mascots, students, administrators, faculty and staff members, and much more. It is evident from the literature that Mergers and Acquisitions are becoming common in the education sector.

Each merger is a unique case with set rules or policies that can work for all the mergers. Employees may experience the merger more positively or have great anxiety and stress due to the fear of the unknown. Generally in business, mergers often result in massive lay-offs (Van Knippenberg,2002). Even without the fear of lay-offs, the organizational restructuring and culture changes can make employees feelvery stressful both physically and emotionally (Jetten, O'Brien, & de Lima, 2002). The culmination of these events can negatively affect morale and develop into resentment and negativity, which ultimately ends up as negative educational experience for students.

Therefore, effective change management requires open communication, absence of confrontation and unstinted support to employees. Employee involvement at all levels will surely prove beneficial. It is imperative to communicate and emphasize the potential benefits of the merger at the individual employee level and at the organizational level. As (Cartwright & Cooper, 2000) indicates, perceived level of control acts a moderator of the stress response especially in case of the academics. Moreover, the process of communication and employee consultation must be genuine, and the inputs obtained from employees should be reflected in the implementation process of organizational change. (Tytherleigh, Webb, Cooper, & Ricketts, 2005)

Apart from communication, while considering the factors that go a long way to ease out the complexities of change management process, social identity (Tajefl, 1979) becomes an important factor. This study looks at Social Identity Theory, Framing Theory, and Conflict Management Theory for guiding principles for effective post acquisition change management. The main focus is on organizational culture, communication and conflict management strategies during the acquisition.

Methodology

The scenario of two higher education institutions has been considered in this study to gain insight into the impact of change, and the intricacies of change management in the education sector.

For the purpose of this study, the data collection process was done through an in depth interview of 40-50 minutes long. All interviews have been recorded in order to get into the granularities of the case. Purposive sampling technique was used.

CASE A

This study is based on a personal experience of one of the authorsas there was a major impact on the professional and personal life as an employee of the higher education institution.

This is a case of major restructuring and change management in a higher education institution in Dubai. This institution started when Dubai based conglomerate entered into partnership with two other Indian institutions to provide higher education to the expanding expatriate population in Dubai in the year 2000. However, due to legal requirements they were forced to operate as individual entities under the same sponsor. Today they exist as two individual independent institutions. In order to maintain confidentiality they are referred to as Institution A and Institution B.

As an attempt to explore opportunities arising out of economic growth in the region, the priorities for future investments changed for the Dubai based sponsoring organization. Hence the Indian owners acquired their complete ownership from the local sponsor offering. This is a perfect example of voluntary acquisition.

Following the acquisition, the autocratic leadership style of the top managers in institution A and institution B led to various problems. Needless to say, the institutions had toreplace them for the smooth operation of the institution.

Institution A

Despite of the contextual differences, the management attempted to standardize its operations across the institutions in home country and in Dubai.Hence this acquisition had its impact on the organization's work culture and employee attitude towards this change. Employee performance in terms of research achievement, academic standards and many other aspects were unaltered. As the performance indicators were the same for both regions the faculty members were benchmarked within the region as well as their counterparts across the region.

Employees felt that this change was a huge hurdle on their career path. Almost 45% of the faculty members left for better opportunities as their annual appraisal was due and they had no clear answer if they will get any promotion or salary hike. Additionally, many experienced and senior administrative staff members also exited. All the faculty members felt it was an uphill task to adapt to so many changes in such little time. The operational efficiency of the institution also suffered as consequence of bureaucratization of all systems and enhanced vertical structure.

Ultimately, the entire organizational work culture felt the impact. The shared belief of employees regarding job security, policy and procedures, expected standards of performance, future career growth, and about the entire governance was shaken up during the transition process as the change process was abrupt without proper communication and employee involvement. Even today employee retention remains a challenge in the institution.

The advantage of the acquisition is that the students were benefited. Programs were offered through visiting faculty to give a wide exposure to the students. Integration of other campuses via teleconferences created enthusiasm amongst the students. Shared academic resources and facilities gave students more opportunities and choices.

Institution B

The impact of the acquisition procedures on this institution was almost similar to that on institution A.

As there was immense pressure to maintain profitability, a wide range of programs were offered and this increased student intake. Nonetheless, the lengthy procedures due to standardized operations across the institutions in both regions made work culture more stressful. Employee retention continues to remain an ongoing problem managed through the services of visiting faculty. Despite offering wide range of programs, the institution still struggles to remain competitive due to other emerging institutions in the region.

CASE B

Case B reflects the sequence of events at American College of Dubai when 100% ownership was given to a local sponsor. This is like an involuntary acquisition which resulted in numerous changes in the work culture and leadership style.

The acquisition happened due to the failing health of the partner which resulted in the complete handover by the partner. This was followed by a series of events starting with the departure of the President/CEO. The incoming President brought in a number of changes staring with the change in institutional mission and vision. Some new committees were formed to implement the changes. The relevant committee approved the new vision and mission which was meant to be more inclusive. The purpose was to include and encompass more programs so that ACD could transition from a college to University.

As a part of the restructuring process, several redundant staff were either laid off or assigned new positions while others resigned. The purpose of this exercise was to improve functionality and enhance overall productivity of all departments at ACD with the ultimate goal of expansion of growth and transitioning into a university. All changes were reflected on the new organization chart. The new organizational chart helped in bringing more clarity to employees regarding their job responsibilities and reporting relationships.

The transition process left some disgruntled and dissatisfied as they felt it was too sudden and unexpected. Some of the structural changes included, expansion of the HR office where two dedicated staff were assigned the responsibility of providing all HR services including recruitment, coordinating appraisals managing employee contracts and leave schedule management.

Career counseling department was strengthened to guide the students with CV writing and career opportunities. The appointment of a new career counselor also boosted the student industry interaction through various activities like innovation camps, job skills workshop, and job fair. The newly appointed Faculty Professional development coordinator arranged numerous workshops and conferences for the faculty. Organizational learning improved significantly with the implementation of revised research funding policy leading to improved research output. In return student faculty interaction specifically for research purposes improved and students started getting involved with faculty research efforts. Additionally, former faculty development coordinator was promoted to the post of General Education Dean to streamline responsibilities.

On the other hand, procedural changes were made to serve the students better and to improve efficiency. The working hours of the faculty members was revised. Class schedule was arranged such that students had class on four days while the fifth day was reserved for extra class or co curricular activities. Likewise the teachers could use the fifth day for meetings, attending workshops and for self development.

It may be noted that structural changes at ACD were implemented mainly to enhance functionality in all departments including marketing as an effort to increase student enrollment.

Findings

As with all organizational and structural changes, in both the cases examined, employees experienced uncertainties at different levels. After the initial struggles, staffs in general, were able to cope with the new policies and procedures. The common flaw that could be identified in Institution A and B was the adaptation of operational standards across two regions without due consideration of environmental context. In case B, it was lack of communication and collaborative problem solving. Based on the above observation, this study recommends a framework based on Social Identity Theory, framing theory and collaborative conflict management style.

Suggestions

Organizational identity is one form of social identity and is the product of teamwork, recognition of the employees, informal gatherings and opportunities for social interaction. Tajfel, H., 1974. The effective achievement of growth management demands that employees adapts to the changing needs of organization. Alvesson 2002.

Apart from the continuous communication that is required in change management, frame in communication also plays a major role in communication as indicated by Chong. D (2007). Hence the frame in communication by the management should explain the details of the changes that are critical to the employees.

In addition, conflict management style plays a vital part in smooth operations of the organization. This applies to the major stakeholders, faculty and students, in the higher education sector. Effective communication, collaborative problem solving, flexibility of attitude and approach of all stakeholders, namely faculty, students and management are the most significant factors for a successful merger in these three cases.

In addition, conflict management style plays a vital part in smooth operations of the organization. This applies to the major stakeholders, faculty and students, in the higher education sector. Rahim (2011) advocated collaborative conflict management style when one person cannot manage/solve problems alone. This style of conflict management strives for consensus from all the parties in conflict.

Effective communication, collaborative problem solving, flexibility of attitude and approach of all stakeholders, namely faculty, students and management are the most significant factors for a successful merger in these three cases.

Limitations

The current study is narrow in scope and limited only to three institutions in Dubai. Data collected was limited to questionnaires and interviews and confined to key players. Additionally, there was a need to preserve the confidentiality of many sensitive documents which limited the depth of this study.

Future Scope

This data could offer pointers to educational institutions contemplating mergers. The range of the research can be broadened by evaluation of financial performance and the resulting impact of mergers.

Authors

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ANTECEDENTS AND CONSEQUENCES OF PRESENTEEISM IN THE LEBANESE SMES

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Nudge Lebanon

ABSTRACT

Purpose

The overall goal of this paper is to explore via Gap and TOWS analysis if organizations are offering innovative benefits from the perspective of married employees that make being a working dad or mom easier in Qatar.

Design/methodology/approach

A large convenient sample of 824 working Qataris were surveyed, using a 15-item instrument based on previous research. The researchers used factor analysis to ascertain construct validity, based on two suitability tests: First, the Kaisers-Meyer-Olkin (KMO) measure of sampling adequacy generated a score of 0.807, well above the recommended level of 0.50. Second, the Bartless test of sphericity result was significant (Chi Square = 2079.671, P= 0.00), indicating that there are adequate inter-correlations between the items which allow the use of factor analysis.

Findings

Findings of the gap analysis validate the trust – building model between leaders and followers from the employee's perspective. The responses identified in this study enhance the trust in leaders who behave ethically, treat employees fairly, and promote work-life balance. This is an indication that Qatar's National Vision 2030 introduced by Qatar government is transforming organizations' values and attitudes in Qatar so that they perform beyond expectations. Additionally, findings of TWOS analysis identified four employer benefits items that are considered opportunities and eight employer benefits items that are identified as threats for the organizations in Qatar as a whole. Also, findings of path analysis confirm that the impact of "gap in perceived supervisor support" on "gap in perceived development of a caring organization" is strengthened via the intervening of "gap in perceived child-friendly working hours" and "gap in perceived parental leave".

Originality

Qatar's National Vision 2030 has set new future trends that demand changes in organizational culture and the empirical findings of this article should help decision and policy makers in Qatar to determine where change is possible and to focus on priorities as well as possibilities.

Keywords: Employee benefits, factor analysis, SWOT analysis, TWOS analysis, Gap analysis, Factor analysis and Path analysis

Introduction

The researcher in this study is planning to implement the causal path analysis approach which focuses on seeking to understand the perception of type of leadership style that is developed at the Lebanese SMEs and their direct and indirect effects on intention to quit. To put it another way, this study aims to bring conceptual and methodological understanding to the way that perception of Servant Leadership affects Work-Life-Balance, Presenteeism, Job Satisfaction and Employees Intention to Quit in the Lebanese small and medium enterprises (SMEs). The challenge will be in determining which of the many intermediate variables are significant causes. At best, Lebanon is unique underdeveloped country and this study should offer a model for policy and decision makers in Lebanon to treat leadership style as a first step in determining employees' intention to quit. This will extend beyond documents and will include recommendations to guide individual and collective behavior.

Review of Literature

- Research on Presenteeism

Previous research reveal that job satisfaction and work life balance are directly related to presenteeism. James and associates argue that "If workers have substituted presenteeism for absenteeism, then we would expect to see that stressful life events relate to presenteeism as they do to absenteeism"(Macgregor et all., 2008,p. 608). In year 2012, Collins and Cartwright investigated the issues that influence a person's decision to come into work despite being sick. Collins and Cartwright believe that "there are two facets to presenteeism: one where it is acknowledged that the individual is not working at full production as the organization and employee work together to return to work after an absence; and the another facet which is likely to be for short-terms in which the individual comes to work despite being ill because of organizational or personal reasons and the organization is likely to remain unaware that an individual is not working at full capacity"(Collins and Cartwright, 2012; p.440).) Demerouti and associates argue that "While presenteeism seems attractive for organizations at first glance, employers are beginning to realize that it represents a "silent" but significant drain on productivity" (Demerouti et all., 2009; p.51). Moreover, Lu and associates in 2013 note that their study is "the first cross-cultural study demonstrating the universality of the act of presenteeism and its damaging effects on employees' well-being. The authors' findings of the buffering role of supervisory support across cultural contexts highlight the necessity to incorporate resources in mitigating the harmful impact of presenteeism"(Lu and associates , 2013. P.440). Cocker and associates conducted an investigation to investigate the cognitive processes underlying manager's answers, detect difficulties and their causes and suggest design solutions to yield a better comprehensible measure of presenteeism and more reliable valuation of lost productive time, they concluded that "Managers reported significant difficulty understanding and quantifying the impact of presenteeism for acute and chronic conditions despite recognizing its occurrence and demonstrating awareness of how working through illness could detrimentally affect productivity"(Cocker et all, 2012; p.84). Siukola and associate in year 2013 believe that "the decreased risk for sickness absence among white-collar workers if there is no substitute during absence may mask presenteeism" (Siukola, 2013; p.153). Panari and Simbula "..there is a need for more studies in order to better understand both personal and workplace antecedents and consequences of presenteeism and improve an instrument for its evaluation"(Panari and Simbula, 2016; p.92).

- Research on Presenteeism

Based on review of literature, one can say that married and singles may be anticipated to exhibit differences in their intent to quit work because Lebanese females are looked ahead to hold more responsibility for family issues than males, therefore, they may become more opt to suffer the work –family conflict. Consequently, their intent of married to quit job is lower than singles. Mohan Raju Pamu believes that "quit intentions are not indicative of lack of commitment and vice versa"(Pamu, 2010; P 488). Moreover, "It was also discovered that there was no relationship between financial responsibility and retention cognitions"(Gow et all., 2008, p.26) and was noted that "Women frequently complain of pay inequality, dead-end jobs, workplace apathy, sexual harassment, and interrole conflict. In some situations, these factors may still reduce job satisfaction and increase quitting"(Valentine, 2001; p. 141).

- Research on Work-Life-Balance

Previous research have shown that "workers and managers – have quite different issues and needs when it comes to work-life balance"(Moore, 2007; pp:397). Michielsens and her colleagues argued that flexible work arrangements (FWA) are not deemed to be problematical at managerial level, but might be for "lower-level" jobs. Na-Ayudhya and associates argue that "there is the challenge for HR to develop its role in organizations as strategic partner in WLB policies and practices and to convince senior management of the importance of such an agenda in times of crisis and austerity" (Na-Ayudhya et all., 2015; p.28).

- Research on Job Satisfaction

Oshagbem "found that the teachers' jobs explain over 30 per cent of their job dissatisfaction! In essence, the findings show that the university teachers' job of teaching and research contributes significantly to both their job satisfaction and dissatisfaction. Can the same factor contribute to satisfaction for some workers and contribute to dissatisfaction for some others? In the reality of the modern work environment, there is no reason why such a situation cannot occur. After all, people's interests and abilities differ"(Oshagbem, 1997; 358). Koubova and Buchko argue "that the satisfaction of personal life is more important than job satisfaction and leads to better work performance and greater possibilities for careers. Since the emotions coming from our private life are stronger than those experienced at work, we argue that one who is able to achieve emotional calm by maintaining high quality relationships with a significant other and close family members or friends can better concentrate at work and become a high performer with professional growth opportunities"(Koubova and Buchko, 2013; p. 715). Oshagbemi believes that "It will be interesting to investigate how and why rank, among other factors, affects job satisfaction. It will be useful if rank and other effects can be quantified, as this will enhance the current literature on job satisfaction"(Oshagbemi, 1997; p. 511). Oshagbemi found that "Overall, female academics at higher ranks namely, senior lecturers, readers and professors, were more satisfied with their jobs than male academics of comparable ranks"(Oshagbemi, 2000; p. 331). What's more, Koustelios reports that "The results of the present study suggest that teachers were satisfied with the job itself and supervision, whereas they were dissatisfied with pay and promotional opportunities"(Koustelios, 2001; p. 355) and Menon declaress that "Job satisfaction may be influenced by variables not directly linked to school leadership due to the fact that the school leader does not offer rewards or benefits to teachers. Previous"(Menon, 2014; p. 524).

- Research on Servant Leadership Style

The beginning work on the Leader as Servant was the focus of Greenleaf in 1977 as is both theory and practice. More recently, Simmons believes that "The empirical evidence supporting the efficacy of servant leadership is still underdeveloped but a few new and well done studies are very encouraging"(Simmons, 2011). Servant leaders do not use their authority to get things done, but use persuasion to convince employees and staff to do their job. In addition, servant leadership theory puts the leader in the role of a steward that serves the organization.

Need (Significance) for the Study

A study such as the one suggested here is recommended by experts in this field. Panari and Simbula believe that "..there is a need for more studies in order to better understand both personal and workplace antecedents and consequences of presenteeism and improve an instrument for its evaluation"(Panari and Simbula, 2016; p.92). In their study Frooman and colleagues argue that "Future research should evaluate psychological factors at the point at which employees are driven to take sick leave for actual illness or for other reasons. New research must develop statistically reliable absenteeism scales to measure the intent of employees to use sick leave either legitimately or illeitimately. Finally, ongoing research should assess the value of leadership style, its impact on job satisfaction and ultimately absenteeism in the workplace"(Frooman et all., 2012 ,p.459). Furthermore, Ferreira and associate in year 2015 argue that "Considering the importance of advancing in the field by studying presenteeism at the organizational level and, perhaps, introducing the more in-depth concept of presenteeism culture, further studies should consider different level analysis through hierarchical linear modeling approaches"(Ferreira et all, 2015; p. 296). Biron and his colleagues believe that "in order to reduce the costs of absenteeism, employers often opt for managing employee absences more tightly. While this type of approach can indeed produce results on a short-term basis by reducing the number of days lost, it can also have negative consequences by increasing the number of days present while sick, and thus undermine organisational performance (Biron et all., 2006; p.36). Adityo Pratikno Ramadhan believes that the problem of absenteeism "has a big negative impact on development and poverty reduction sectors because the problem will thwart the purposes of development and poverty reduction"(Ramadhan, 2013; pp: 150 – 151).

Purpose

Based on review of literature it is found that presenteeism is one of the biggest management tests a business can face and the question that arises is to what extent does the perception of servant leadership style affect presenteeism in the Lebanese SMEs? The purpose of this paper is to causally investigate the effect of the perception of servant leadership style on intention to quit as mediated by presenteeism , work life balance and job satisfaction.

The Statement of the Research Problem

The statement of the research problem formulated as a big research question is to determine "What is the relative importance of Servant Leadership, Work- Life-Balance, Presenteieesm and Job Satisfaction on Employees Intention to Quit in the Lebanese SMEs?

Procedures and Methodology

Based on review of literature, the researcher will develop a 5- point Likert type instrument for this study. The instrument will be distributed to a large sample of employees working for different SMEs in Lebanon. One of the questions to ask in this investigation will be "how valid is the questionnaire used in collecting data ?" or "how valid the interpretation will be for this study?" To answer this question, the researcher in this investigation is planning to establish the construct validity of the questionnaire via Factor Analysis. Furthermore, the reliability will be determined using Cronbach′s alpha. Findings of the study will be reported using different statistical techniques including:

Graphical and Tabular Representation of Data

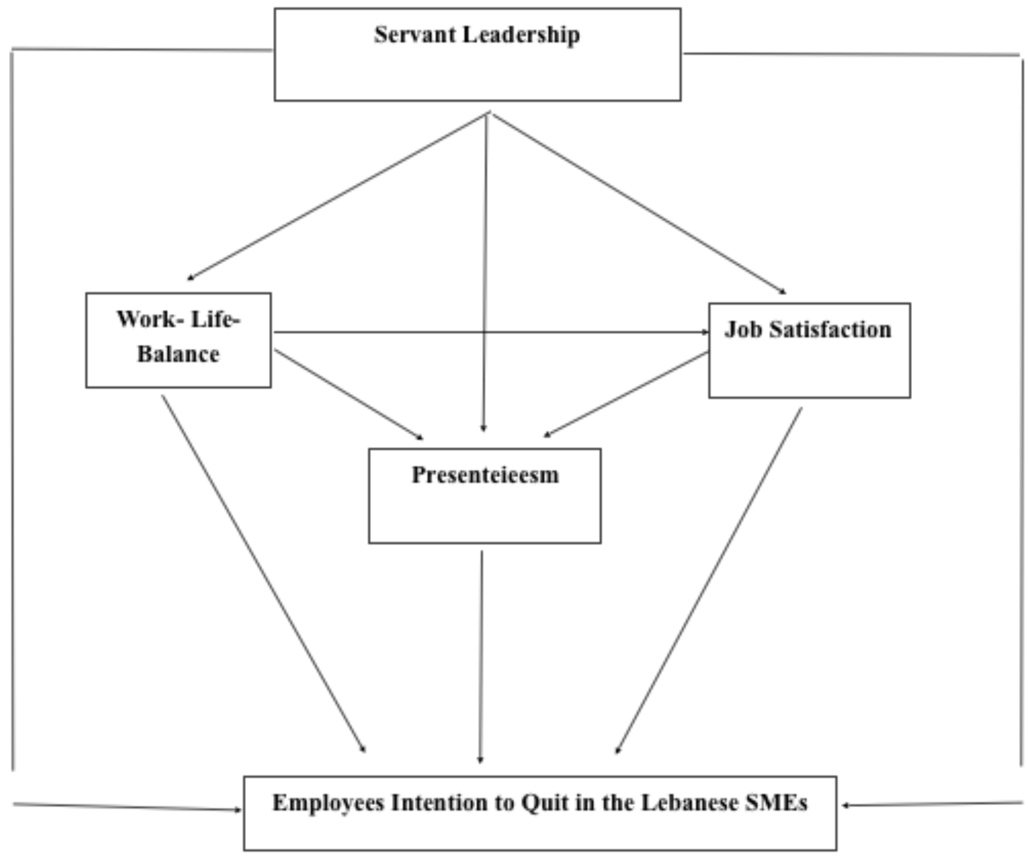
Factor Analysis and Construct Validity

Reliability Analysis

Path Analysis - Structural Equation Models

Conceptual Framework for Analyzing the Data

Figure 1



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WORK-LIFE -BALANCE IN QATAR: IMPLEMENTING TOWS ANALYSIS AS A VARIANT OF THE CLASSIC STRATEGIC TOOL, SWOT

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ABSTRACT

Purpose

Based on review of literature it is found that presenteeism is one of the biggest management tests a business can face and the question that arises is to what extent does the perception of servant leadership style affect presenteeism in the Lebanese SMEs? The purpose of this paper is to causally investigate the effect of the perception of servant leadership style on intention to quit as mediated by presenteeism, work life balance and job satisfaction. The statement of the research problem formulated as a big research question is to determine "What is the relative importance of Servant Leadership, Work- Life-Balance, Presenteieesm and Job Satisfaction on Employees Intention to Quit in the Lebanese SMEs?

Design/methodology/approach

A large convenient sample will be surveyed, using 5- point scale Likert type instrument constructed on the bases of previous research. The researcher is planning to use factor analysis to ascertain construct validity, based on two suitability tests: the Kaisers-Meyer-Olkin (KMO)

measure of sampling adequacy and the Bartless test of sphericity. The reliability of the questionnaire will be established using Cronbach's alpha.

Findings

Will be submitted before the conference

Originality

This article empirically is planning to test structural equation model (path Analysis) within the context of leadership in a developing country.

Keywords: Leadership, Work- Life-Balance, Presenteieesm, Job Satisfaction, Employees Intention to Quit

AN ANALYSIS FOR URBAN COMPETITIVENESS OF GLOBAL CITIES: EVIDENCE FROM OXFORD ECONOMICS DATA

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ABSTRACT

This study ranks the major global cities by developing a comprehensive competitiveness index of those cities using the Global Cities Forecast (2013) data provided by Oxford Economics. The city competitiveness index is developed from 18 indicators including scale index, ratio index, and growth rate index. The Gini coefficient is used for the distribution index. We use the logit panel regression model to analyze the relationship between the competitiveness index and the distribution index. We find that an increase in income inequality has a statistically significant negative effect on the economic growth rate in 5-year time lag. We also have compiled global rankings of 770 cities' competitiveness by combining the global competitiveness index and the distribution index. The trend of rank shows that U.S. cities will continue to be competitive and the cities in China, Oceania and the Middle East are expected to be more competitive. On the other hand, the competitiveness of cities in Japan and Korea is expected to decline. Accordingly, by 2030, the global competitiveness landscape will change substantially, except for the United States.

PHENOMENOLOGICAL STUDY ON HOW MILLENNIALS VIEW CORPORATE LEADERSHIP

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ABSTRACT

Within the corporate culture of the United States, the millennial generation of workers are beginning to become the most dominant class of workers. Millennials are those born between 1980 and 1999. Within the next ten to fifteen years millennials will be in a majority if not all of the management, senior and executive leadership positions within the corporate institutions within the United States. This means that how the millennials view leadership within corporations today could be a possible indicator as to how they will lead when in leadership roles and positions. This phenomenological study sought to understand how millennials view inclusive leaders in comparison to non-inclusive leaders and if inclusive leaders had an influence on their work. This study revealed that millennials favored inclusive leaders and under inclusive leaders tend to see more growth in their career and their learning and understanding of the job.

Keywords: millennials, corporate leadership, inclusive leadership

Introduction

Within the corporate culture of the United States, the millennial generation of workers are beginning to become the most dominant class of workers. In fact, the United States Census Bureau found that millennials represent over 80 million people which is the largest group size ever studied by the census (Seppanen & Gualtieri, 2012, p. 2). Millennials are those born between 1980 and 1999 and range from 16-years-old to 36 years-old (Seppanen & Gualtieri, 2012, p. 3). Within the next ten to fifteen years millennials will be in a majority if not all of the management, senior and executive leadership positions within the corporate institutions within the United States. This means that how the millennials view leadership within corporations today could be a possible indicator as to how they will lead when in leadership roles and positions. Chou (2012) found that Millennials had a team-oriented mindset and had tendencies to lean towards an inclusive management style where immediate feedback was a norm (p. 75). Varner (2011) defines inclusiveness as being "aware of and committed to serving all members of a community" and being "inclusive to all members of the community" (p. 21). Within this study, we sought to compare how millennials view inclusive leaders in comparison to non-inclusive leaders. We addressed this problem by performing a phenomenological study on millennials currently working within corporate America through several interviews. The findings in the study provided insight into the effectiveness of inclusive leaders compared to non-inclusive leaders today who lead the millennial generation. The results of this study also provided insight as to the potential styles of inclusive leadership that may present itself in the qualities of the millennial leaders of the future.

Review of Literature

Within the field of organizational leadership, there has been many studies in regards to inclusive leadership. Prime and Salib (2014) conducted a study on inclusive leadership where they surveyed 1,512 employees across 50 companies in Australia, China, Germany, India, Mexico and the United States. Within this study, all of the participants were full time employees and 22 years of age or older (p. 1). This would lead to asking the participants questions in regards to their demographics such as their age, their gender and the industry in which they are working or have worked. The first significant finding that Prime and Salib (2014) found in their study was that there is one common definition of inclusion that is the same regardless of gender or cultural differences. In other words, what makes a man feel included is no different than what makes a women feel included regardless of what culture they are embedded in. Prime and Salib (2014) found two primary facets that defined inclusion. The first was the valuing of the differences of others, and the second was a placed emphasis on finding common ground to promote cohesion (p. 6). This would lead to asking the participants questions in regards to their experiences in valuing differences in others and finding common ground in order to stimulate a cohesive work environment. This study also indicated that because there was no difference in how various cultures defined inclusion, leaders to not need to develop different approaches for an inclusion leadership style to work in different countries (p. 1). The study further suggests, that if a leader wants to create an inclusive environment he or she must value the diversity of talents, experiences and identities that the employees offer while at the same time providing a common ground (p. 6). This leads to two questions that the participants would be asked. Their first question would be regarding the participants ethnic background and what cultures they are specifically tied to. The second question would be around regarding their experience with direct managers who value cultural differences and use them to find common ground.

Prime and Salib (2014) study also suggests that inclusive leadership behaviors directly impact employee innovation and team citizenship (p. 10). In fact, the study found that on average inclusive leadership produced a 46% on average increase in innovation and a 42% on average increase in team citizenship. Within the United States, inclusive leadership produced a 19% increase in innovation and a 29% increase in team citizenship. These statistics were derived through measuring key indicators that managers care about such as product innovation and productivity (p. 2). This would lead to asking the participants questions regarding experiences where innovation and team citizenship increased or decreased under an inclusive or non-inclusive leader. This study also found that there were four key characteristics that were found in inclusive leaders. The first characteristic was empowerment, where the leader enabled direct reports to develop and excel. The second characteristic was humility, where the leader was not afraid to admit when he or she has made a mistake and was open to criticism and hearing different points of view. The third characteristic was courage, where the leader acted on his or her convictions and put personal interests aside in order to achieve the organizations objectives. The fourth characteristic was accountability, where the leader showed confidence in direct reports by holding them accountable for their performance. All four of these characteristics align also with the altruistic leadership style (p. 7). This would lead to asking the participants questions regarding characteristics of their managers to further validate that they are inclusive leaders.

Prime and Salib (2014) findings advanced our understanding of inclusive leadership and its use within different cultures. One thing that is lacking in this study is the fact that only six countries were represented. This means that the cross-cultural findings of this study cannot be generalized on a global level, but rather can only be limited to the cultures of the six countries included in the study. Another perspective that is lacking in this study is findings relating to leaders who do not have an inclusive leadership style.

Carmeli et al. (2010) also conducted a study on inclusive leadership with a focus on a leader's openness, availability and accessibility and how that affected the creativity of the employee. This would garner questions to ask the participants around their leader's openness, availability and creativity. Carmeli et al. (2010) found that the inclusive leadership style fostered an environment of psychological safety which in effect fostered creativity. The study consisted of a survey taken twice, two months in between by one hundred and eight employees. The researchers controlled the age of the respondents taking the survey and focused on getting younger employees to participate in the survey (Carmeli et al., 2010, p. 11). The survey was constructed of nine items of measurement that assessed three dimensions of inclusive leadership which were openness, availability and accessibility (Carmeli et al, 2010, p. 10). Carmeli et al. (2010) found in this study that inclusive leadership was positively linked to an increase in creativity amongst employees (p. 15). This would lead to asking the participants questions around their level creativity with their direct managers.

Thus far there has not been much literature directly observing millennials and inclusive leadership together, but some of the research above indicates there has been some indirect studies. There are also various research studies regarding millennials and leadership that have some references to the desire for inclusive leaders. Michels (2015) developed a white paper on millennials within the workplace where many of the cultural differences were discussed between the various generations that are currently in the workforce compared to the millennial generation. Michels (2015) noted that the millennials desired inclusive relationships with their managers and senior-level leaders. Ware (2011) performed a study on the multi-generational workforce where they examined the blend of the various generations currently in the workforce today. Ware (2011) had many of the same findings as the study by Michels (2015). This leads to asking the participants about their preference of having inclusive or non-inclusive leaders. What also stood out in Ware's study was the effort that many companies were making to appeal to the millennial generation. For example, EMC focused much of its efforts on creating a culture of inclusion in order to appease to the needs of the millennial generation (Ware, 2011, p. 7). The conclusion of Ware (2011) study found that in order for companies to thrive with a multi-generational workforce their focus would have to be on cultivating an inclusive workforce environment. This kind of workplace environment would entail managers viewing differences as strengths and seeing the potential for collaboration as a powerful tool (p. 8). This would lead to two questions that the participants would be asked. The first question would be regarding their company's efforts in promoting inclusive leadership and the second question would be aligned to understanding how their mangers views differences. From the review of the literature, it is evident that though there is research on inclusive leadership and also research on millennials within the workforce there is very little research regarding millennials in an inclusive and non-inclusive environment. The literature does suggest based upon prior studies that millennials do prefer the inclusive leadership style, but the question that remains is how does an inclusive leadership style affect the millennials within corporate America. Furthermore, knowing how a non-inclusive leadership style affects the millennials would also be important to know and understand as well. The intent of this study is to begin to explore this territory of the effect of inclusive and non-inclusive leadership on millennials, which has not been explored thus far.

Methods and Procedures

A qualitative approach was taken for the data collection where partially structured interviews were taken with a group of millennials within a company. The interviews were analyzed through the phenomenological design method where they lived experience was examined to extract out the meaning. Through the meaning derived from the interview, conclusions were made based on the findings.

Participants

For this study we interviewed participants who were currently working within a corporate setting and were born between the years 1980 and 1999. We used a purposive or convenience sampling technique for the participant selection. This is a sampling technique where the participants are selected by meeting a set of criteria (Cozby and Bates, 2015). Participants for this study were gathered in two ways. The first way in which participants were reached was through companies within the northeast area in the United States. The second way participants were reached was through the LinkedIn social network. In both the Connecticut social network and the LinkedIn social network the following criteria was met:

1. The person must have been born between 1980 and 1999.

2. The person must work or have worked for a corporation under the supervision of a manager or leader.

Data Collection

The raw data for this study was the detailed experiences and feelings mentioned by the participants during the interviews. A focus was placed on getting the participants to return to the original experiences that they had, which should provide very detailed descriptions that can provide a basis for a "reflective structural analysis" that would reveal the essence of the experience (Moustakas, 1994, p. 13). Giorgi (1985) gives two descriptive levels are used in the phenomenological approach. The first level is when the original data is primarily descriptions gathered through open-ended questions and the dialogue gathered between the researcher and the participant. The second level is when the researcher begins to detail out the structures of the experience based on the reflective analysis of the participants' responses (p. 69).

Within this study, the two-level approach provided by Giorgi (1985) was utilized when analyzing the data provided by the participants. Within the first level, we just recorded and notated the experiences as described by the participants. For the second level, we found common words and phrases given by all the participants to determine if there are any common themes that resonate from the interviews.

The final approach that we took in this study was to take the common words and phrases given by all the participants and derive common codes out of the data. The common codes found were then grouped into common themes. This was an iterative process based on coding practices employed and scrutinized by many researchers (Saldana, 2013).

Interview Questions

The following questions were used as a structure and guideline to perform the interview sessions:

Demographics

1.How old are you? (Seppanen & Gualtieri (2012), Prime & Salib (2014))

2.Participants gender? (Seppanen & Gualtieri (2012), Prime & Salib (2014))

3.Industry the participants works in? (Seppanen & Gualtieri (2012), Prime & Salib (2014))

4.What is your ethnic background? (Seppanen & Gualtieri (2012), Prime & Salib (2014))

5.What cultures would you say you are a part of? (Seppanen & Gualtieri (2012), Prime & Salib (2014))

Inclusive Leadership Values

6.Do you value the differences in others on your team? Can you give some examples as to how? (Prime & Salib (2014))

7.Do you constantly try to find common ground to foster a cohesive work environment? If so can you explain how? (Prime & Salib (2014))

Inclusive leadership meaning to participant

8. What to you consider to be inclusive leadership? (Prime & Salib (2014))

9.Do you believe that your direct manager is an inclusive leader? Why or Why not? (Prime & Salib (2014))

10.What has been your experience with your manager? (Prime & Salib (2014))

Experiences with direct managers

11.Tell me of an experience you have had with a direct manager that focuses on valued differences and focused on a common ground to bring the team together? (Prime & Salib (2014))

12.Do you believe your manager sees differences as powerful tools that can be utilized for collaboration? If so or no, please explain why? (Prime & Salib (2014), Ware (2011))

13.Would you say that you have experienced an increase or decrease in innovation in a current or past role? If so, please explain your experience. (Prime & Salib (2014))

14. Would you say that you have experienced an increase or decrease in team citizenship in a current or past role? If so, please explain your experience. (Prime & Salib (2014))

15. Does your manager empower you to develop in your career and to excel in your current role? If so or not, please provide examples. (Prime & Salib (2014))

16. Is your manager open to criticism and openly admits mistakes? If so or not, please provide examples. (Prime & Salib (2014), Carmeli et al. (2010))

17. Is your manager usually available when needed or tries to make themselves available and accessible? If so or not, please provide examples. (Carmeli et al. (2010))

18. Does your manager stand by his or her convictions? If so or not, please provide examples. (Prime & Salib (2014))

19. Does your manager display confidence in you and hold you accountable for your work? If so or not, please provide examples. (Prime & Salib (2014))

20. Would you say your level of creativity grew under your manager? If so or not, why would you say it grew or did not grow? (Prime & Salib (2014))

Employee Preferences

21. Would you prefer a leader that is more inclusive and if so why or why not? (Michels (2015),Ware (2011))

22. Does your company make any efforts in promoting inclusive leadership? If so or not, please provide details as to why or why not. (Ware, 2011).

Participant Responses

Within this study there were five participants who were interviewed. Each of the participants met the requirements to participate within the study. Within this section, the participant responses to the questions asked throughout the interview will be documented as well as the codes that align with their responses.

Demographic Responses

The demographic responses for the participants were listed below:

Inclusive Leadership Values

Participant	Age	Gender	Industry	Ethnicity	Cultural Background
1	30	Female	Social Services	Jamaican	Caribbean, African America, multi-cultural
2	30	Male	Software Development	White	European American/Irish
3	30	Male	Distribution	Italian/Polish/Lithuanian	Italian, American
4	30	Male	Information Technology	African American	American culture
5	39	Female	Manufacturing/ Supply Chain	Asian	Asian culture, American culture

6. Do you value the differences in others on your team? Can you give some examples as to how? (Prime & Salib (2014))

Participant 1. Yes, I do. Work success. Differences in level of competency I value. Number one that always shows me that there is room for growth for me and it allows me to categorize myself where I fit in a level competency (Code: Diversity in experience). It also diversifies the role where I know who I could go to for advice and who I can give advice to. I also like differences in diversity cultural diversity on my team. It makes me feel like all are welcome **(Codes: diversity in**

culture, welcoming atmosphere, diversity in ethnicity). It actually makes me feel uncomfortable when I'm a part of something that lacks diversity because our world is so diverse. When our work place environments are not diverse it is just a poor reflection of the real world and that honestly scares me. I prefer a team that has differences in ideas but work towards the same goal **(Goal: Diversity of ideas)**.

Participant 2. Oh absolutely. I mean I think that without differences you don't get broad scope of differing viewpoints on certain things. Things that you might overlook from one viewpoint if you have different people on the team tend to get people looking at in a different manner **(Codes: Differing viewpoints, overlook possibilities).**

Participant 3. Yes, I do value differences on my team. I guess the primary thing I value is the difference in experience for the people on my team (Code: Difference in experience). Some people are more experienced than others and I guess that helps in regards to knowing in terms of the company that been here a while they know how things work and where things are working out where there are now they know the whole transition and that I guess how that relates to me again I'm a millennial and I sort of grew up with more technology, easily accessible so can be quicker in regards to that. But in terms of the longevity and seeing everything I can I can't match that so that's the main difference I've been able to **(Code: Difference in Experience)**.

Participant 4. And there's some things that I find myself good at but weak in other areas and I can see other people have weaknesses where I am strong and strengths where I am weak. So, you know I take a little bit from everyone and kind of incorporate that into what I am working on. Just being in I.T. you are strong in certain areas and weak in others so I think that applies more in I.T. than anywhere else **(Code: diverse skillsets).**

Participant 5. I actually do. It helps me how I say that it helps me improve in the knowledge that they have and I never you know never knew about you know. And it passes on to me. So having that information helps me move on further in my career **(Code: Difference in experience and knowledge)**. And so, I think that we want to be a team. If we didn't consider each other's opinions you that's how it works.

Do you constantly try to find common ground to foster a cohesive work environment? If so can you explain how? (Prime & Salib (2014))

Participant 1. Yeah I was try to find common ground when working with someone because it just makes the work easier. If you could find something you have in common with the person. Sometimes our differences separate us more than they should (Code: Easier workload). I like to point out what we have more in common, but even sometimes though our differences separate us sometimes our differences are what bring us together to because I may need something from you that makes you different from me and vice versa, but the common ground is that we both have a need to accomplish a goal so yes I do like I do like coming to a common ground when working in a group **(Code: Work goal as common ground)**.

Participants 2. Yeah I would say that I think it's human nature. Typically people try to find that most people try to find common ground. But you know sometimes it might not be necessary if you just naturally get along with somebody or you know you don't necessarily have anything in common. Typically I try to find common ground people that I don't naturally you know **(Code: Common ground is human nature)**.

Participant 3. Constantly? I think… I think overall I do maybe not constantly. If there is some sort of disagreement in values or disagreement over direction or whatever project I think that can cause a little short short term strife, but going back to the constantly I guess. The big picture is we are all in this together so hopefully people can sort of set that aside and you know the common goal is to make things run smoothly **(Code: Macro view).** So yeah I mean I try to as much as I can.

Participant 4. And I say I do. I try to say that I'm a people person so I always try to find something that I can talk to somebody about whether it's work or not work **(Code: people person).**

Participant 5. I try. I know it's hard especially when IT field you know you're always going to have those little issues. And there's always going to be conflicts between what is actually being done and what is required to get done **(Code: conflict is common)**. And you kind of debate it especially me I debate it a lot because I want to double check myself like are you share. Before I do anything I want to get confirmed. So I'm trying to protect myself but I'm also trying to make sure I'm doing the right thing by not spending money that's not necessary or maybe doing something that wasn't you know.

Inclusive leadership meaning to participant

8. What do you consider to be inclusive leadership? (Prime & Salib (2014))

Participant 1. I would consider an inclusive leader as someone who ensures that all voices are heard (Code: All voices are heard). Everyone on the team or group is represented, someone who is diplomatic, someone who creates other leaders because being inclusive also means that there is room for growth. You want other leaders to grow from your leadership (Codes: Practices diplomacy, allows growth, develops more leaders). By diplomatic I mean someone who doesn't necessarily handle conflict like in the sense of like punishment but uses conflict as an opportunity to learn or a mishap as an opportunity to learn or a mistake as an opportunity to learn. I feel like that's diplomatic **(Code: Conflict becomes learning opportunity)**.

Participants 2. An inclusive leader is somebody that will take I believe everybody on the team's views or…or positions and weigh them as necessary and not necessarily that everybody's opinion means the same but everybody's opinion matters (Codes: listens to diverse opinions, everyone's opinion matters). For instance if somebody has expertise in an area that they might weigh that little bit more but somebody might say that you might not expect that expertise in a certain area may just do something about it **(Codes: Diversity in experience, diversity in knowledge)**.

Participant 3. I would say inclusive leadership is there should be or maybe not one actual leader but if there is one leader he or she should hear the opinions of everyone in this group (Code: undefined leader). So include the people that worked for them here then out here the facts look at all the facts and all the risks from whatever decision and all the benefits advantages. But ultimately it should be in that leader to make a decision and that should be it. It should be a well-thought out decision possible and not just going on instinct that we're either just really hear people say that just being tyrannical and just doing whatever they want, but again if that if that's if it's more committee based where everyone's equal I feel like nothing will get done no decisions get made and will be in a constant limbo state. So the leader should make a decision but it should again include everyone under, hear everything that they have to say all the rest of us know. That's my definition **(Code: Consensus driven decision maker)**.

Participant 4. Someone who...you take a number of ways. You take it as creative ways as far as what I talked about before, who's good at what, like in IT who is good a C# and who is good at Java. You can have someone in that area where they incorporate people who may be good at one thing but not another. I would say that is being inclusive, but if you're talking about as far as diversity and ethnicity and gender and sexuality I guess it would be you know some doesn't see color or sexual orientation **(Code: diverse skillsets)**.

Participant 5. I think to have an inclusive leadership you have to believe in yourself believe in leaving your beliefs and be strong and know that what you're trying to guide other people to try to teach and the you know the right path to them. In the end it comes back to you **(Code: self-confidence, guidance)**.

9. Do you believe that your direct manager is an inclusive leader? Why or Why not? (Prime & Salib (2014))

Participant 1. I just noticed that the people that she elevates are not necessarily from a different background, different skin color, different culture (Code: elevates same ethnicity). And it's not that those people are not available or willing and able. She just doesn't use us. I don't see my current manager giving minorities or other people who work in the department that are from a different cultural or diverse cultural background opportunities to shine. I don't see that **(Codes: underutilizes others, excludes minorities)**.

Participants 2. I would say yes. For all the right reasons that I gave that any leader would be. I hear she was very very you know engaging with everybody on the team. And you know doesn't leave anybody out **(Code: Engaging)**.

Participant 3. The question is do I think they're inclusive. Yeah I would say yes. They are an inclusive leader because again they just did just what I said in the previous question. And I feel like they have their own their own vision but they'll ask their staff members for what the risks are and what's the data backing up what you're saying. So they will hear everything out and sometimes that perhaps something that they didn't consider might change there. So yes. Yes **(Codes: Shared vision, seeks opinions)**.

Participant 4. I believe that every job I worked at had an inclusive manager **(Code: Inclusive leader)**.

Participant 5. No I don't. I don't think she is a familiar or has knowledge of how to be or how to give leadership. And there is always a conflict. And then you can I question it. But (Code: Lacks inclusive leadership) since she's my boss I have to take it with ease. I think she just needs more training (Code: Lack of leadership training). And she was the one that directed me to make sure this one gets done. So where do I find my balance when you're telling me this one first, but this one is a priority too. So I don't have that kind of leadership where I'm really working on this one. You know can you give me in a different timeframe to get this one completed so I can get this one for you. That's a priority (Codes: Lack of sharing priorities, misdirection). It feels like there is. I had to get it done. Yeah. Yeah. But it's like these are like three or four day projects. There's no way that I can get both done. So it was always have to stay to get it done **(Code: Impossible tasks)**.

10. What has been your experience with your manager? (Prime & Salib (2014))

Participant 1. I just noticed that the people that she elevates are not necessarily from a different background, different skin color, different culture **(Code: elevates same ethnicity)**. And it's not that those people are not available or willing and able. She just doesn't use us. I don't see my current manager giving minorities or other people who work in the department that are from a different cultural or diverse cultural background opportunities to shine. I don't see that **(Codes: underutilizes others, excludes minorities).**

Participants 2. This manager in particular is somebody that I naturally got along with, I did not have to find any common ground and I think our personalities just happen to be something where we just got along naturally. Sometimes I find that you know especially when managers you try to find common ground because you want to be able to engage with your manager. But this manager was easier probably because we were so close in age **(Codes: Naturally got along with followers, engaging)**.

Participant 3. It's been positive but it's it's been it's been hands on really hands off manager. So I you they're not near my micro-managers So the court might I just give you work and I don't hear from them for a week or so really hands off and kind of one of those manager manager type so they might forget something you've got to kind of steer them in a direction if they overlook something which can happen you know really precise and a lot of other regards **(Codes: Macro manager, hands-off management)**.

Participant 4. I mean if someone wasn't inclusive I would imagine maybe in their actions or in their statements they would say stuff that would be offensive in certain ways but I personally never experienced that. So it probably doesn't answer your question but it's sort of answers it **(Code: non-inclusive, offensive)**.

Participant 5. Theres no team meetings, no priorities set. No discussion. when something new comes up. There's no discussion about it either one or two people know about it and then the rest of the crew is like what just happened. You know and then we get in trouble for it because it was said it was mentioned but nothing was mentioned. Probably from her or the other person knew about it but none of the rest of the crew did **(Codes: Lack of structure, poor communication)**.

Experiences with direct managers

11. Tell me of an experience you have had with a direct manager that focuses on valued differences and focused on a common ground to bring the team together? (Prime & Salib (2014))

Participant 1.] It is plain to see that she has excluded other people when there's other employees that are more qualified more versed in the knowledge of the work that needs to be done yet she does not use them in leadership roles **(Code: Devalues experiences and knowledge)**. For example, we're on a special project where we are launching a new computer system for the state of Connecticut. A lot of that involves going out to the different sites to make sure that the different sites within the state go live with the systems are having a smooth transition from the old system to the new system. So different groups will go out and those groups entail people who have worked out the system for weeks and even months. Most of the people that she has sent out are not included in the diverse background because that would actually give them some form of shine amongst the managers that they'll be around **(Code: Limits opportunities for other ethnicities)**. So if you go to Middletown you're helping them launch their system to go live. And you're able to lead a task force in another office and say like

OK this is what you do and this error happens and so forth. You know you might just be seen as a leader but it's my understanding that a lot of those people of different backgrounds are not chosen for opportunities like that yet just like their counterparts they have been working on this new computer system for weeks and for months just like everybody else, but when it's time to actually show what we now show what they know we're not included. So that's my example **(Code: Does not grow leaders)**.

Participants 2. Right because typically you're not on the same...or at least in the past to me I haven't felt like I'm on the same plane as them. They're typically more advanced in their career they're typically more...you know a lot of the time they were a lot older than I was you know. So I couldn't really relate to somebody who was married and had kids and you know and all that and that not that you need to when you're working but I think when you're more at the same age or around the same age it's a lot easier. Yeah that happened to be the case in this case **(Codes: Seeking common ground, life differences, age differences, more commonality within same generation)**. Right. That's the thing. Well I mean especially in the field that I am in especially dealing with software. There's a lot of time where people want to take a certain approach to solving a software issue so they don't want to use a specific language they want to use a specific technology and somebody else might you know there's so many different technologies around that that somebody might have something that's similar but not the same and it can accomplish the task in the same way you know. And in this case there was a situation where one of the team members wanted to use a web technology and somebody else wants that desktop based technology you know and in dealing with that we basically the way that this control manager dealt with things was that we would have a team meeting and the meeting would be let's jot down the pros and cons to both sides and figure out you know going forward in the future. And for right now we know how long is it going to take to develop both sides. You know what are the pros and cons for the two which one can we get and figure out which one's future. You know things like that. So. And everybody was able to pitch in ideas about it and you know whether you've been there for. 10 years or even There are two you know (Codes: Industry driven, Considered all perspectives).

Participant 3. OK got it. OK. Yes so this certain example I was in a system's role and we were evaluating third party vendors. They were coming in to present their software solution for a certain issue that we were having. We were using make shift Excel spreadsheets to track all the stuff but there was software out there that can do a lot more and more robust things. So a bunch of five or six third party vendors came in and presented their product. We asked a lot of questions, presented them our data, they did some case studies. My manager at the time thought we could do the entire...the whole system that we were replacing as we were interviewing these parties and vendors was for on our own internal ERP system which is currently just using Access and Excel. But he thought we could do it within SAP and there was a lot of people involved a lot of people at the systems people sitting in with these vendor meetings. They all had a different opinion on which way to go with. Which one is better for this try to get that the cost and all that stuff. So my manager sort of quietly kept pushing for the internal we could build it would take a little longer, but there would be no cost going forward, except licensing cost but we already are paying for our own internal systems **(Code: Seeks Opinions)**. So he kind of like pushed that and went for that option that I guess... what it came down to was really sort of was that the main thing was the cost and he sort of got that important message **(Code: False inclusion)**. That was I guess the most important of this because it wasn't adding any value to the company. It would just be something that would just cost money year after year after year. So yeah I guess he sort it influenced the opinions of a lot of people in focus and that's really what's important here it's not going to bring any revenue by at all no matter what we do. So you kind of made it people focus more on the cost and if we could do it internally the cheaper option in this case the better option. He listened to everyone, the opinions on all of the software companies and such, but he sort of influenced their decision and brought it back to what was important in this case, it was the ongoing cost of this **(Code: Influenced opinion)**. Yeah there were some people who really wanted certain vendors and it was a balancing act like I said, but I think they sort of came around slowly. The internal option my boss was proposing wasn't like the user interface is not pretty. It was ugly. Like these flashy you know and I mean really graphically user interface but yeah there was for a while **(Code: Influenced Opinion)**.

Participant 4. Well I mean if your talking about the work environment common ground is really just getting the work done. So if your asking what did the manager do where at the end of the day the job was done...My manager in particular, they really hear each individual...like let's say me another co-worker have an idea of how we are going to do something, they would hear me out and hear them out and then kind of compare and do pros and cons and then just pick the best one that they think is going to be the best way to get the job done and I think that's fair. What I think is as long as you're being heard out and you are kind of being acknowledged out. I think that's fair **(Code: Being heard)**.

Participant 5. No I don't I don't have one. Unfortunately it is at a time where something has to get done and we were all working and I was trying to get another thing done and says this is more important than that **(Code: Task oriented leadership)**.

12. Do you believe your manager sees differences as powerful tools that can be utilized for collaboration? If so or no please explain why? (Prime & Salib (2014), Ware (2011))

Participant 1. So if she was inclusive she would make us all come together and just brainstorm ideas how to do what needs to be done and basically try different ideas **(Code: Collective idea generation)**. Whoever has the best one may that one continue, but many of us are not even given the opportunity to even express our ideas. So if they were good we would never know because it's like we're excluded from the group, and I think in order to be inclusive you have to hear from everyone because the person that you're assuming will not have the answer may just have the right answer **(Code: Accepts diverse ideas)**.

Participants 2. Well I think that I can answer this way. If he didn't see it that way then he would make a decision without the team. You know it seems like every time a decision is made everybody who was involved. There was not anybody left out. It wasn't like. This person doesn't work on the web front-end stuff. He only does back-end…Yes so what I was saying was if he didn't value the differences in everybody then I don't think that certain people would have been involved in certain decisions at all because they really didn't have any background in some of the stuff that they were brought in on. So you can sit there and just pass people so that they won't say anything but they were involved. Whether they wanted to or whether they said anything or not threw out any ideas they were there. And I think that that shows to me and I don't want to speak for somebody else and say whether they value it or not maybe it they don't but everything that I saw indicated that you know that was the case **(Code: valued differences)**.

Participant 3. Yes I definitely do. Just because the people that we work with have a lot of different technical backgrounds and I feel like…I think he likes having those differences so he had just different resources and again like I said I felt like he was an inclusive leader it's just another different perspective that he could get at all. That's kind of newer and different than the other people so yeah **(Code: Difference in experience)**.

Participant 4. I understand the question. I just think that when it comes to the IT field it's just like it doesn't matter if you at this demographic or that demographic it comes down to do you know you're doing or do you not know what you're doing. If I was in a different industry like if I was in arts or liberal arts I can see where those demographic differences can you know have different perspectives but when it comes to this it's just you either know what you are doing or you don't **(Code: Industry driven)**.

Participant 5. No there is no tools. OK. We just do as she says **(Code: Does not value differences)**.

13. Would you say that you have experienced an increase or decrease in innovation in a current or past role? If so please explain your experience. (Prime & Salib (2014))

Participant 1. There would be more creativity. There would be more room for expressing your opinion of what's the best way to execute something and to deliver something **(Code: Increase in creativity)**. Well I've seen an increase in productivity. I would say with the activity of cleaning out the old system the conversion...Part of what we do...we're converting the old client ids into the new system. There's been an increase because what she does it she takes the fastest workers and the people who have the most numbers at the end of the day. That's what she makes them do. I would say so she sort of like...If you show that you're good at something even if it's something that you don't necessarily want to do. But if you show that you can have it you push up high numbers doing something as boring as conversion then that's pretty much what your going to be stuck doing **(Codes: Increase in productivity, Forced work tasks, Limits skillsets)**.

Participants 2. Oh there was certainly an increase. I mean we used like new technologies whether they seem to be stable or not. I mean because we were able to take the risk. Because we all believe in one another. You know **(Codes: Confidence in the team)**.

Participant 3. Ok. I would say I would say an increase. Just because I guess that was part of our job we had as systems managers to look for more automated solutions. Yes, we were always trying to find better ways to do things and be more innovative and yeah **(Code: Industry driven innovation)**. No I don't. I think some managers can get kind of stuck in...alot of people can get stuck in the past. In this sense they've taught one way to do things and then just keep doing it just because they know that way and it's not necessarily the best way to do something but there is no forward sort of thinking into the future of how this can be better. And so I think you can see that vision forward and to do that it might take certain innovations so I don't think every man every leader would be that **(Code: leader innovation independent)**.

Participant 4. Yes I would say so. I feel like over the past four years I've been here I had some ideas that have changed some of our processes and procedures going forward. I would say so **(Code: increase in innovation)**.

Participant 5. Decreased. We're not all on the same page. You know one person do one thing and another person will do the opposite. there's no communication whatsoever within the team. If there is communication everybody can't input their own opinion. Just accept what is being said **(Codes: Lack of consistency, lack of communication, decreased innovation).**

14. Would you say that you have experienced an increase or decrease in team citizenship in a current or past role? If so please explain your experience. (Prime & Salib (2014))

Participant 1. We're so separated that it's hard to like a lot of like snicker and talk about how anytime an opportunity becomes available. Everyone pretty much just knows that it's not going to be us. It's not going to be one of us. It's like the tail the the Xs and the Os.The Xs can sort of tell that they will be chosen for something but the Os they're always chosen. I don't think that there's team citizenship in my opinion no there is not because citizenship involves feeling like you belong and being included. A lot of us don't. I don't feel included **(Codes: No sense of belonging, no sense of citizenship, Have and Have nots)**.

Participant 2. Well I would say it probably was the same because who ever was in the position before trained the person in what to do. And you know kind of bred the person into being that way. So I mean it wasn't that seamless transition between the prior manager and this manager because this man at work under that manager and doesn't kind of like a tutelage kind of thing or like an apprenticeship I guess you could call it. Right. And I think that...Again it's hard to say how much the manager has to do with it because this particular manager was part of the team before that. So it was it just that the team continued to do what the team always did and we were seamless in moving to the manager because the manager really wasn't doing a lot or was it because the manager knew what the prior manager had done and saw that it was working. It didn't change anything. It's hard to tell or it's hard to say because I know when I was on this particular team it always just was that way. You know it was never there was never like we had a manager in there where we did not get the job done. So it's hard to say how much how much they have to do with it without...If You change everybody on the team than I think the team changes. Then everything changes. I don't think it all lays on a manager **(Code: Inclusive leadership depends on the team)**.

Participant 3. I would say neutral to a slight increase. I would say **(Code: citizenship unaffected)**. as an inclusive leader he does listen to our opinions but they are decisions that he just makes without including anyone, but there there are some things that he just made a decision on just how it's done. Certain decision still have to get made and I guess he doesn't include everyone on every single decision.

Participant 4. I would say yes but I would only put that…I would only say yes because I am getting more experience working with what I am working with. So in time I get more confidence in my ability. I would say for that reason I don't know if its the same kind of thing you're going for (Code: Increased confidence). Yes. You know you don't want to be the guy that you know is just having an answer for everything, but you know the more experience I have the more confident I feel and I am more vocal about it **(Code: non-leader influence)**.

Participant 5. Decrease. Definitely decrease. There are there's certain groups that can work together because they communicate with each other and there's another set of groups that includes a manager that can work together and you know and discuss things with the other. The other group does know not anything about what is going on when it comes to the group that the manager works with **(Code: self-management)**.

15. Does your manager empower you to develop in your career and to excel in your current role? If so or not please provide examples. (Prime & Salib (2014))

Participant 1. I don't think so and I don't think where I am…I never thought this would affect me so much. I don't think where I am is a place for me to grow and kind of it's like I'm kind of scared to admit that because I don't want to sound hopeless but no I don't think my manager would be a part of helping me grow my career. No I don't believe so at all…She hasn't done anything to prove that she would **(Codes: Growth stifling, Hopelessness)**.

Participant 2. I would say sometimes and sometimes not. I would say that in terms of growing and learning new things we were allowed to do that because we were always using the latest and greatest technologies so we're always moving up never staying on the old stuff. We're never. Happy with what we did last year we wanted to look towards what are going to do next year. So that in terms of furthering just by the nature of the job. Yes **(Code: Employee driven career growth)**. But it's hard to say if the manager had anything to do with that or just that the field dictates that you have to be you know going along with emerging technologies so you are progressing in your career. There have been times where you know sometimes you're in a support role and you feel like you're not able to develop as much as you is you are supporting prior stuff **(Code: Growth not dependent on manager)**. So there are often times where that where I felt like I should be developing something new rather than supporting something that's already out there. So but again that's the nature of the business too you know you're not always in development sometimes you go to support for a while **(Code: Industry Driven)**.

Participant 3. I guess I would say no. That was probably one thing that I was lacking from that that particular experience. I think he just he like that have people in their roles and just keep doing their job but there wasn't really a lot of development or in terms of skills or soft skills hard technical skills there wasn't a focus on that. Unfortunately I wish there was more **(Code: Career stagnancy, needing more)**.

Participant 4. Yes definitely **(Code: Empowerment to grow)**. Telling me what projects are coming up and specifically telling me that they want me involved with this. So I'm taking on a more senior position.

Participant 5. It's it's it's a yes and no. In my eyes I see it as she tries to help me, but the other side of it I think she holds me back. And it's it it's it's unbalanced right now. I see more of me being held back than I see her try and help me expand to better things **(Code: Lacks career development)**. You see what I mean. Which I could see why it is happening because she doesn't want to lose an employee. That is a good employee. She thinks I want her to stay and I'll do anything to make her stay. But it's like all nice. My mindset. I want to move to another area **(Code: Career stifling)** .

16. Is your manager open to criticism and openly admits mistakes? If so or not please provide examples. (Prime & Salib (2014), Carmeli et al. (2010))

Participant 1. No. There's no room for that. We don't have meetings like that. We don't have an meetings where there's feedback of like how am I doing as your manager. We don't have any meetings like that. I wish there was an evaluation **(Codes: Feedback avoidance, Lack of communication, No formalized evaluation process)**. No. They do this any evaluation through the University of Connecticut through H.R. but none of the questions have anything to do with your direct manager everything is agency wide **(Code: No Direct evaluation of manager)**. How you feel about the agency and their is no specific question about your direct managers your direct supervisor. I feel like the feedback would help, but there's just none. There's no opportunity for me. I don't even think the agency wants an opportunity for it because that would give HR more work and more investigations and affirmative action, more work more investigations to be done **(Code: Lack of formalized processes for inclusive leadership)**.

Participant 2. I don't think so. I don't think...that's one thing I would say is that I don't know that I've ever had seen him take criticism (Code: Not open to criticism). You know that could be that there was never any criticism take as it seemed like everything we did was good. But at the same time there probably were times where decisions that were made were not the right ones. You know maybe they'd ever get second guessed until way after the fact then you know they maybe didn't stand up and say I was wrong you know, but I don't know that anybody's really going to do that in an environment where it's a competitive environment. I mean when you're at work. I mean whatever it is what it you is still you're trying to progress yourself...But I don't know that I've ever had a manager that did either said I was wrong you know I don't know that...I have to think about it **(Codes: Refuses second guessing)**.

Participant 3. Yes definitely openly admits his mistakes. One example is we had a bunch of scripts, SAP scripts and code that we had to run every month that allocated a ton of cost to a bunch of different areas of the company. And He ran it a few times just with some coding errors that are different. And I mean the results were there, but he readily admitted that admitted it up to the CFO who his reports are going to and told them that it is going to be delayed. It had financial information. So yeah I guess that's a case where you have to admit that. And what was the point of the question? If They're open to criticism? Open to criticism... Yeah yeah I would say yeah...They would be open to criticism in certain regards but I don't think a lot of people would go and criticize...Just because of the power structure that the company was for and people were intimidated...all people under him or at a lower level or maybe equal were intimidated. I feel like he would be open to hear it. I've given criticism not criticism but advice, but it have to be worded the right way. I guess it depends on what you're criticizing **(Code: company culture influence)**.

Participant 4. Yes I would say so **(Code: Open to criticism)**. Being one of the younger ones here I would say not a lot but I am a little more intuned to what newer techniques and strategies are out there an industry like this one where it's kind of like is it's like a manufacturing company first and software second. So they usually have a way to do something that way because you know it works, but sometimes I recommend something as better way of doing it.. So sometimes I recommend So I say this is what will bring value for what we are doing work for ABC reasons. I feel like times they're open to just listening and hearing what I have to say. It's been a couple times thats happen.

Participant 5. No **(Code: against criticism)**. I feel she'll find words around it. So instead of saying I'm sorry she will say Well this is how it should have been. Can't you just say your sorry. It's not that hard to say. I'm sorry or I'll it will take four days to say I'm sorry. It's too late for that. You really don't mean it like so why are you trying to say I'm sorry? I don't get that. Like ok. I'm like that was a waste of breath you know (Code: unapologetic).

17. Is your manager usually available when needed or tries to make themselves available and accessible? If so or not please provide examples. (Carmeli et al. (2010))

Participant 1. She's almost never there. She's always in meetings and other offices. Really never there **(Code: Lack of availability)**. If you want to talk to her you have to talk to her secretary **(Code: Lack of availability)**. We can go weeks without seeing her. Literally we can go weeks without seeing her. I think that's pretty bad. Because we are on a team. It's a team of about 30 of us and it's like it's not even like a large team. But yeah we go weeks without actually physically seeing her **(Code: Lack of presence)**. No. We have meetings when she deems necessary and she thinks it's necessary to have a meeting as needed **(Code: Lack of communication)**.

Participant 2. Always always available. Yes, and you can always talk to him about anything you want to **(Code: High availability)**.

Participant 3. Yes. When needed again this is...I'm still talking about a manager that is really hands off so you know if you can find him would be available but he wasn't always in his office and he would be remote sometimes but if you needed him and you were like hey I need to talk to you about this are you around at this time. Definitely yes **(Code: Hands off, unavailable)**.

Participant 4. Yes, I would say so. I can just walk over and him know that I need 15 minutes **(Code: Always available)**.

Participant 5. NO. When I did ask for help she pushed me away because she had to take care of this other individuals first. And then I would wait a few hours and ask her for help again and again and she gets sheepish I get pushed out so that she can help this one. There is you know like there's favoritism in the group **(Codes: Pushes employees away, plays favorites)**.

18. Does your manager stand by his or her convictions? If so or not please provide examples. (Prime & Salib (2014))

Participants 1. No. Well maybe with H.R. They have all these rules about being on time but I've actually never seen her come to work on time. I don't feel like the rules apply to her. We have to abide by the rules but not her. That's the way I see it **(Code: Disobeys rules)**.

Participant 2. Yes for sure. I'm kind of going back to that one answer that I gave about never standing up and saying their wrong. I think that that's sometimes it sounds like a bad thing that somebody won't admit that they're wrong, but at the same time it can't be a good thing when the manager is fighting for you you know and they won't back down and let you know...So I mean along that the questions are kind of similar **(Codes: Stands by convictions)**.

Participant 3. Yeah. Pretty much that last example. I don't know if you want know new example I would have to think of one, but that last point that that was kind of the same. I am talking about the example with the vendors **(Code: Stands by convictions)**.

Participant 4. Usually if they tell me something they mean it let's say if they go all right next year we're going to have you guys working on this. They truly mean it unless they get pushback. And if you don't put it back or something they will be very transparent. You know given the context of this I would say the would as much as that. And but as if most jobs there is a political system and they're more aware of that system **(Code: organization politics)**. And sometimes they'll try to give you a little wink wink like yeah right. Yeah. You know what. So I feel like I would read that. It was I agree that the idea that a person would be open to listen to you but like you know a little bit more about the political situation and any kind of any kind let you know why they can't do that. You know it's like you've got to take the loss this time, but next time next time they see that OK we did it your way it wasn't beneficial for us. Give it another way. You know it's that kind of politics it still **(Code: organization politics, idea acceptance).**

Participant 5. No. I'd say no I haven't seen her commit to any conviction because in her eyes it's the right way or it will take her four days actually and you're afraid that it might take a four days **(Code: Lacks conviction)**.

19. Does your manager display confidence in you and hold you accountable for your work? If so or not please provide examples. (Prime & Salib (2014))

Participants 1. Yeah she does. I remember asking her to let me do something else other than the conversions, especially when I was getting bored with it and one of the things she wrote in the e-mail because I e-mailed her directly… One of the things that she wrote me the e-mail was that she asked me to do conversion because she knew I was good at it which is yeah but sort of a compliment, but it's like obviously I'm reaching out to do more and that wasn't really addressed **(Code: domain specific confidence).**

Participant 2. Yes for sure. I mean everybody was accountable for pretty much anything they had their hands on. But at the same time they never felt solely accountable either you know. You always knew that if you needed help with something that somebody would be able to help you out because of the inclusiveness of the team **(Codes: Accountability, Supportful team members)**. In 90 percent of situations Yeah that would be the case. There was always somebody you know every night when you're working you know this type of business there was always a backup there's always somebody that has to be I mean you can have a single point of failure anywhere. So it just it's just the nature of the business. I don't know if that was necessarily something that the manager did other than just doing what you're supposed to do as a manager and making sure that you're not a single point of failure **(Code: Industry driven)**.

Participant 3. Yes. Yes definitely. The confidence part was just his hands off nature. He just had trust in his employees and the people he hired. He wasn't a micromanager asking for status updates every 10 minutes every day or so. I think that just means you have some sort of confidence and trust in your employees which he showed. What was the second point? I'm sorry **(Codes: Hands off, trust, macro manager)**. Yes. He would review all the numbers and since it's financial information that was going out to managers and CFOs if something was wrong he would hold me accountable for it. The people the audience pretty much knew that I was the one creating them. So even though he would sort of present it, it would fall back on me for preparing errors or erroneous numbers or rounding errors **(Code: employee accountability)**.

Participant 4. So I did say so yes and then I would say even more so now because of the ease. That new HR thing that we have we have the list. You know what I've done all year. You know you have to. So it was fun to be here. You can't go right over you. I would say they really have confidence in me. But what that does is show to their bosses like your body person got it right to the bosses like this is why we work for you. Find out what works what doesn't work and just keep that process just grow and you know just because you know right now and then. Yeah.

Participant 5. So no I don't think so. I think she finds little things to pick on and then addresses it and addresses it and addresses that even though it's been resolved or been put aside and is no longer an issue because it's already been taking care of. It just keeps coming back to haunt you, and I haven't seen her praise anybody for their job either so if you get a placard I would be surprised **(Code: Lacks appreciation)** .

20. Would you say your level of creativity grew under your manager? If so or not why would you say it grew or did not grow? (Prime & Salib (2014))

Participants 1. I feel like it's all jarred up so it hasn't been growing. Sort of wants to explode because it isn't given room to explode. But I feel like there was more... There was potential for more of my creativity, but is it at a growing stage? No it's at a stagnant stage because it is all jarred up **(Codes: stagnancy, lack of creativity).**

Participant 2. My level of creativity certainly grew. And you know again given the nature of the work it's hard for creativity not...I guess you can get stuck in a support mode and never be creative and never you know... I got to do enough development where my creativity was being able to be you know not harnessed and kind of just let go to work with new technologies and work with things that I never used before. Whereas a lot of places I say were what my kids shop all were doing was Microsoft technologies and said you know we weren't like that. You know the shop was supposed to be a Microsoft shop. We were able to work with other stuff like the one team that wasn't stuck to that. So yeah I mean I would say I was able to be creative maybe not 100 percent of the time but you know enough where **(Codes: Increased creativity, Industry driven).**

Participants 3.] I would say in not really. No. Partially because I think the job the role I was in that the responsibilities were kind of limited and they didn't really branch out or grow and I wouldn't blame my manager for that (Code: Limited job roles). I would just play the role that I was in and when I began with the company so that like I said the career development aspect wasn't really there **(Code: Lack of Career Development)**. So it was sort of yeah. I feel like kind of confined in a box in a certain role. A lot of things were done before. There wasn't…a lot of it was kind of just rehashing old things that have been done before. There again there were some wrong. That's why he hired me in the first place. He would say we are used to doing it like this do you have any ideas on how to improve this process. So there were some of that but not as much as I would like.

Participant 5. So no I don't think so. I think she finds little things to pick on and then addresses it and addresses it and addresses that even though it's been resolved or been put aside and is no longer an issue because it's already been taking care of. It just keeps coming back to haunt you, and I haven't seen her praise anybody for their job either so if you get a placard I would be surprised **(Code: Lacks appreciation)**.

Employee Preferences

Would you prefer a leader that is more inclusive and if so why or why not? (Michels (2015),Ware (2011))

Participants 1. Yes, any day **(Code: Prefer inclusive leaders)**.

Participant 2. I'd definitely prefer somebody that's somewhat inclusive. I wouldn't say necessarily 100 percent inclusive in terms of everybody's opinion means the same because there are situations where you're listening, and I don't how to put this be the best way. But you're listening to the opinions that are just taking up time that aren't necessarily directed at these you know solving problem in a way that they're probably best suited. When somebody's got 20 years of experience working in one area you know they may or may not have anything to include in a conversation that has to do with developing a single page application for a web app because they may not have the expertise or training because they've been stuck in that mode so long. And you know on the flip side they might have more business expertise. So when a business application comes up you know you want to weigh their opinion more. So you definitely want to hear everybody but at the same time I don't think you want to make every single opinion equal. You definitely have to hear them all though **(Code: Prefer partially inclusive).** I prefer opinions to be weighed based on expertise or knowledge in that area **(Code: Prefers experience based inclusion)**.

Participant 3. Per my definition I would prefer an inclusive leader. I still think the leader should make decisions. But I feel they really should and have to listen to everyone and especially if its backed up with data to make the most informed decision possible **(Codes: prefer inclusive leadership, decision-making capabilities)**. That's a good question. I think he should know what he's getting for opinions. Yes I think if I had a lot of the experience for example and he kind of he knows that he knows my back and I guess it's what he knows. Because for instance for you, you might not have any experience but you could just bring something a fresh perspective because you're not so involved and I think if if that's something I didn't think even with all my experience I think he should weigh yours more. So again that's kind of on the leader to be able to determine his own weights. So I can't just say automatically weigh my more because I have more experience **(Code: Fresh perspective)**.

Participants 4.] I would say i would want an inclusive leader. Other industries might not like this one for whatever reason but I would say is it **(Code: prefer inclusive leadership)**.

Participant 5. Yes I would. I think a leader needs to not only step up to the...How do I say this. A leader need to be there to support the team to guide the team and to help them achieve the goals that needs to be achieved. You know I don't think the leader should ever be putting down employees or putting them in a direction where an employee feels uncomfortable. You know me a leader is someone that people will be willing to stay and work for and never want to leave. I wouldn't call it uncomfortable I would more call it...How do I say it...Stress It is not that I feel unconfortable, it's just the stress level just kicks in really really fast. I mean just the minute they step in to the room it's like oh crap. You know so that anxiety kicks in **(Codes: supportive, recognition, influential)**.

21. Does your company make any efforts in promoting inclusive leadership? If so or not please provide details as to why or why not. (Ware, 2011).

Participants 1. They have Like diversity training and stuff, but there's no like measurements of it. If there are measurements of that like how it's actually implemented other then making sure that certain people of different backgrounds are hired. But there's diversity in actual management. I don't know or ever see how its implemented, but we're trained. I just don't see how its implemented **(Codes: unmeasured training, Lack of implementation)**.

Participant 2. I don't think...Actually this company...I don't think I saw a trend of that. I think that they had a lot of managers from what I saw that were not a... That were like suits like you would see in TV or movie you know. You know they are just this is the way it's got to be done.

It's getting done this way. And I just happened to be on one of these teams which was more creative because of the nature of work that we were doing. We're making internal tools so we were developers for the developers in the area so it was...we were able to have a little more free rein whereas everybody else was kind of working on business stuff which was you know now you're dealing with business people and business managers and they're a little bit more from my experience a little bit more narrow focused. You know this is business this is the way business is done you know that's it **(Code: Lack of culture for leadership training)**.

Participant 3. No (Code: Lacks inclusive leadership promotion). No. I have never been anywhere that had any sort of promotion for any sort of leadership, but that's maybe because I haven't taken any leadership classes **(Code: Lacks leadership training)**. I just don't know. I mean I have never been in a manager position and I don't know how internal company's set up trainings to cover it. Sorry not to answer your question. I just don't know.

Participant 4. Its that distinction between you know skill set and cultural diversity . From the skill set. Like I said once you get to provide the service that you would get diversity and . Much like oh that's good that is no use. You know I don't see much of that yeah **(Code: Lack of support)**.

Participant 5. No. in my opinion, when a woman tries to expand herself into a different role. Yeah it's a question a lot and I've seen more men in every company that I've worked for be upper management **(Code: Lack of inclusion for women)**, and when a woman tries to be in upper management and she's got the credentials she gets turned down. So the views for a woman and the man's credentials are totally different. We fight to be where men are. And we can't seem to win to get out of that. Like women need to fight to get same pay. This is just my opinion no offense to men. You know I just feel like you know we should all be in the same level **(Code: Unequal pay)**. We women go through a lot more in our lives than men do. You know. We don't have to come to work. We don't have to work. You men we're supposed to take care of us you know but we had to step in because of the economy wasn't helping but we can't get the same pay as you guys because why I have the same credentials as you. I have the same background as you and the same experiences. Where is the level here? You know that's why I get frustrated.

Themes derived from Interviews

The coding process was utilized within this study and encompassing themes were found through first and second cycle coding (Saldana, 2013). The qualitative analysis of this study was an iterative process where the various types of coding could be employed such as emotional coding, structural coding and narrative coding. Patton (2015) also noted that various frameworks could be used to perform an analysis on the text as well. The following themes were derived from the two cycles of coding:

1. Accountability

2. Career Growth

3. Career impeding

4. Common ground

5. Communication

6. Company cultural Issues

7. Conflict

8. Consensus driven

9. Cultural diversity

10. Diversity of Ideas

11. Experience

12. Inclusion through conflict

13. Increased traits

14. Industry driven

15. Influential

16. Macro management

17. Non-inclusive management traits

18.Supportive

19.Task oriented leadership

Within the themes above were several codes. The table below outlines the various codes under each theme.

Theme	Codes
Accountability	Accountability Employee accountability Final Decider Industry requires accountability Recognition Stands by convictions
Career Growth	Allows growth Develops more leaders Employee driven career growth Growth not dependent on manager Growth stifling Guidance Recognition Seeks opinions Self-confidence
Career Impeding	Career stagnancy Career stifling
Common ground	Common ground is human nature Naturally gets along with followers People person Practices diplomacy Work goal as common ground
Communication	Infrequent communication Lack of communication Poor communication
Company cultural Issues	Company cultural influence Lack of diversity in leadership representation Lack of formalized process for inclusive leadership Lack of leadership training Lacks inclusive leadership promotion No formalized evaluation process Repetition of flaws Unmeasured training
Conflict	Conflict becomes learning opportunity Conflict is common
Consensus driven	Consensus driven decision making Decision-making capabilities No bitterness in decision No regret decision-making
Cultural diversity	Diversity in culture Diversity in ethnicity Valued differences Welcoming atmosphere
Diversity of Ideas	Accepts diverse ideas All voices are heard Being heard Collective idea generation Diversity of ideas Everyone’s opinion matters Idea acceptance Involved everyone Listens to diverse opinions Seeks opinions

Experience	Difference in experience Difference in experience and knowledge Differing viewpoints Diverse skillsets Diversity in experience Diversity in knowledge Domain specific confidence Fresh perspective Skillset focused
Inclusion through conflict	Conflict is common
Increased traits	Increase in creativity Increase in innovation Increase in productivity Increase in confidence
Industry driven	Industry driven Industry driven innovation Industry driven performance Industry driven accountability Innovation independent of leader Non-leader influence
Influential	Influenced opinion Influential
Macro management	Confidence in the team Macro manager Macro view
Supportive	Supporting team members Supportive team
Task-oriented leadership	Demeaning employee tasks Forced work tasks Impossible tasks Task oriented leadership

Non-inclusive management traits	Cliques
	Decreased innovation
	Demeaning employee tasks
	De-values experiences and knowledge
	Disunity
	Does not grow leaders
	Does not value differences
	Elevates same ethnicity
	Excludes minorities
	Exclusion decision-making
	False inclusion
	Feedback avoidance
	Hands-off
	Hands-off management
	Hopelessness
	Infrequent communication
	Lack of availability
	Lack of Career Development
	Lack of communication
	Lack of consistency
	Lack of creativity
	Lack of cross-training
	Lack of enthusiasm
	Lack of generational differences
	Lack of implementation
	Lack of inclusion of women
	Lack of presence
	Lack of prioritizing
	Lack of sharing priorities
	Lack of structure
	Lack of support
	Lack of work rotation
	Lacks appreciation
	Lacks career development
	Lacks conviction
	Lack inclusive leadership
	Limited job roles
	Limits opportunities for other ethnicities
	Limits skillsets
	Loose employee efficiencies
	No sense of belonging
	No sense of citizenship
	Non-inclusive
	Not open to criticism
	Offensive
	Overlook possibilities
	Plays favorites
	Poor communication
	Underutilizes others
	Unequal Pay

Discussion

This study has provided several insights into the beliefs and feelings that millennials have towards inclusive leadership. The consensus that has been revealed in this study that millennials prefer inclusive leaders over non-inclusive leaders. This aligns with the studies performed by Choi (2012) that found that millennials had a team-oriented mindset that leaned towards inclusive leadership. The themes found regarding "inclusion" and "supportive" derived from the interviews aligns with this finding with codes such as supportive teams and supportive team members. Where the differences begin to become apparent within the effects of the participants demographics once the definitions of inclusion become evident.

All the participants values differences in team members, but what was interesting was what differences mattered to the participants. All the participants had a focus on the difference in experience in the context of the work experience, diversity in skillsets, and diversity in viewpoints and ideas. What was interesting was that only the female participants considered diversity in ethnicity and culture as relevant differences as well. Regarding finding common ground there were differing opinion as to how that could be achieved and there was little consistency.

In regard to the definition of what inclusive leadership is there were several commonalities. Some of the codes that were found in the participant responses were as follows: (1) all voices are heard; (2) practices diplomacy; (3) allows growth; (4) develops leaders; (5) values diversity in experience and knowledge; (6) consensus driven decision-making. What was interesting was the fact that all the male participants for the most part had limited experiences with managers not being inclusive in their leadership style, but for the female participants they had several experiences with managers not being inclusive even if the manager was a female as well. Both female participants had experiences where managers were exclusive regarding ethnicity, gender and relationship based and several other preferences as well. There appears to be a possible common thread with females and a pattern of exclusion regarding leadership and groups. In fact, based on the experiences of the female participants there seemed to be no positive experiences in regard to their managers their level of inclusivity.

In regard to managers seeking common ground and valuing differences there was experiences with most of the participants that aligned with the codes of false inclusion or influenced opinions where the managers would create a falsified atmosphere of inclusion with the intent to influence the opinions of the followers to have them accept the direction in which the manager would want to go. This was not seen as an issue from the male participants because they believed that usually the direction the manager wanted to go in was the right direction and the team would understand that. This was not the case with the female participants, as they had a sense of de-valuing and limiting.

Inclusive leadership was also found to provide and increase in the creativity, innovation productivity and confidence. This was thought to be true in the responses of all the participants. It was also evident that the participants experienced career growth and learning opportunities more often when under inclusive leaders as well. Once finding that was interesting that was evident in the experiences of most of the participants was the fact that despite having managers who were not inclusive, the teams under those managers worked together and still saw some increases in the traits mentioned. It was noted by the participants that this was industry driven. Most of the participants were also in technology and manufacturing based industries.

Conclusion and Future Research

This study reveals through the experiences of a group of millennials that when under leaders who have an inclusive leadership style, millennials tend to see more growth in their career and their learning and understanding of the job. The study also suggests that non-inclusive leaders cannot inhibit millennials from growing and being innovative, but there is a sense that there would be more of an increase under inclusive leaders. This study also suggests that there are differences in the experience of millennials depending on gender. There may also be differences depending on ethnicity, but the sample size was too small to tell as there was only one male of a non-Caucasian background, two females of a non-Caucasian background and no female participants of a Caucasian background. Also, having only 5 participants is truly limiting in regard to understanding an entire ethnic group.

There are several future studies that can be spawned off the findings of this study. Regarding the of the commonalities, a quantitative study across industries in corporate America with millennials could provide more robust data points that may confirm some of the findings in regard to gender, ethnicity and industry. This would allow the following questions to be answered: (1) Is there a difference in the regards to the impact of inclusive leadership on positive employee traits such as creativity, innovation and performance in specific industries; (2) What is the perception of what inclusive leadership should entail in corporate America; and (3) Does gender play a role in the level of inclusive leadership from the standpoint of a manager's gender and from the standpoint of an employee's gender? There could also be further exploration in the experiences of inclusive leadership from the standpoint of gender, ethnicities, cultures and industries as well through additional phenomenological studies.

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THE CHOICE OF LEADERSHIP SUCCESSION PRACTICES AND EMPLOYEES' CAREER DEVELOPMENT IN THE NIGERIAN NATIONAL PETROLEUM CORPORATION

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ABSTRACT

Limited literature is available on the relationship between leadership succession planning and employees career development in NNPC raising debate whether the link is tenable with the corporation. In the NNPC, there is no deliberate and structured plan for leadership succession. So, this study examined the effect of leadership succession planning on employees' career development in NNPC. The Social Cognitive Career Theory and Common-Sense Theory were used to support this research. The study adopted descriptive survey research design. The population of the research consisted of 9,024 top level, middle level and lower level management (Supervisors) staff of the NNPC who has spent more than 5years in the organization and have up to 5 years before retirement age of 60 years and sample size of 1,960 was derived using Slovin formula and purposive sampling procedure. Structured questionnaire with a six point modified Likert- Scale was administered with a 74.6% response rate (926) copies of the questionnaires came correctly and were used for the study. The obtained from the questionnaire was analyzed quantitatively using descriptive and inferential statistics. The results revealed that there is lack of leadership succession planning and practices in NNPC. The also revealed that there is no established career path for every employee and professional groups in NNPC. The study *concludes that Leadership Succession practice have no significant effect on Employee Career Development in NNPC. The study recommends that Federal Government should empower the NNPC to put in place proper Leadership Succession planning especially in HR itself. This can be achieved when the corporation embeds a formal employee career development policy and procedure. Also NNPC should continuously be strategizing and moving with the global trend in HR practices and to learn about future possibilities. The NNPC management and staff should align themselves with strategies to survive the changing.*

Keywords: Leadership succession planning, Employees career development, NNPC, Corporations, Nigeria

Introduction

According to Dauda (2013), leadership succession practices is very critical to the stability of an organization especially with a gender dimension. It should be noted that workers leave their jobs either voluntarily (retirement or to pursue new aspirations) or involuntarily (relieved of appointment or by death), and as a result, organizations are often faced with vacancies in leadership and sometimes inadequacy or lack of knowledgeable and capable successor to fill the vacancies so created. Succession planning is a sub-level approach regarding individual employees on an individual basis, should the incumbent vacate his/her position, which is uncertain and probably indefinite (Landeta, Barrutai & Hoyos, 2009; and Harter, 2008). Organizations are expected to act fast and begin planning for successors before top managers are ready for retirement (Korn, 2007). Charan, Drotter, and Noel (2001) maintain that it is imperative for organizations to train successors before the vacancies occur. Despite the many benefits of having a succession plan in place, many organizations neglect to develop one. While the financial costs of lack of succession planning are considerable, the human costs tend to be even larger. It therefore follows that for organizations to survive there is need to plan for succession of older (outgoing) employees (Osibanjo, Abiodun & Obamiro, 2011).

The critical role that Leaders play in the performance of their organization has been severally studied and it has been established in literature that leader succession does affect performance and that Leaders do matter. In this regards, leaders succession planning is seen as critical aspect of organizational planning which is required for the survival and perpetuity of an organization. (Osibanjo, Abioudun & Obamiro, 2011; Richards, 2008; Rowe, Cannella, Rankin, & Gorman, 2005). Osibanjo, Abiodun and Obamiro (2011), had focused on variables such as talent retention, turnover rate, career development, and supervisor' support, organization conflicts and nepotism and they found that these are positive and significantly correlated with leadership and organizational survival. Tanoos (2012) on the other hand, looked at HRM Leadership succession in multinationals especially in Japan, and reported that the percentage of CEOs from the Top 50 Japanese Multinational Corporations hired their CEO from outside of the organization in 2% of the instances, whereas the percentage of CEOs from the Top 50 American Multinational Corporations hired their CEO from outside of the organization in 16.3% of the instances. The study confirmed that although both US and Japanese high-performing multinational CEOs are likely to originate from the lower ranks of the company, it is still more likely in the US that the company would hire from outside, even though this was lower than the percentage of outside hires in other reports. However, the relationship between leadership succession practices on employees' career development in NNPC has received little attention in research. Among the few research works carried out in that area one could mention the ones by Sholesi, Jayeoba, and Ibironke (2017), Fapohunda (2015), Osibanjo et al. (2011), and Ahmed-Gamgum (2018).

The inability of organizations to have a well-articulated Leadership Succession plan and culture has led to disruptions and leadership transition crisis (Dauda, 2013). In the NNPC, there is no deliberate and structured plan for leadership succession. Ascension to the top management positions is often erratic due to political, tribal and sentimental considerations. From 1977 to 2015 the Corporation had welcomed 18 Chief Executive Officers (CEOs) without any deliberate action to groom any subordinates for such roles. A preview of the Nigerian Newspaper is replete with reports of sack and replacement of NNPC GMD/Management (Shosanya & Ogbuifun, 2015); this is done often without recourse to ethics, due process or natural justice (Anyim, Ufodiama & Olusanya, 2013). There are also the political negative insinuations that appear to put square pegs in round holes often based on political considerations rather than professional, meritorious and leadership competence. Leadership succession practices affect the organization in many ways (Gberevbie & Ibietan, 2013; Tanoos, 2012) and do have effect on the employee's desire to develop a Career in the organization. The NNPC has welcomed more than 18 CEOs since inception in 1977; what is the impact of this constant change made in the Career of the employees. There is need for a study of this nature so that organizational members and leaders can take adequate note of their position and functions in relation to the overall goals, strategies and aspirations of the organizations of which they are a part.

This study seeks to make a contribution to existing literature on leadership succession practices and employees' career development, more so in Nigeria particularly in NNPC where there is not much research on the relationship between leadership succession practices and employees' career development. The facts and information gathered from this study will provide a necessary framework for leadership of NNPC in ensuring that they manage their HR effectively in a strategic manner that will ensure a proper alignment between the HRM practices, the individual employee career objectives and the overall strategy of the organization in achieving the national aspiration. On August 4th 2015 the Buhari Administration sacked the Group Managing Director (GMD) of the Nigerian National Petroleum Corporation (NNPC) and on the 5th of the same month, all the eight Group Executive Directors (GEDs), alongside the Managing Directors (MDs) of Strategic Business Units (SBU) and other directors of the corporation were all retired

(Okafor, 2015). Oguejiofor and Ewurum (2010) noted that on May 17, 2010, the Yar'adua/ Jonathan administration also sacked the GMD of the NNPC, and ordered a comprehensive audit of the accounts of the Corporation. The appointment of the new GMD for NNPC by executive fiat of the Nigeria's President would be the fourth in the three of the Yar'adua/Jonathan administrations, with two GMDs appointed by the late President Yar'adua administration, while two were appointed by President Jonathan administration. These frequent political interferences and constant corporate governance upheavals and the planned unbundling of the NNPC are signs that the NNPC is neither stable nor working well (Nwokeji, 2007). Based on that background, this study aims to investigate the effect of leadership succession practices on employees' career development in NNPC.

The remaining section of this study is structured as follows: section 2 presents the literature review. This is followed by research methodology in section 3. Section 4 presents the results from the survey. This is followed by a discussion of results, conclusions and recommendations respectively.

Review of Literature

Theoretical Review

A theory is in effect a rationalized set of assumptions that allow one to explain the past and predict the future by providing direction and in this way, they expand knowledge. Some theories supporting the study were reviewed accordingly (Abernathy, 2000). According to the researcher, the link between leadership succession practices and employees' career development is based on the following theoretical strands discussed as follows:

Social Cognitive Career Theory

Social Cognitive Career Theory (SCCT) (Lent, 2005; Lent, Brown, & Hackett, 2002) is anchored in Bandura's Social Cognitive theory (1997, 1986, 1977), and explores how career and academic interests mature, how career choices are developed, and how these choices are turned into accomplishment. This is achieved through a focus of three principles: self-efficacy, outcome expectations, and goals (Lent et al., 1994). Self-efficacy refers to the beliefs that individuals have about their ability to successfully complete the steps required for a give task. Individuals develop their sense of self-efficacy from personal performance, learning by example, social interactions, and how they feel in any particular situation or circumstance. Outcome expectations are the beliefs related to the consequences of performing a specific behaviour. Typically, outcome expectations are formed thorough past experiences, either direct or indirect, and the perceived results of these experiences while Goals are seen as playing a primary role in behaviour. A goal is defined as the decisions to begin a particular activity or future plan. Behavior is then organized or sustained based on these previously set goals (Lent et al., 1994).

In SCCT, career interests are regulated by self-efficacy and an outcome expectation, which means people, will form lasting interests in activities when they experience personal competency and positive outcomes. On the contrary, a belief of low personal competency will lead people to avoid activities. Perceived barriers such as those related to gender, ethnicity, age, socioeconomic status, or family constraints may create negative outcome expectations, even when people have had previous success in the given area. In the work environment, managers and supervisors can help a subordinate to reconsider some of their perceptions of career route by providing learning and development opportunities, activities and interventions to increase these employees' options in their career advancement. The SCCT is most appropriate in a developing nation like Nigeria where 0 are drying up and individuals are very happy to remain in a job that pays their salaries regularly; in such situations, even where the conditions are not right, the employees continue to adjust in reaction to the environmental realities.

The common-sense theory

Proponents of this theory argue that companies undertake Leadership Succession planning because they are looking to improve their organizational performance. The theorist posits that successful teams or enterprises have followed a common-sense theory of succession which holds that Leadership Succession does improve organizational performance under certain conditions. (Fink, 2010) That being the case, it is only common sense that those with the authority to effect top level Leadership Succession choose a person with the relevant expertise and experience to bring about the desired organizational performance (Rowe, Cannella, Rankin & Gorman (2005). Common-sense theorists view leadership succession planning and implementation as an organizational norm rather than an exception and expect all parties involved to do what is necessary to ensure smooth leadership transitions. It is possible that these common-sense expectations can be limited by the demonstration of entrenchment tendencies by some incumbents.

Conceptual Review

Leadership Succession Practices

The leader is the agent who is ultimately responsible and accountable for an organization's strategy design and performance (Dawley, Hoffman & Smith, 2004). In the words of Richards (2008), effective leadership is fundamental to corporate success and because of the impact that a leader has on the organization, leader succession can be a traumatic event (Dawley et al, 2004). Therefore, HR professionals and managers are expected to always deliberate on the issue of leadership succession planning and this is substantiated by the fact that corporations around the globe invest heavily in the identification and development of leadership talents within their organisation (Richards, 2008). A leader represents the ultimate decision-maker and the person with absolute authority, external parties are likely to view leader succession as a signal about the institution's future (Dawley, Hoffman & Smith, 2004; Zajac, 1990; Beatty & Zajac, 1987), and the successes and failures of individual leaders often translate into the successes and failures of the firm. This makes leader succession a defining event for virtually every organization (Hooijberge, Hunt & Dodge (1997; Chaganti & Sambharya, 1987).

Leadership is a fundamental factor in the quest to become a learning organization because leaders challenge status quo assumptions regarding the environment and guide followers in creating shared interpretations that become the basis for effective action (Amy, 2008). Saleem, Shabbir, Shabbir and Hafez (2011), collaborated this viewpoint by emphasizing the critical role that leadership play to enhance effectiveness, performance and to improve learning in the changing global business environment.

Taylor (2002) specifies three types of planning geared towards realizing strategic and practical goals and objectives of an organisation. These are Micro Planning which deals with forecasting supply and demand for specific groups; Contingency Planning which covers the situation where possible scenarios are examined and the implications assessed before major decisions are taken; and Succession Planning which focuses on manpower planning activity such as recruitment and development of employees in order to fill managerial and top positions.

Osibanjo, et al (2011) opines that succession planning is strategic, systematic and deliberate effort to develop competencies in potential leaders through proposed learning experiences such as targeted rotations and educational learning in order to fill high-level positions without favouritism. This perspective of succession planning is in agreement with earlier views on the subject. For example, Charan, et al (2001) see succession planning as perpetuating the enterprise by filling the pipeline with high performing people to assure that every leadership level has an abundance of these performers to draw from, both now and in the future and Collins (2009) defines Succession planning as a process through which organization can provide seamless leadership transition across the organization and ensure steady growth and development. It can therefore be concluded that leader succession planning entails the deliberate process of employing and adequately equipping the right people, in order to select from the pipeline and pool of available talent to fill a vacancy in order to ensure that there is no hitch in running the affairs of the organisation, and this ultimately contributes to a large extent in organisational survival.

In a research examining the issue of gender on leadership succession, Dawley, Hoffman and Smith (2004) focus on women as Leader successors. They conclude that despite the increase in the number of women in middle management in the last two decades, there still remains a few numbers of them at the top management. O'Neil (2004) explained that lack of line experience, inadequate career opportunities, gender differences in linguistic styles and socialization, gender-based stereotypes, the good old boy network at the top, and tokenism contribute to reduced number of women in the top management. Krefting (2002) and Oakley, (2000) agreed with this opinion but explains further that differences between female leadership styles and the type of leadership style expected at the top of organizations, and the possibility that the most talented women in business often avoid corporate life in favor of entrepreneurial careers. Men have always been seen and thought to be better suited to become leaders than women. This explains why many people do not welcome the idea of a female leader (Neubert & Taggar, 2004).

However, this stereotype against women leaders does not mean that men are better leaders than women both practically and empirically (Dawley et al, 2004). Thompson (2000) supports this view by establishing that any differences in the perceived effectiveness of educational leaders in the three leadership type groups are equally true for both male and female leaders, and that male and female leaders have been shown to be equally effective in their respective organizations. In a study that examined the differences in both transformational and transactional leadership styles of men and women; Bass, Avolio, and Atwater, (2008) discovered that although the effect sizes were generally small, the results from their studies suggest that over time, women are no less transformational than their male counterparts, and may in fact be more so. Additionally, their findings indicate that the gender of the raters did not appear to make any difference in the results obtained.

The Corporate Leadership Council (CLC) in the United States, a leading advocate of succession planning, has championed researches on succession planning that has focused on the extent to which succession planning is being properly implemented across the corporate sector in America. It also sought to find out if succession planning is achieving its intended outcomes; arising from these initiatives, series of researches has been kick-started in many developed countries of the world. For example, Cranshaw (2006) reports that only a very small percentage of the employees of a large financial retailer in the United Kingdom had experienced any long-term succession planning that they considered to be influential in terms of their career management. Other studies (Effron, Greenslade & Salob, 2011; Giambatista, Rowe & Riaz, 2005; Effron et al., 2005) provide evidence that is consistent with Cranshaw's conclusion. In Australia, Richards (2008) undertook an empirical investigation. The study showed that in one significant financial corporation in Australia, managers were generally not persuaded that succession planning played much of a role in terms of attaining senior corporate leadership appointments. What mattered to the organization leaders was the likely impact of the leadership on the profitability of the firm.

Given the increasing emphasis on people as the competitive edge of an organization, management is focusing on transformational leadership as a tool to achieve higher employee commitment and firm performance (Verma, & Krishnan, 2013; Loshali & Krishnan, 2013). Strategic leadership succession practices will help to strengthen the possibility of having a better replacement when the present leader is gone.

Employees' Career Development

Career development is a series of activities or the ongoing process of developing one's career. It is a process that entails training new skills, moving to higher job responsibilities; make a career change with the same organization, or starting one's own business. The term had increasingly came at the end of twentieth century, to describe the psychological, sociological, educational, physical, economic and change factors combine that combine to shape individual career behaviour over the life span (Patton & McMahon, 2006).

Activities around career development involves various alternatives such as developing abilities, preserving current skills and getting prepared for the future ahead after receiving promotion. Organizations have many motives for investing in career development programs. They include but are not limited to: developing employee performance, increasing manager improvement, revealing and enhancing corporate culture for salespeople, strengthening principal values, helping salespeople in career improvement, and offering an extra to employees (Ko, 2012).

Career development system is a critical component of the HR processes that impacts both the individual and the organization. It is a key element that affects and gives advantage to the activities of both the person and the organization. Career development is a major tool for attracting, motivating and retaining good quality employees. It is an effective way to foster future leaders within organization with relevant skills and experience that will be required to implement organization strategies. Purcell, Hutchinson, Kinnie, Rayton and Swart (2003) found that providing formal career opportunities is one of key practices which influence organizational performance. Career development increases employee motivation and productivity; and when organizations give attention to Career development it helps them to attract top staff and retain valued employees. Furthermore, effective career discussion encourages effective communication in the work place and engenders positive relationships between the employees and their supervisors (Hirsh, Pollard, & Tamkin, 2000).

Effective career development program helps develop the economy and also benefits individuals, employers and society at large. Recognizing that everyone potentially has a career and that as a consequence, everyone has career development needs, means that attention must be paid to how career development is best supported (Fieldman & Thomas, 1992). Career development process enables employers to provide opportunity for employees to develop and learn as they navigate through their career path. This ensures that employees become highly skilled in their work, and are also able to maintain their capacities as effective employees with the requisite knowledge that will enable them to be retained by employer. Career development programs enable all the workers to make progress in the organization from the beginning. It also helps individual employee to determine his/her career paths and eliminate all the impediments against the advancement of the employees.

In addition, career development programs accelerate workflow in the organization by providing learning opportunities for the workers that go through a career stability and increasing work mobility. Being that most employees especially the upcoming professionals look forward to more challenging experiences at work, they usually choose to work for the organizations which support their careers and have embedded career development programs in their human resource management practice (Agba, Nkpoyen & Ushie, 2010).

Empirical Review

Am empirical study by Rowe, Cannella, Rankin and Gorman (2005), found that Leader Succession does affect performance and that leaders do matter. This finding is in line with several other researches (Giambatista 2004; Boal & Hooijerg, 2000; Cannella & Rowe, 1995). Richards (2008) in her study on Succession planning reports that what appears to matter most in the appointment of Chief Executive Officers is the likely impact of a leadership appointment on corporate profitability although other leadership attributes may be applied.

In the work of Osibanjo, Abioudun and Obamiro (2011), they found that talent retention, organizational conflict and nepotism are positive and significantly correlated with organizational survival. On the other hand variables such as turnover rate, career development and Supervisor' supervision is insignificantly correlated with organizational survival. The results are supposed to inform the leadership (management) team with essential insight into the relationship among the study variables (independent and dependent). Tanoos (2012) on his part looked at HRM leadership succession in multinationals especially in Japan. This study reports that the percentage of CEOs from the top 50 Japanese Multinational Corporations hired their CEO from outside of the organization is 2% of the instances, whereas the percentage of CEOs from the top 50 American Multinational Corporations hired their CEO from outside of the organization in 16.3% of the instances. Still from their study, It is apparent that although both US and Japanese high-performing multinational CEOs are likely to originate from the lower ranks of the company, it is still more likely in the US that the company would hire from outside, even though this was lower than the percentage of outside hires in other reports.

Okpara, Squillance and Erondu (2005) found that there is a significant gender differences in the job satisfaction levels of University Professors. They found that female University Professor earned less and are less satisfied with their pay than their male counterparts. They discovered that the wage gap was due to biases against pay increases for promotion of female since the senior members responsible for the promotions, in the University were male. They also found that in 2004 when the survey was conducted that women were concentrated in lower academic ranks. There was also the problem of 'glass ceiling'- here the cultural, political, social history, experiences and characteristics of women are used to keep them behind. Okpara, et al (2005) posits that women have been fully recognized by work institutional leaders as equal partners in management and delivery of instructions in higher institutions, however, gender inequality maybe attributed to the melding of family and professional responsibilities. The review reveals the following hypothesis:

Ho: Leadership succession practice does not have a significant effect on employees' career development.

Methodology

3.1 Research Design

The study used a descriptive survey research design in which the study aimed at investigating the effect of leadership succession practices on employees' career development in NNPC. The research design was adopted because it allowed the data generated to be analyzed quantitatively and to draw inferences about relationships among the variables. According to Mugenda and Mugenda (2003), descriptive survey is a process of collecting data in order to answer questions concerning the current status of the subject. The design of the study is in line with the design used in Makinde (2015), Boateng (2014), Asikhia (2010), Chae and Hill (2000).

3.2 Population and Sample

The target population for this study was 9,024 top level, middle level and lower level management (Supervisors) staff of the NNPC who has spent more than 5years in the organization and have up to 5 years before retirement age of 60 years. The NNPC is made up of Twelve Subsidiary companies and two partly owned subsidiaries and some associated companies manage the Upstream, Mid-stream and Downstream activities of the NNPC (NNPC, 2014). Due to this wide geographical spread, limited time factor as well as the financial constraints on the study, the researcher purposefully chose Strategic Business Units (SBUs) in two cities to focus the study on. The cities are Abuja (Corporate Headquarters & PPMC Headquarters), and Lagos (NAPIMS). The operations of the SBUs chosen cut across the main sectors of the Oil and Gas Business: Upstream, Downstream and Commercial and Investment Sectors.

3.3 Sampling Technique

A purposive sampling procedure was used in selecting the participating SBU which were based on the location and the line of business in the Oil and Gas value chain. From each of the three SBUs and locations, selection of the participating employees was done using proportionate sampling technique and a total of 1235 employees were selected. This technique was used to ensure that all the selected SBUs and cities had equal representative. Furthermore, proportionate sampling technique is employed to give male and female employees equal chance of being selected. The strata were the Strategic Business Unit (SBU) of the corporation. They are Headquarters, (NAPIMS), and PPMC. This sample is used as a representative of the population of the entire staff in the NNPC.

3.4 Data Collection Procedures

Qualitative and Quantitative approach were used in data collection. The use of Quantitative and Qualitative techniques enables the research to be more pragmatic (Collins & Hussy, 2009). Primary data collected using questionnaire and structured interview scheme were utilized in this study to enhance originality of the study. The use of questionnaire is justified because it aids the proper collection of required data in a way that allows the respondents to express their opinions objectively. The research instrument used for this study was closed ended questionnaire. The questionnaire is an amalgam of self-structured questions arising from the literature reviews, and adapted from different sources: Kane, Crawford and Grant (1999) with Cronbach's Alpha reliability estimates of 0.91-0.71 and Jangue and Gulzar (2014) with reliability estimate of 7.0 for the variables. The questionnaire had structured questions inform of likert questions and was divided into three, the personal details of the respondents and the questions according to the various variables.

3.5 Validity and Reliability of Research Instrument

In order to explore the factors that can affect employee career development, a pilot study was undertaken to ensure that the main study will be able to identify clearly the research questions and also determine the adequacy of instructions to research participants who completed the questionnaires. According to Saunders and Thornhill (2009), this approach help the researcher to refine the questionnaire as the need may arise to ensure that the research instrument measures what it is expected to measure. The pilot study for this research was carried out at the NNPC/ PPMC Mosimi Area Office in Ogun State which is another section of organization that are not part of the study population. A total of 100 questionnaires were distributed and 94 were returned.

According Somekh and Cathy (2005), validity is the degree by which the sample of test items represents the content the test is designed to measure. The validity of the instrument was ascertained by giving out drafted copies of the questionnaires to the Project Supervisors, Specialists in Human Resources and Strategic Management to look at the structure and construction of questions in order to ensure accuracy and that it aligns with the different dimensions of the study as in the literature reviewed in Chapter two of the study.

To ascertain the reliability of the instrument a pilot test was conducted at the PPMC Area office Mosimi, Ogun State. The reliability of the instrument was established through Cronbach's alpha coefficient for each variable. The result of the pilot study was used to rectify some questionnaires inconsistencies. The Cronbach's alpha values ranged from 0.76 (employee career development) to 0.81 (Leadership Succession Practices). These Cronbach's alpha coefficients were above the cut-off coefficient of 0.70 define for the study indicating that the variables have high reliability which suggests that the variables had adequate levels of internal consistency. The result of the test is shown in Table 31.

Table 3.1: Reliability Test

S/N	Variable	Cronbach's Alpha
1	Leadership Succession Practices	0.81
2	Employee Career Development	0.76

Source: Researcher's Survey 2016

3.8 Method of Data Analysis

Data collected was quantitative in nature. Quantitative data was analyzed by use of descriptive statistical tools which helped the researcher to describe the data and determine the extent used, this included frequency distributions, tables percentages, mean, and standard deviation. Data analysis was done with the use of Microsoft excel and SPSS. Tables were used to summarize responses for further analysis and facilitate comparison. Descriptive statistics and simple regression model was used to analyze the data. The simple regression equation applied to regress dependent variable against independent variable. The simple regression equation was as follows:

$$Y = \beta_0 + \beta_1 X + \mu_i \quad \text{Eq.(i)}$$

Where:

Y = Career Development

β_0 = Constant

β_1 = regression coefficient

X = Leadership Succession Practices

μ_i = error term

Data Analysis, Results and Discussion

Response Rate

A total of 1235 copies of the questionnaire were administered to the sampled respondents. Out of the total number of the questionnaire distributed 926 were retrieved representing a response rate of 74.9% while 309 copies of the questionnaire could not be retrieved because the participants did not continue with the study while others were not properly filled or mutilated

Analysis of Socio-demographic Characteristics of Respondents

Respondents were asked about gender, working experience, ranks and divisions. Their responses were summarized in Table 1 below:

Table 1: Demographic Characteristics of Respondents

Description	Characteristics	Frequency	Percentage (%)
Gender	Male	597	64.5
	Female	325	35.5
	Total	922	100
Working Experience	6-10yrs	83	8.9
	11-15yrs	155	16.8
	16-20yrs	203	21.9
	20yrs and Above	485	52.4
	Total		
Ranks	Top Management	14	1.5
	Middle Management	196	21.2
	Supervisory	716	77.3
Divisions	Group Managing Director's Office	65	7.0
	Finance & Services	256	27.6
	Commercial and Investments	291	31.4
	Exploration and Production	176	19.0
	Refinery & Technology	138	15.0

Source: Researcher's Field Survey Result, 2016

The demographic characteristics of the respondents are presented in Table 1. The table showed that majority (64.5%) of the respondents were male while 325 (55.1%) were female depicting high level of gender inequality in NNPC. The finding also confirmed that 8.9% of respondents had spent between 6-10 years working with the Corporation, 385 (41.6%) of the respondents had between 11 and 15 years working experience, 303 (32.7%) of them had between 16 and 20 years working experience, while 155 (16.9%) had working experience of above 20 years. In addition, the result reveals that 14 (1.5%) of the respondents were top managers, 196 (21.2%) were in middle managers, while 716 (77.3%) were Supervisors spread across the SBU investigated. Furthermore, the result shows that majority of the respondents are working in Commercial and Investments Directorate (31.4%), followed by Finance and Services Directorate (27.6%), Exploration and Production Directorate (176 or 19%) and Refining and Technology Directorate (138 or 15%).

4.3 Descriptive Statistics Analysis

This section gives analysis of the descriptive findings and discussion in relation to the objective of the study.

4.3.1 Leadership Succession Practices

The study sought to determine the extent to which respondents agreed with the following statements assessing the level of leadership succession practices in NNPC. A six point Likert scale was used as previously indicated. The results were presented in Table 2.

Table 2: Leadership Succession Practices

Leadership Succession Practices	VS (%)	S (%)	SS (%)	SD (%)	D (%)	VD (%)	$\overline{X}$	SD
Overall, how satisfied are you with the Leadership Succession Practices of the Corporation?	55 (5.9)	62 (6.7)	132 (14.3)	310 (33.5)	227 (24.5)	132 (14.3)	3.11	1.399
What is your level of satisfaction with the level of government interference regarding Leadership Succession in the corporation?	9 (1.0)	149 (16.1)	67 (7.2)	257 (27.8)	236 (25.5)	201 (21.7)	2.76	1.317
How satisfied are you with the fact that NNPC since inception has had 18 GMDs since its inception in 1977?	33 (3.6)	167 (18.0)	74(8.0)	181 (19.5)	234 (25.3)	226 (24.4)	2.87	1.998
How satisfied are you with the process through which Leaders are selected to fill vacant positions in the Corporation?	34 (3.7)	105 (11.3)	64(6.9)	260 (28.1)	275 (29.7)	174 (18.8)	3.01	1.319
How satisfied are you with the opportunities provided for the upcoming young professions to develop into future leaders?	90 (9.7)	83 (9.0)	36 (3.9)	249 (26.9)	255 (27.5)	204 (22.0)	3.08	1.291
How satisfied with the level of support given by NNPC's experienced leaders to employees to get the best out of them?	38 (4.1)	99 (10.7)	95 (10.3)	192 (20.7)	214 (23.1)	275 (29.7)	3.18	1.326
How satisfied are you with the kind of relationship leaders maintain with their subordinates in terms of mentoring and coaching?	85 (9.2)	147 (15.9)	34 (3.7)	199 (21.5)	202 (21.8)	249 (26.9)	3.33	1.717
How satisfied are you with the level at which political consideration guides the Leadership Succession Practices in the organization	24 (2.6)	66 (7.5)	150 (16.2)	222 (24.0)	234 (25.3)	212 (22.9)	2.74	1.389
How satisfied are you with the Leadership Succession practices of the organization?	25 (2.7)	166 (17.9)	137 (14.8)	164 (17.7)	217 (23.4)	195 (21.1)	2.89	1.517
How satisfied are you that the Federal Government usually just announces the new GMD on the television?	26 (2.8)	84 (9.1)	152 (16.4)	219 (23.7)	243 (26.2)	195 (21.1)	2.81	1.395
What is the level of your satisfaction with the frequency of Leadership succession/changes in the corporation	24 (2.6)	65 (7.0)	133 (14.4)	212 (22.9)	229 (24.7)	254 (27.4)	2.64	1.413

Note: = mean, VS=Very Satisfied, S=Satisfied, SS=Slightly Satisfied, SD= Slightly Dissatisfied, D = Dissatisfied, VD = Very Dissatisfied

Source: Researcher's Field Survey Result, 2018

Table 2 is on Leadership Succession practices in the NNPC; by combining responses under very satisfied, satisfied and slightly satisfied, it shows that 72.3% of the respondents are not satisfied with the level of government interference regarding Leadership Succession in the corporation, 694 (75%) are not happy with the fact that NNPC has had 18 Group Managing Directors since its inception in 1977, 641 (69.2%) are not satisfied with the process through which Leaders are selected to fill vacant positions in the Corporation, 709 (76.6%) are not happy with the opportunities provided for the upcoming young professions to develop into future leaders, 681 (73.5%) are not satisfied with the level of support given by NNPC's experienced leaders to employees to get the best out of them, 650 (70.2%) are not happy with the kind of relationship leaders maintain with their subordinates in terms of mentoring and coaching in the Corporation, 668 (72.2%) are not satisfied with the level at which political consideration guides the Leadership Succession Practices in the Corporation, 576 (62.8%) are not happy with the Leadership Succession practices of the organization, 657 (71%) are not happy and dissatisfied with the way and manner that Federal Government without any deliberate process announces on the television the appointment of new GMD of the Corporation and retires the former one with all the management team, and 695 (75%) demonstrate high level dissatisfaction with the frequency of Leadership Succession and changes in the corporation. Overall, 669 (72.3%) of the respondents are not satisfied with the Leadership Succession Practices of the Corporation.

Table 3 sought to determine the extent of employees' career development in NNPC. The results of descriptive analysis are presented in Table 3.

Table 3: Descriptive Statistics on Employee Career Development

Career and Development	Strongly Agree	Agree	Slightly Agree	Slightly Disagree	Disagree	Strongly Disagree	Mean	Standard Deviation
NNPC has an established career path the corporation use for every employee & professional groups	47 (5.1)	83 (9.0)	112 (12.1)	273 (29.5)	194 (21.0)	162 (17.5)	3.01	1.510
Employees in the corporation understand what to do to at any time to make progress in their career.	56 (6.0)	155 (16.7)	62 (6.7)	173 (18.7)	195 (21.1)	260 (28.1)	3.51	1.941
Training and development opportunities are explicitly linked to the strategic direction of NNPC	23 (2.5)	47 (5.1)	200 (21.6)	203 (21.9)	199 (21.5)	238 (25.7)	3.50	1.637
Employees in NNPC receive formal Career advice from their Supervisors and Managers.	39 (4.2)	69 (7.5)	149 (16.1)	215 (23.2)	214 (23.1)	224 (24.2)	3.52	1.352
There is a Formal Mentoring and Career Development workshops,	29 (3.1)	100 (10.8)	180 (19.4)	182 (19.7)	215 (23.2)	202 (21.8)	3.26	1.425
Employees in the corporation know what the key skills are that Corporation needs in the next five years to achieve its objectives.	18 (1.9)	159 (17.2)	117 (12.6)	167 (18.0)	199 (21.5)	245 (26.5)	3.21	1.698
The business strategy of the Corporation is consistently communicated to all levels of employees though the management chain, through special communications and through training and development activities	27 (2.9)	177 (19.1)	88 (9.5)	185 (20.0)	193 (20.8)	234 (25.3)	3.33	1.690
Employees are actively encouraged to share their knowledge with colleagues, not just subordinates, by coaching, mentoring and formal training within their work group and cross-functionally	23 (2.5)	96 (10.4)	35 (3.8)	145 (15.7)	497 (53.7)	153 (16.5)	2.38	1.996
There is ample Career advancement opportunities that is open to all relevant employees in the corporation	39 (4.2)	191 (20.6)	53 (5.7)	220 (23.8)	186 (20.1)	219 (23.7)	3.51	1.341
There is visibility to Senior management in the organization on matters of Career Development	27 (2.9)	167 (18.0)	72 (7.8)	211 (22.8)	216 (23.3)	210 (22.7)	3.37	1.373

Source: Researcher's Field Survey Result, 2018

Table 3 presents respondents opinion on Career Development measuring scale. The results of descriptive analysis showed that NNPC does not have established Career path for employees and professional groups as reported by 629 (67.9%). The majority (67.8%) of respondents indicates that employees in NNPC do not understand what to do at any time to make progress in their career (strongly disagreed, disagreed and slightly disagreed combined). Also, the Table revealed that in the Corporation, majority of the respondents (69.1%) disagreed that training and development opportunities are explicitly linked to the strategic direction of NNPC.

Furthermore, the result reveals that employees in NNPC do not receive formal Career advice from their supervisors and managers. A total of 70.5% of the respondents confirm this. 599 or 64.7% of the respondents declined that there is a Formal Mentoring and Career Development workshops in the Corporation, (65.9%) disagreed that employees in the corporation know what the key skills are that Corporation needs in the next five years to achieve its objectives, (61.2%) are of the view that the business strategy of the Corporation is not consistently communicated to all levels of employees through the management chain, through special communications and through training and development activities, (85.9%) reflect that employees are not actively encouraged to share their knowledge with colleagues, not just subordinates, by coaching, mentoring and formal training within their work group and cross-functionally, (67.5%) disagreed that there is ample Career advancement opportunities that is open to all relevant employees in the corporation and (68.8%) disagreed that there is visibility to Senior management in the organization on matters of career development.

Relating Tables 2 and 3 together, leadership succession practices and employees career development have the same pattern of increase. The findings reveal that there is lack of leadership succession planning and practices in NNPC. In addition, there is high frequency of Leadership changes and government interference regarding Leadership Succession in the corporation in the Corporate. The finding also revealed that there is no established career path for every employee and professional groups in NNPC; and training and development opportunities are not explicitly linked to the strategic direction of NNPC. As a result, employees do not really know the key skills that Corporation needs to achieve its objectives. In addition, employees in NNPC do not receive formal Career advice from their Supervisors and Managers. This problem suffocates employees' career development and performance of NNPC over the years; affecting policy and operational continuity. The findings therefore suggests that leadership succession practices may not influence employees' career development in NNPC.

Analysis of Interview Question

The study interviewed thirteen NNPC Executives and Directors. The purpose of the interview is to enable the researcher consider the appropriateness of the proposed theoretical framework and to validate the quantitative results obtained. The results of the personal interviews have been content analyzed and the views expressed by the interviewee executives are documented here. Verbatim reportage of some of their expressed views has been done to make readers have a feel of the real situations. Two questions were raised and the interviewee were provided answers to them. The results of their submissions are presented accordingly

(a) What is your opinion regarding the fact that NNPC GMD is often sacked on the pages of Newspapers and as breaking news on Channels TV/AIT/or NTA; Example, A staff may be in the office till late working with the GMD and other Top management people only to wake up in the morning to hear of the sacking of NNPC GMD, and other Top Management Staff of the corporations as breaking news without any of them completing their tenure. Example, NNPC has welcomed about 18 CEOs since its inception in 1977; how does this make you feel?

(b) What in your opinion is the effect of this on the employee regarding their Career Development in the Organization particularly in the issue of Leadership Succession?

Summary of Reponses:

There is no Leadership Succession plan machinery in NNPC. There is a constant leadership changes and the way it is done, make the rest of the employees feel insecure and believe the same faith may befall them. Government interference in NNPC is huge. The government decides who comes in and who goes out leading to staff diminishing commitment to the organization. GMD is no longer considered as career based but highly political, therefore it is no longer news to hear of sacking but routine. The Corporation losses focus on the exit of one and the high incidents and aspects of forced retirements. Transformation efforts are good on paper but implementation is far cry from expectation. Transformations have not brought along any tangible changes and this has affected the growth of the corporation over the years. In fact, the transformation efforts in NNPC have left the employees more confused as there is no continuity and so the transformation efforts do not. The way leaders are sacked and replaced reflects lack of concern for human dignity in staff national psyche because career confidence is built on continuity of policies implementation. There is currently no structured career development in place and it is a major set-back to human capital management. This is a major source of concern for all people in the corporation. The frequency of changes at the top does not allow for continuity and consolidation. It demoralizes staff and works against organization progress. The GMD position should not be politicized.

Hypothesis Testing

Hypothesis (Ho): Leadership Succession practices do not have significant effect on Employee Career Development.

The hypothesis was tested using simple linear regression analysis. The data for Leadership Succession practice and Employee Career Development were created by adding the items for each of the variable to create new variable. The results of the regression are presented in Tables 4.

Table 4: Coefficients of Regression of Effect of Leadership Succession Practices on Employee Career Development

	Unstandardized Coefficients		**Standardized Coefficients**		
	B	**Std.error**	**Beta**	**T**	**Sig.**
Constants	10.791	.721		14.972	.000
Leadership Succession practices	.680	.421	0.536	2.331	.257
R = 0.536 R Durbin Watson = 1.558			F = 2.960		

a. dependent variable: Employee Career Development
Source: Researcher's Field Survey from SPSS output, 2018

The regression analysis of Leadership Succession practices and Employee Career Development is presented in Table 4. The result of the regression analysis indicated that Leadership Succession practices has positive but non-significant effect on employee career development in NNPC (β = .680, t = 2.331, p >0.05). The Table shows that Leadership Succession practices have no significant effect on employee career development (F= 2.960, p>0.05). In addition, the Table shows that Leadership Succession practices only contribute 28.7% variance in employee career development. Therefore, the null hypothesis (Ho) which states that Leadership

Succession practices do not have significant effect on Employee Career Development is hereby accepted.

Discussion

Effective Leadership is fundamental to corporate success and because of the impact that a leader has on the organization, leader succession can be a traumatic event (Dawley et al, 2004). Amy (2008) adds that leadership is a fundamental factor in the quest to become a learning organization because leaders challenge status quo assumptions regarding the environment and guide followers in creating shared interpretations that become the basis for effective action. The Human Resource professionals and managers are therefore expected to always deliberate on the issue of leadership succession planning and this is substantiated by the fact that corporations around the globe invest heavily in the identification and development of leadership talents within their organisation (Richards, 2008).

The results of this study showed that Leadership succession practices in NNPC do not have a significant effect on Employee Career Development. This outcome was in agreement with the opinions of Rowe, Cannella, Rankin and Gorman (2005) that leader succession does affect performance and that leaders do matter. This finding is in line with several other researches (Giambatista 2004; Boal & Hooijerg, 2000; Cannella & Rowe, 1995). Richards (2008) in her study on succession planning reports that what appears to matter most in the appointment of Chief Executive Officers is the likely impact of a leadership appointment on corporate profitability although other leadership attributes may be applied.

Similarly, Tanoos (2012) on his part looked at HRM leadership succession in multinationals especially in Japan. This study reports that the percentage of CEOs from the top 50 Japanese Multinational Corporations hired their CEO from outside of the organization is 2% of the instances, whereas the percentage of CEOs from the top 50 American Multinational Corporations hired their CEO from outside of the organization in 16.3% of the instances. Still from their study, It is apparent that although both US and Japanese high-performing multinational CEOs are likely to originate from the lower ranks of the company, it is still more likely in the US that the company would hire from outside, even though this was lower than the percentage of outside hires in other reports.

In Table 4.3, majority (76.6%) of the respondents are not happy with the opportunities provided for the upcoming young professions to develop into future leaders. In Table 4.3, 75% of the respondents are not happy with the fact that NNPC since inception has had 18 GMDs since its inception in 1977. Also, 73.5% of the respondents are not satisfied with the level of support given by NNPC's experienced leaders to employees to get the best out of them and 70.2% of the respondents are not happy with the kind of relationship leaders maintain with their subordinates in terms of mentoring and coaching in the Corporation. Again, reports of structured interview showed that there is no Leadership Succession plan in NNPC. Leaders are often sacked and replaced at random without due diligence. The transformation efforts in NNPC have left the employees more confused as there is no continuity and so the transformation efforts do not much impact.

The study found a high incidents of external interferences and political influence on all aspect of the NNPC in matters or HRM especially in Recruitment and selection of experience hires, appointment to top positions and in leadership succession practices. This finding aligns with Gilbert (2014) study of the NNPC Transformation and Change Projects. He discovered that the executive powers of officers working in the NNPC are often limited due to the political influence of political leaders outside of the corporation. Findings from this study and the extant literature shows that Leadership Succession practice do not affect Employee Career Development. Hence, there is need also to install a system based merit driven HR Management system in NNPC.

CONCLUSION AND RECOMMENDATIONS

The study analyzed the effect of Leadership Succession practices on Employee Career Development in NNPC. The results of the study provide both empirical and statistical evidences on the relationship between Leadership Succession practices and Development and Employee Career Development in NNPC. The findings provide empirical and statistical evidences to show that Leadership Succession practice have no significant effect on Employee Career Development in NNPC. Based on the results, NNPC should continuously be strategizing and moving with the global trend in HR practices and to learn about future possibilities. The NNPC HRM should be more strategic and inclusive in its approach. HRM must work in accordance with the CPGG and in line with the transformation initiatives. The NNPC management and staff should align themselves with strategies to survive the changing times if the corporation would attract and retain high potential and talented human resource.

The study recommend that Federal Government should empower the NNPC to put in place proper Leadership Succession planning especially in HR itself. This can be achieved when the corporation embeds a formal employee career development policy and procedure.

Implications of the Study

Arising from the findings, this study provides necessary framework for government and leadership of NNPC in ensuring that they manage their human resources effectively in a strategic manner that will ensure a proper alignment between the HRM practices, the individual employee career objectives and the overall strategy of the organization in achieving the national aspiration. The business of the Oil and Gas industry requires highly skilled and competent people all the time. The findings of this research have some implications for strategy and active plan for government HR practitioners and organizations. Policy makers will benefit tremendously from the findings and recommendations of the study since it provides a well-grounded approach of addressing inequality issues in societies. The study is relevance to every employer of labour as it highlights key areas they can improve upon to be able to bridge the inequality gap between men and women employees in Nigeria.

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THE ROLE OF TECHNOLOGY ADOPTION IN BEHAVIORAL INTENTION: THE CASE OF PHARMACISTS IN EGYPT

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ABSTRACT

With the rapid development of mobile technologies and widespread use of wireless Internet, the way people use their mobile phones has been changing. The explosive popularity of advanced mobile devices (i.e. smartphones and tablet PCs.) has compelled people to start to use their mobile devices for a variety of purposes from making a call, searching for information, socially networking with others, and listening to music, among other things. The motive for this study is the recognition that use of Mobile Medical Applications (MMAs) is increasingly popular among pharmacists in Egypt. But there is a gap in pharmaceutical companies' knowledge to recognize how and why pharmacists adopt their behavioral intention to use MMAs and continued intention to use MMA. Therefore, in this research, a conceptual framework is being developed to recognize the antecedents that affect how and why pharmacists adopt their behavioral intention to continued use MMAs. This study attempts to answer the main questions: "Why and how pharmacists have behavioral intention to use a MMA?" For the purpose of the study, a scale was developed utilizing three steps: item generation, field test, and confirmation of the survey instrument through structural equation modeling analysis. Results show the significant effect of Diffusion theory and theory of planned behavior rather than the technology acceptance model.

Keywords: Technology Acceptance, Intention to use technology, Technology Adoption, Perceived Ease of Use, Perceived Usefulness

Introduction

With the rapid development of mobile technologies and widespread use of wireless Internet, the way people use their mobile phones has been changing. The explosive popularity of advanced mobile devices (i.e. smartphones and tablet PCs.) has compelled people to start to use their mobile devices for a variety of purposes from making a call, searching for information, socially networking with others, and listening to music, among other things.

Increasingly, digital technologies are gaining attention as a means to improve access to care and deliver effective therapeutic interventions directly to patients (Comer, 2015; Kazdin, 2015; Luxton et al., 2011). Smartphone applications offer a novel tool that individuals seeking mental health care now increasingly own and are ready and interested in using for their mental health (Torous et al., 2014). The extensive use of smart mobile devices and mobile applications provides new opportunities for companies. The modern consumer is often referred as to be social, local, and mobile (Marsden & Chaney, 2013).

The development of mobile technologies has promoted the introduction and growth of mobile medical application market. Since there is no academic definition of a mobile medical application, this study operationally defines mobile medical applications (MMA) as software that runs on smartphones and advanced mobile devices and is designed to educate, entertain, or assist people who are interested in drugs & pharmaceutical products. (e.g. iPharmacy Pill ID & Drug Info, Monthly Prescribing Reference, Pharmacy Lab Values, Pharmacist's Letter, & Pocket Pharmacists). In the health care field, it is estimated that there will be 500 million smartphone users worldwide with mobile health apps by 2015, and the global market for these apps may reach US $26 billion by 2017 (Douglas, 2013). There are more than 43,000 health care, fitness, and medical apps available in English on iTunes (IMS Institute for Healthcare Informatics, 2015). Particularly, increasing smartphone adoption rates, application downloads, and wearable device usage will positively affect the growth of the MMA market (ABI Research, 2010).

Despite a turbulent half-decade for Egypt's political and economic outlook, Egypt remains the largest producer and consumer of pharmaceuticals in the Middle East and Africa. It also maintains its position as the second largest pharmaceutical market, second only to Saudi Arabia, holding a value of EGP 35.6 bn (BMI Egypt Pharmaceuticals & Healthcare Report Q4 2016). Egypt maintains a Risk/Reward Index of 44.3 out of 100, remaining above the regional average of 40.4, making it the 4th most attractive pharmaceutical market in Africa (N Gage Consulting S.A.E, 2017).

The motive for this study is the recognition that use of Mobile Medical Applications (MMAs) is increasingly popular among pharmacists in Egypt. But there is a gap in pharmaceutical companies' knowledge to recognize how and why pharmacists adopt their behavioral intention to use MMAs and continued intention to use MMA. Therefore, in this research, a conceptual framework is being developed to recognize the antecedents that affect how and why pharmacists adopt their behavioral intention to continued use MMAs.

Review of Literature

In this section, the researcher will start investigating factors that may lead to adopt to technology. Constant technological change simultaneously offering opportunities for novel service offerings, while also creates threats to established business models (Lai,2017). Leading firms often seek for shaping the evolution of technological applications to their own advantage (Lovelock, 2001; Lai, 2017). With the dynamic and advanced growth of technologies, the acceptance of consumers for these technologies fast depends on a number of factors such as convenience, availability of technology, security, consumers' need etc. There are numbers of researchers addressing the consumers' adoption of new technologies (Meuter et al., 2000; Dapp & Slomka, 2015; Lai, 2017).

There are numbers of theories were proposed to explain consumers' acceptance of new technologies and their intention to use. These included, but were not restricted to, the Theory of Diffusion of Innovations (DIT) (Rogers, 1995) that started in 1960, the Theory of Task-technology fit (TTF) (Goodhue, and Thompson, 1995), the Theory of Reasonable Action (TRA) (Fishbein and Ajzen, 1975), Theory of Planned Behavior (TPB) (Ajzen, 1985, 1991), Decomposed Theory of Planned Behavior (DTPB), (Taylor and Todd, 1995), the Technology Acceptance Model (TAM) (Davis et al., 1989), Final version of Technology Acceptance Model (TAM) Venkatesh and Davis (1996), Technology Acceptance Model 2 (TAM2) Venkatesh and Davis (2000), Unified Theory of Acceptance and Use of Technology (UTAUT), Venkatesh et al., (2003) and Technology Acceptance Model 3 (TAM3) Venkatesh and Bala (2008).

Rogers (1995) studied innovation diffusion by drew on nine different fields of research and obtained the meaningful results that were verified in various aspects. Using the perspective of dynamic systems, Rogers (1995) defined innovation diffusion as "the procedure by which innovative concepts are transferred among members of a social system through certain channels over time". Individuals' decisions regarding an innovation are not single actions as believed by Rogers but rather a series of decisions and actions. Consequently, acceptance, innovation, and diffusion may be closely related to each other, and an individual may not adopt immediately an innovation after exposing to it.

An innovative service or product adoption is determined by five characteristics as following: 1. compatibility, 2. relative advantage, 3. trialability, 4. complexity, and 5. observability (Rogers, 1995). When past experiences, the original technological value, and users' demands are consistent, an innovation is better to be understood and easier to use and can be observed and tested in a limited range, and as a result may be more likely to be accepted by the users and consumers.

Technology readiness (TR) refers to people's propensity for embracing and using of new technologies to accomplish goals at work and in-home life (Parasuraman and Colby, 2001). Based on the technology readiness and individual's technology readiness score, Parasuraman and Colby (2001) classified technology consumers into five technology readiness segments similar to Rogers (1995) S-shaped adoption curve of explorers, pioneers, skeptics, paranoids, and laggards. The Diffusion of innovation or Technology readiness is important for organization implementation success as it is market focus.

On the other hand, individuals' length of experience and degree of familiarity with information system are normally associated with their adaptation behavior (Wu & Chen, 2017). This scenario depicts individual technology fit (IT). The more experienced one is with a system, the better he or she knows and understands how the system works. As assumed by Goodhue et al. (1995), the good fit between technology and task is to increase the likelihood of utilization and also to increase the performance impact since the technology meets wants and the task needs of users more closely. As shown in Figure 2- 2, this model is suitable to investigate the actual usage of the technology especially testing of the new technology to get feedback. The task-technology fit is good to measure the technology applications already released in the marketplace like in apple store app (iTunes) or the google play store etc.

The theory of reasoned action (TRA), which has proven to be successful in predicting and explaining an individual's decision-making process. (Fishbein and Ajzen 1975; Montano and

Kasprzyk 2008). According to previous social psychology research that started out as the theory of attitude, which led to the study of attitude and behavior, the TRA wasborn largely out of frustration with traditional attitude–behavior research, much of which found weak correlations between attitude measures and performance of volitional behaviors (Hale, Householder, & Greene, 2002).

The key constructs of the TRA are behavioral intention (BI), subjective norm (SN), and attitude (A). Behavioral intention measures a person's relative strength of intention to perform a behavior, as shown in figure 2- 3. Attitude consists of evaluation of these consequences (evaluation of the behavior) multiplied by his or her beliefs about the consequences of performing the behavior (beliefs about the behavior) (Fishbein and Ajzen 1975; Montano and Kasprzyk 2008). Subjective norm is seen as a combination of perceived expectations from relevant individuals or groups (opinions of referent others) along with intentions to comply with these expectations (motivation to comply). In other words, "the person's perception that most people who are important to him or her think he should or should not perform the behavior in question" (Fishbein and Ajzen 1975; Montano and Kasprzyk 2008).

The theory of planned behavior (TPB) has been used to predict and explain human behavior in adopting communication and information technologies (Carter & Yeo, 2016; Cheung &To, 2016; Jiang et al., 2016; Kim et al., 2016; Saeri et al., 2014). Specifically, the TPB was used by Carter and Yeo (2016) to explain mobile apps usage by university students. Also, the extended TPB can explain consumer co-creation behavior in social media as reported by Cheung and To (2016). The TPB as shown in figure 2- 4 suggests that subjective norm, attitudes, and perceived behavioral control affect intention, and that intention, with or without perceived behavioral control, leads to actual behavior (Ajzen, 1991).

The first two factors are the same as TRA (Fishbein and Ajzen, 1975). The third factor that is known as the perceived behavioral control is the control which users perceive that may limit their behavior (e.g.: Can I apply for the credit card and what are the requirements?). In the TPB model intention reflects the motivational factors that affect a person's behavior; it is an indication of the amount of effort a person is willing to exert to perform the behavior and he/she willingness to act.

One of the most comprehensive and influential theories for studying adoption processes is the Decomposed Theory of Planned Behavior (DTPB) (Taylor and Todd, 1995). The DTPB as shown in figure 2- 5 decomposes the three main antecedents of behavioral intention of the Theory of Planned Behavior (TPB) into a set of salient beliefs based on the Innovation Diffusion Theory (IDT) and the Technology Acceptance Model (TAM). Decomposed Theory of Planned Behavior (DTPB) consists of three main factors influencing behavior intention and actual behavior adoption: 1. attitude, 2. subjective norms and 3. perceived behavior control. Decision making is guided by a rational evaluation of behavioral consequences (Fishbein & Ajzen, 1975).

There has been a great deal of research on the Theory of Reasoned Action (Ajzen & Fishbein, 1980; Sheppard et al., 1988) Theory of Planned Behavior (Ajzen, 1991) and Decomposed Theory of Planned Behavior, (Taylor and Todd, 1995) but mostly used for products already in the marketplace and included the view of society (Subjective norm). The antecedents of attitude in the DTPB are also consistent with the Technology Acceptance Model (TAM) (Davis, 1989). The TAM assumes that a person's behavioral intention and attitude towards using a new technology are influenced by the perceived ease of use and the perceived usefulness of the innovation (King & He, 2006; Schepers & Wetzels, 2007).

The technology acceptance model (TAM) was developed by Davis (1989) derived from the Theory of Reasoned Action (TRA) (Fishbein & Ajzen, 1975) in order to improve the understanding of system user acceptance of technology, especially computer usage behavior. The major objective of the TAM was to explain theoretically the antecedents of users' computer behavior and their acceptance (Davis, 1989; Davis et al., 1989). According to Rizwan et al (2014), TAM is a concept that can represent the consumers, how they start or adapt new technological system or information technology and it is widely used to identify individual intention in using new technology. The TAM has received extensive empirical support since its development via applications, validation and replications, and proven to be a powerful, robust, and parsimonious model (Rao & Troshani, 2007; Taylor & Todd, 1995a, 1995b; Venkatesh, Morris, et al., 2003).

To make the TAM a theoretically and psychometrically rigorous model of technology user acceptance, the TAM has been re-validated by Davis and his colleagues through applying it to different technology uses by testing different scale formats. As a result of that, Davis (1989) and Davis et al. (1989) found the two key theoretical differences between the TAM and the TRA. Whereas salient beliefs are explanatory only for a specific context under the TRA, in the TAM beliefs (i.e., perceived ease of use and perceived usefulness) can be generalized to general technology user acceptance. Secondly, a belief under the TRA is considered a single construct multiplied by all beliefs which in turn affects attitude toward behavior. In contrast, beliefs under the TAM consist of two distinct constructs (i.e., perceived ease of use and perceived usefulness).

The original TAM consists of two key factors in evaluation of acceptance and some others minor factors as shown in figure 2- 6, namely external variables (EV), perceived usefulness (PU), perceived ease of use (PEU), behavioral intention to use (BI), attitude towards use (ATU), and actual behavior on use (AU). The two most important determinants for system use are PEU and PU. Users' BI is directly predicting by ATU which in turn determines AU.

Moreover, Venkatesh et al., (2003) studied from the previous models/theories and formed Unified Theory of Acceptance and Use of Technology (UTAUT). The UTAUT has four predictors of users' behavioral intention: Performance expectancy: The level a person considers that the use of a new technology would help to improve their work performance. This construct is included as perceived usefulness in TAM. Effort expectancy: The degree to which the user perceives the system as easy to use. This construct includes scale items from TAM. Social influence: The degree to which the user perceives that others who are important to the user believe that the user should use the system. The construct includes scales from subjective norms in TAM. Facilitating conditions: The degree to which the user believes that conditions are adequate for effective use of the system, including organizational readiness and infrastructure adequacy. This construct encompasses perceived behavior control, TAM and other variants.

Past research studies have used the UTAUT model to test a variety of areas involving the acceptance of technology. For instance, Robinson (2006) applied the UTAUT model to a study of students' adoption of technology in marketing education. Additionally, several researchers have performed studies that have validated the UTAUT model in Internet technologies and virtual communities (Lin & Anol, 2008; Debuse et al., 2008; Loke, 2008; Pappas & Volk, 2007; Hennington & Janz, 2007; Park et al., 2007; Anderson & Schwager., 2006; Lee & Lin, 2006; Wang et al, 2006). Further, Koivumaki, Ristola, and Kesti (2008) used the UTAUT model to study the adoption of mobile technology thereby adding to the literature on technology acceptance. This study added to the literature through the study of mobile technology.

Further studies added more dimensions to the UTAUT that reflected the flexibility of the model. For instance, Wang, Wu, and Wang (2009) conducted a research study that included an additional dimension of self-management and perceived playfulness as independent variables moderated by age and gender. The study investigated age and gender as significant determinants to the adoption of mobile learning technology.

Egypt is among the largest producers and consumers of pharmaceuticals in both the Middle East and Africa. Typified by high demographic growth and urbanization, the growth of the industry is contingent on high population growth, an expanding generic drug sector, and increased health awareness. Egypt maintains a Risk/Reward Index of 44.3 out of 100, remaining above the regional average of 40.4, making it the 4th most attractive pharmaceutical market in Africa (Bijaoui, 2017).

Egypt's pharmaceutical industry faces regulatory obstacles beyond the economic environment, including delayed governmental approvals for licensing, lax intellectual property right enforcement, and an undesirable pricing scheme. These obstacles have negatively impacted the various players in the industry. Egypt's pharmaceutical market has made a 24 percent growth in sales, reaching around 51.59 billion Egyptian pounds ($2.9 billion) in 2017, according to a recent report (Allam, 2018). Earlier, sales dropped by 8.8 percent, registering 2.067 billion-unit operations during 2016. "20 pharmaceutical firms captured 62.6 percent of the sector's sales in Egypt during last year," U.S. IMS Health Company. These firms included Novartis, GlaxoSmithKline, Pharco, Sanofi, Amoun Pharmaceutical, Eipico, Eva Pharma, Pfizer, Hikma Pharmaceuticals. In December 2017, sales increased by 11.6 percent to around 4.9 billion pounds compared to the same period last year (Bijaoui,2017).

Given the lack of a comprehensive health-insurance system in Egypt, the pharmaceutical sales are based on out-of-pocket expenditures as consumers find self-medicating to be the cheapest form of treatment. Pharmaceutical sales are divided into prescription drugs and over-the-counter (OTC) drugs. Egypt's pharmaceutical sales are largely dependent on prescription sales, which comprised 82.5% of total drug sales in 2016 as compared to 17.5% over-the-counter products. Prescription sales are comprised of two types of drugs, generic and brand-named drugs. As shown in the figures below, sales of patented drugs will outgrow that of generic drugs due to the domestic industry's heavy reliance on importing raw materials, which have surged in the past year. It should be noted, however, that the market could eventually shift favour towards generics, given their cheaper price tags, and the government's willingness to maintain cost-containment measures (Bijaoui, 2017).

Research Framework

The research proposed a certain framework extracted from the previous studies discussed at literature review as well as the interviews handled. Accordingly, a set of hypotheses and questions will be proposed and will be discussed in the following sections. The research framework variables could be classified as following: **Dependent variable**: Continued Intention to Use; **Mediating variable (or intervening) variable**: Pharmacists Behavioral Intention; and **Independent variables**: Social Norm's dimensions; Interpersonal Influence & External Influence; Perceived Ease of Use (PEU), Perceived Usefulness (PU), Perceived Enjoyment (PE), Information Quality, Personal Innovativeness in Information Technology (PIIT) and Personalization. Therefore, the current research framework could be expressed using the following figure 1.

The motive for this study is the recognition that use of MMAs is increasingly popular among pharmacists in Egyptian pharmaceutical market. This study attempts to answer the main questions: "Why and how pharmacists use a MMA?"

As discussed and explained in previous chapter, the research hypotheses could be stated as follows:

H1: A MMA pharmacist's PEU will affect positively intention to use a MMA.

H2: A MMA pharmacist's PU will affect positively intention to use a MMA.

H3: A MMA pharmacist's perceived enjoyment will affect positively intention to use a MMA.

H4: A MMA pharmacist's information quality will affect positively intention to use a MMA.

H5: Perceived personalization will influence PEU of a MMA.

H6: Perceived personalization will influence PU of a MMA.

H7: Personal innovativeness in IT will affect positively PU of a MMA.

H8: Personal innovativeness in IT will affect positively PEU of a MMA.

H9: Interpersonal influence will affect positively intention to use a MMA.

H10: External influence will affect positively intention to use a MMA.

H11: Pharmacists Behavioral Intention will affect positively continued intention to use a MMA.

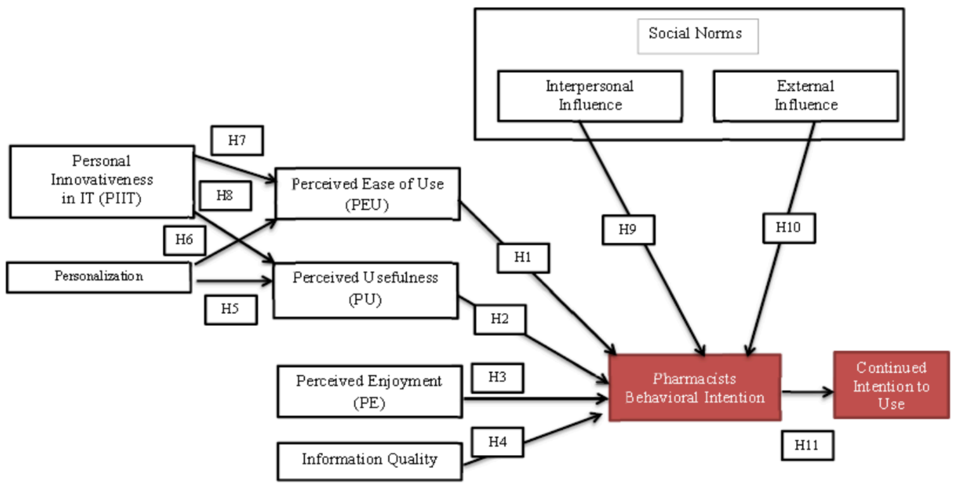


Figure 3- 1: Proposed Conceptual Model

A stratified random sampling, as a probability sampling is drawn from pharmacists in Egypt to respond to questionnaire of the current study. As Saunders et al (2016), mentioned that: "Sample sizes for different sizes of population at a 95 % level of certainty (assuming data are collected from cases in the sample), collecting data is 385" and there for a number of 400 Pharmacists are selected for safe side in the study. Therefore, a total number of 448 respondents were collected and data was analyzed using the SEM model conducted for the research framework shown above.

Results and Findings

This section shows the results and findings for the data under study. As a preliminary step, reliability and validity were computed for the sample data. Reliability is concerned with estimates of the degree to which a measurement is free of random or unstable error. The purpose of reliability analysis is to determine how well a set of items falls into some common sources of variance (Viswanathan, 2005) and is frequently measured with Cronbach's coefficient alpha. Cronbach's coefficient alpha is "the ratio of the sum of the covariances among the components of the linear combination (items), which estimates true variance, to the sum of all elements in the variance-covariance matrix of measures, which equals the observed variance" (Nunnally & Bernstein, 1994, p. 212). The minimum acceptable level of Cronbach's alpha coefficient was suggested as 0.70 (Hair et al., 1998).

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

Table 1 Reliability and Validity Tests

Variables	Item	Item loading	AVE	Cronbach's Alpha
Perceived ease of use	**Item 1**	0.762	**77.506%**	**0.853**
	Item 2	0.827		
	Item 3	0.736		
	Item 4	**Deleted**		
Perceived usefulness	**Item 1**	0.635	**71.031%**	**0.862**
	Item 2	0.770		
	Item 3	0.763		
	Item 4	0.673		
Perceived enjoyment	**Item 1**	0.472	**56.591%**	**0.805**
	Item 2	0.487		
	Item 3	0.664		
	Item 4	0.662		
	Item 5	0.545		
Personalization	**Item 1**	0.765	**69.587%**	**0.849**
	Item 2	0.618		
	Item 3	0.751		
	Item 4	0.650		
Information quality	**Item 1**	0.665	**64.350%**	**0.719**
	Item 2	0.593		
	Item 3	0.673		
Personal innovativeness in IT	**Item 1**	0.771	**73.098%**	**0.809**
	Item 2	0.647		
	Item 3	0.775		
	Item 4	**Deleted**		
Interpersonal influence	**Item 1**	0.409	**60.924%**	**0.830**
	Item 2	0.610		
	Item 3	0.582		
	Item 4	0.822		
	Item 5	0.624		
External influence	**Item 1**	0.721	**67.568%**	**0.759**
	Item 2	0.658		
	Item 3	0.648		
Behavioral Intention to use	**Item 1**	0.845	**84.485%**	**0.816**
	Item 2	0.845		
Continued intention to use	**Item 1**	0.590	**64.502%**	**0.887**
	Item 2	0.712		
	Item 3	0.530		
	Item 4	0.643		
	Item 5	0.739		
	Item 6	0.656		

Descriptive statistics help to illustrate and understand characteristics of a specific data set, by making short summaries about the sample and measures of the data. There are three main types of descriptive statistics which are frequencies, measures of central tendency (e.g. averages), and measures of variability (e.g. standard deviation). Measures of central tendency give one value that represents the whole set of scores, like the mean. Measures of variability show the degree to which scores are different from the mean. Frequency statistics sum the number of times that each variable is repeated, for example the number of males and females within the sample. In the following section, means, standard deviations and frequency statistics will be conducted for the research variables.

Table 2 Descriptive Statistics for the Research Variables

Variable	N	Mean	Std. Deviation	Frequency				
				1	2	3	4	5
Ease of Use	448	3.8704	0.73168	0	14	105	236	77
Usefulness	448	3.6134	0.74067	0	20	174	191	47
Enjoyment	448	2.5671	0.61318	28	131	273	0	0
Information Quality	448	4.2153	0.85487	0	24	49	169	190
Personalization	448	2.8032	0.65032	12	94	305	9	12
Innovativeness	448	3.4745	0.61633	0	12	219	185	16
Interpersonal Influence	448	3.5324	0.88759	5	45	153	173	56
External Influence	448	3.7407	0.79873	4	24	112	232	60
Behavioral Intention	448	3.0648	1.11745	44	80	156	108	44
Continued Intention	448	3.0162	0.96684	16	121	164	102	29

Table 3 shows the model conducted using SEM model, where it was observed that the model fit indices are within the acceptable levels, as CMIN/DF is 1.278, GFI is 0.959, AGFI is 0.988, CFI is 0.963, and RMSEA is 0.066. It was noticed that there is a significant positive effect of Perceived Ease of Use on Behavioral Intention (P-value = 0.000 < 0.05), while it has an insignificant effect on Behavioral Intention (P-value = 0.054 > 0.05). It was also observed that there is an insignificant effect of Perceived Usefulness on both; Behavioral Intention and Continued Intention to use the application, as the corresponding P-values are greater than 0.05. Moreover, it was noticed that Perceived Enjoyment has a significant effect on Behavioral Intention (P-value = 0.000 < 0.05), but it has an insignificant effect on Continued Intention (P-value = 0.668 > 0.05). Similarly, it was found that Information Quality has a significant effect on Behavioral Intention (P-value = 0.000 < 0.05), but it has an insignificant effect on Continued Intention (P-value = 0.247 > 0.05). This means that the role of Ease of Use, Perceived Enjoyment, and Information Quality in affecting Continued Intention is all through the Behavior Intention to use.

Further, it was noticed that there is a significant effect of Personalization on both; Perceived Ease of Use and Perceived Usefulness, as the corresponding P-values are less than 0.05. Similarly, there is a significant effect of Innovativeness on both; Perceived Ease of Use and Perceived Usefulness, as the corresponding P-values are less than 0.05. Regarding Interpersonal Influence, it was observed that it has an insignificant effect on both; Behavioral and Continued Intention to use the application, as the corresponding P-values are greater than 0.05. Considering External Influence, it was observed that it has a significant effect on both; Behavioral and Continued Intention to use the application, as the corresponding P-values are less than 0.05. In addition, there is a significant effect of Information Quality on Perceived Usefulness, as P-value is less than 0.05, while there is an insignificant effect of Perceived Usefulness on Behavioral Intention, as P-value is greater than 0.05. Finally, Behavior Intention was found to have a significant effect on Continued Intention, as the corresponding P-value is less than 0.05.

Table 3 SEM Model of Pharmacists Continued Intention to Use

			Estimate	S.E.	C.R.	P
Behavioral Intention	<---	Perceived Ease of Use	.152	.036	4.280	***
Continued Intention	<---	Perceived Ease of Use	.076	.039	1.929	.054
Behavioral Intention	<---	Perceived Usefulness	.007	.085	.088	.930
Continued Intention	<---	Perceived Usefulness	.021	.042	.095	.975
Behavioral Intention	<---	Enjoyment	.445	.108	4.120	***
Continued Intention	<---	Enjoyment	-.151	.354	-.428	.668
Behavioral Intention	<---	Information Quality	.759	.131	5.799	***
Continued Intention	<---	Information Quality	.477	.412	1.158	.247
Perceived Ease of Use	<---	Personalization	.421	.084	5.031	***
Perceived Usefulness	<---	Personalization	.400	.071	4.225	***
Perceived Ease of Use	<---	Innovativeness	-.316	.121	-2.617	.009
Perceived Usefulness	<---	Innovativeness	.461	.108	4.278	***
Behavioral Intention	<---	Interpersonal Influence	-.145	.083	-1.748	.081
Continued Intention	<---	Interpersonal Influence	.121	.208	.580	.562
Behavioral Intention	<---	External Influence	.220	.067	3.274	.001
Continued Intention	<---	External Influence	.682	.091	7.509	***
Perceived Usefulness	<---	Information Quality	1.149	.128	8.970	***
Behavioral Intention	<---	Perceived Usefulness	-.098	.071	-1.390	.165
Continued Intention	<---	Behavioral Intention	.336	.108	3.127	.002

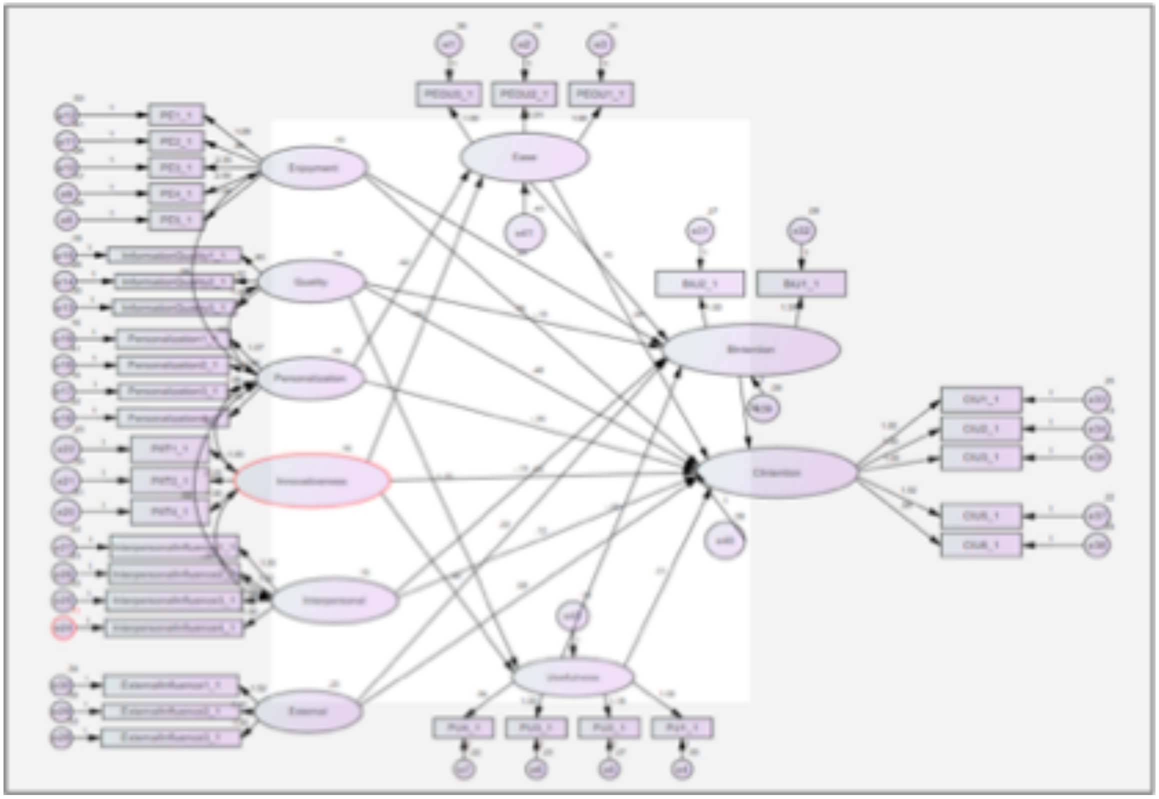
Table 4 summarizes the results obtained for the research hypotheses, as follows:

Table 3 Summary of Research Hypotheses

Research Hypotheses	Results
H_1: A MMA pharmacist's PEU will affect positively intention to use a MMA.	Partially supported
H_2: A MMA pharmacist's PU will affect positively intention to use a MMA.	rejected
H_3: A MMA pharmacist's perceived enjoyment will affect positively intention to use a MMA.	Partially supported
H_4: A MMA pharmacist's information quality will affect positively intention to use a MMA.	Partially supported
H_5: Perceived personalization will influence PEU of a MMA.	Fully supported
H_6: Perceived personalization will influence PU of a MMA.	Fully supported
H_7: Personal innovativeness in IT will affect positively PU of a MMA.	Rejected
H_8: Personal innovativeness in IT will affect positively PEU of a MMA.	Fully supported
H_9: Interpersonal influence will affect positively intention to use a MMA.	supported
H_{10}: External influence will affect positively intention to use a MMA.	Rejected
H_{11}: Pharmacists Behavioral Intention will affect positively continued intention to use a MMA.	supported

Figure 1 shows the SEM model conducted for the hypothesized statements, with the unstandardized estimates shown on the figure.

Figure 1 SEM Model for the Research Hypotheses



Discussion and Conclusion

When considering the theory of planned behavior, it was found that there is a significant effect of both; Perceived Enjoyment and Information Quality on Behavioral Intention towards using MMA. On the other hand, it was found that there is a significant effect of both; Perceived Enjoyment and Information Quality on Behavioral Intention towards using MMA. This means that the effect of Perceived Enjoyment and Information Quality on Continued Intention is all through the Behavioral Intention towards using MMA. This implies the success of the theory of planned behavior relative to that of technology acceptance to explain the intention of pharmacists in using medical application.

Adding the theory of diffusion of innovation yields a significant difference, as it is explained by the variables of Personalization and Innovativeness. It was noticed that there was a significant effect of Personalization on both; Behavioral Intention and Continued Intention towards using MMA. Thus, this means that Personalization contribute in explaining the variation of both variables mentioned. Similarly, the innovativeness was found to be significantly affecting both;

Behavioral Intention and Continued Intention towards using MMA. Thus, this means that Innovativeness contribute in explaining the variation of both variables mentioned. Therefore, in general, theory of Diffusion Innovation was able to declare the variation in Intention of Pharmacists towards using the medical application.

It could be concluded that despite the fact that TAM is a well-tested and validated model to explain the intention to use technology, it was observed that information on its cross-cultural validity is limited. This study helps pharmacists successfully plan for investing in and implementing medical apps. It assists operators in developing effective marketing strategies by understanding factors influencing pharmacists' app adoption. This study integrates different theories of medical application adoption to be able to explain pharmacists' intention towards using MMA. Despite this fact, the model contribution was not relatively high, revealing the fact that there are other variables that might be affecting the intention of pharmacists towards using MMA and they are not included in the research model. Therefore, it is recommended to study such factors and include in the research model. Therefore, future studies can include factors such as time pressure, social anxiety, Price of Application.

One limitation of the current study is that it was conducted over a short period of time. Thus, longitudinal studies will allow researchers to determine how users and the relationships with technology change. the respondents' individual characteristics were not considered in this study. Especially, the respondents' age levels may have affected their perceptions because this study included only relatively young respondents. Some previous studies pointed out that age and gender of participants can affect the intention towards using MMA.

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ADDRESSING ASYMMETRIC INFORMATION IN PAKISTANI FOOD PHILANTHROPY MARKET TO ALLEVIATE POVERTY: A CASE OF RIZQ PVT LTD

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ABSTRACT

Asymmetric information between donor and beneficiary has decreased the effectiveness of the food philanthropy market to help alleviate food insecurity and poverty. One of the major concerns of people involved in food philanthropy is of transparency and not knowing to whom they should donate. Similarly, food insecure families are seldom able to find affordable and stable food supplies. This study examines the impact of an information clearing house on the food philanthropy market, i.e. how provision of information to donors and beneficiaries, through a social enterprise model, can help alleviate poverty and become a medium of sustainable economic growth. For this purpose we consider Rizq Pvt Ltd, a social enterprise, that aims to make feeding convenient and food waste minimal to end hunger. Rizq establishes food banks in the hearts of under-privileged communities and conducts detailed baseline Household poverty surveys of the community to uncover food insecure households in the Punjab, Pakistan for two consecutive years from 2015-2017 . It then connects these verified food insecure families with donors who want to share food through its online platforms; optimizing food philanthropy in a targeted way, at the same time ensuring donor satisfaction. Moreover, as all food insecure families are provided conditional food assistance based on their involvement in a skill/vocational training program, the Rizq model ensures that families can be made self sufficient and brought out of the poverty trap. We predict that replication of the Rizq model in will not only revolutionize the food philanthropy sector, ensuring a system where all stakeholders benefit and have a better user experience, but will *also prove to be great medium to eradicate poverty and food insecurity, all the while promoting sustainable economic growth due to its social enterprise model.*

Keywords: Asymmetric Information, Food Philanthropy, Poverty Alleviation, Sustainable Growth

THE MILLENNIALS: INSIGHTS TO BRAND BEHAVIOR FOR BRAND MANAGEMENT STRATEGIES

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ABSTRACT

Millennial generation has surpassed generation X and Baby Boomers in terms of population (market) size and standout to be the largest market segment. This demographic change will undoubtedly be an opportunity for marketing and brand managers to reach, acquire, and retain Millennial market to achieve organizational profitability. Prior research has not been successful to provide a detailed understanding of Millennials and their degree of brand loyalty over prior generations. In this article, the authors used Kevin Lane Keller's work (Brand Resonance Pyramid 2009) to test the degree of brand loyalty of Millennials over prior generations and the degree of brand resonance that predicts the brand loyalty while this relationship is moderated by the generation. In addition, they determined how the elements of the brand pyramid relate to each other. In this study, the authors administered an online survey using SurveyMonkey to reach local (US) and international college/university respondents (n=267) age 18 years and above. The survey was administered using a questionnaire (46 data points). Linear Regression and Partial Correlation were used for analysis. The authors find that Millennials and Generation X/Boomers are not significantly different in terms of brand loyalty, brand resonance is a strong positive predictor for brand loyalty, and finally, the relationship between brand resonance and brand loyalty is weaker for Millennials than for Generation X/Boomers.

Keywords: Brands, Brand Loyalty, Millennials, and Brand Resonance

Introduction

Organizations that focus on establishing customer-based brand equity, with an implicit attention to the growing Millennial market will undoubtedly secure long-term profits. This generational cohort has surpassed Baby Boomers as the largest generational demographic. The concept of brand loyalty has been studied and researched by many statisticians, scholars, and marketers. Brand loyalty is defined as "a deeply held commitment to rebuy or re-patronize a preferred product/ service consistently in the future" (Howe, N., & Strauss, W., 2000). This simply means that customers who exhibit loyalty to a brand will continue to purchase and engage with that particular brand more so than any other brand. Recently, millennials (a generation established between the 1980's-2000) (Raut,2015), and (the generational cohort after generation X) has become the leading population within the United States (DeVaney, 2015). Even more so, this cohort has increased in population not just in the United States but throughout the world and is becoming a progressively important demographic for businesses to not only make customers out of, but a loyal customer. It is proven that loyal customers have a higher tendency to purchase products from their preferred brands, are more likely to advocate their favored brands, and are less sensitive to increases in price (Doster, 2013). This is extremely important as this helps increase a brand's profit margins, sales, and advertising through word-of-mouth. But the big question is; are millennials brand loyal, and on what basis are they loyal? Research indicates that brand loyalty can be determined based off of demographic indicators such as: age, income, gender, etc. However, more so than these general gauges, there are specific degrees of brand loyalty (Mostert, P. G., Petzer, D. J., and Weideman, A.,2016). To date, scholars have argued for demographics, psychographics, and other related sociocultural factors that influence the degree of brand loyalty among the millennials (DeVaney, 2015; Lotfizadeh, F., and Lotfizadeh, 2015; Von Freymann, J. W., 2006; Brakus, 2009; and Liu-Thompkins, 2013). However, the body of literature has not been successful to provide the underpinnings of building brand resonance that lead to millennials' brand loyalty. As such, this paper centers on the empirical groundings of Kevin Lane Keller's Brand Resonance Pyramid (2009) to investigate the hierarchical influence of the factors (salience, imagery, performance, feelings, judgements, and resonance) that drive brand resonance of millennials. These specific degrees of influence as well as multitude of other variables will be examined and evaluated to view if these elements can directly impact the brand loyalty of millennials. Given the above situation and the interest in developing a better understanding of the context, it is the interest of the authors to address the following questions in this study;

Q1: Are Millennials Less Brand Loyal than previous generations?

Q2: Does Brand Resonance predict Brand Loyalty and does Generation moderate the relationship?

Q3: How are the blocks of the Brand Resonance pyramid related to each other and are our data consistent with Keller's model?

Q4: Do our findings suggest a set of strategies for increasing Brand Resonance and Brand Loyalty?

Theoretical Frame

In this study, we profile millennials based on the profiling grounded in the body of literature. Additionally, brand loyalty and brand resonance have been described and defined.

Millennials

According to the U.S. Bureau of Labor Statistics (2014), millennials are defined as people born after 1980. Based on the scholarly work established so far about millennials, the results have been mixed and not been able to clearly define their profiles successfully (Van der Lans, R., Pieters, R., & Wedel, M.,2008)." Millennials may have a realistic views and expectations of the world, but they still expect advancements in life. "Although millennials have realistic expectations as they enter the workforce, they also anticipate receiving strong skill development opportunities and accelerated career advancement (Ng, Schweitzer, and Lyons, 2010). DeVaney (2015) defines Millennials as they are "today within society" referring to studies and observations from other scholars. Topics such as Millennials in the workplace (DeVaney,2015), Millennials mindsets (Bucic, T., Harris, J., and Arli, D.,2012), and Millennials in their communities (Solomon, M., 2016) are discussed. Solomon (2016) and DeVaney (2015) profile millennials as a social generation that expects technology to simply work. They are collaborative and cooperative, looking for adventure and passionate about values. However, their work has not been supported with empirical evidence. Based on a cross-sectional survey study conducted by

Balajik and Indradevi (2015), they argue that millennials are complex individuals who are part self-centered, part-social human beings.

According to Smilansky (2016), millennials are described as a cost-conscious generation. This can be attributed to the housing market crash in 2005. This can be attributed to the housing market crash in 2005along with the recession in 2008 that left many businesses and people in financial shambles. Smilansky further remarks that paying attention to peer input and online reviews, offer subscription models for products and services, crafting meaningful brands causes rather than emphasizing diversion or boost of status, be transparent and honest about products and creating them, and investing in social influencers and collaborate with them to shape marketing efforts would be the way to attract millennials. Solomon (2016), references five key traits that millennials exhibit. 1. Millennials expect technology to simply work 2. Millennials are a very social generation which is a key influence through the digital age. 3. They collaborate and cooperate, 4. They are looking for adventure, and lastly are passionate about values. When combining these along with what DeVaney (2015) suggests, a cohesive argument/reasoning can be made together to form a well written description about millennials, and how they should be perceived and worked towards management of marketing. When shared values are present, Millennials are to be more loyal to that brand, but not totally loyal due to their positive reaction to job control. This is because authority and conformity do not mix well with millennials, so being tied down to one brand would not be a positive result among millennials.

Stocchi, L., Driesener, C., and Nenycz-Thiel, M. (2015) remark that millennials are a pampered generation that expect everything to come to them. "Criticism of the millennial generation also has been common from human resource management consultants and in the popular media. Millennials are laden with trophies just for participating and they think business-as-usual ethic is for the birds" (Howe, N., & Strauss, W.,2000). Some motivating factors such as: recognition, job control, shared core values, work itself, work schedule, flexibility, satisfactory pay rate have been influential in determining why are the millennials the way they are in workplaces. Putre (2013) argues that forced changes within the workplace were necessary for establishing a modern working environment in the future. Despite the importance of the argument in today's business context, the study does not provide an empirical framework. However, this article is in line with some arguments of scholars, who contend that the change is a must in workplace for millennials to perform their work. Considering Millennials and their brand loyalty, it is important to first understand who Millennials are, and the characteristics that make them the way that they are.

One of the studies found Millennials in the workplace, and their attitudes and particular factors that create their attitudes in the workplace. Factors such as Shared Core Values and Job Control are indications that Millennials prefer when they are in control and can feel a connection to what they are doing.

Brand Loyalty

Brand loyalty can be defined as a consumer's obligation to rebuy products from a favored or preferred brand consistently. This leads consumers to a future of repetitive purchase decisions from that particular brand despite the presence of other brands that can influence brand switching. (Garvey, A.M., Germann, F., and Bolton, L. E.,2016). In the modern world, becoming brand conscious and making positive choices among adolescent is increasing (Kakati, R. P., and Choudhury, S.,2013). Many consumers are selecting their brand preferences between the ages of 15 and 25 (Reisenwitz T, Gupta S.,2016). Furthermore, among young consumers, peers and the like are playing a vital role in the marketplace, this is because they make heavy influences by their purchases and choices of brands (Saddlemyer, J., and Bruyneel, S.,2016). The author further argues that patterns of brand purchasing, and behavioral brand loyalty prove to be similar to those found among Western consumers. "Broader implications about consumers include the fact that over a sequence of purchases, consumers tend to buy several brands with fairly steady habitual propensities – which mirrors experiences in the West." Based on Lotfizadeh, F., and Lotfizadeh (2015) grounded findings, Chinese consumers are not particularly brand-loyal, in the sense of exclusive loyalty, and, if anything, they are becoming less loyal. This reflects the development of Chinese consumer markets. As stated earlier, new products and new brands are being launched daily and new types of retail outlet are emerging, including convenience stores, discount chains, and online shopping. Consumers have not only become used to having many different choices, they now expect choice – in much the same way as consumers in the West. This means there are more opportunities for consumers to show patterns of divided loyalty (in the sense that consumers can exhibit loyalty to a repertoire of brands, with varying long-run propensities to buy brands in these repertoires) (Lotfizadeh, F., and Lotfizadeh, 2015). This specific phenomenon is due to the different stages of economic and retail development in the different cities: as more brands become available in inland cities, possibly through a trickle-down effect, there are more opportunities for consumers to exhibit divided loyalty (Lotfizadeh, F., and Lotfizadeh, 2015).

A study was conducted examining the relationships between millennial buyers and status consumption using Consumer Styles Inventory (CSI) technique. Interestingly enough, a link was established between millennials and status consumption. In fact, status consumption was a positive precursor to five of the eight CSI′s shopping style characteristics. These characteristics consists of: brand consciousness, novelty and fashion consciousness, recreational and shopping consciousness, impulsive/carelessness, and habitual/brand loyalty. The characteristics of perfectionist, confused by over-choice, and price conscious were characteristics of generation Y based on this study. (Eastman, J. K., Iyer, R., and Thomas, S. P., 2013). Results propose that millennial consumers who are motivated to consume for status will utilize the shopping styles of being brand conscious, novelty/fashion conscious, recreational shoppers, impulsive shoppers, and brand loyal. The author contends that this is a critical area to analyze because the propensity to consume for status can directly impact shopping behavior. Smith K. (2016) integrated their research of past authors and consolidated traits to develop a consumer decision-making styles (CSI) list. Previous literatures on styles of buyer's behavior were based on the consumer's characteristics, ranging from rationale and quality consciousness to impulsiveness and finally to information overload (Lastovicka, 1982; Maynes, 1976). According to CSI theory (Smith K., 2016)), the eight traits that consumers exhibit are: brand consciousness, novelty and fashion consciousness, recreational and shopping consciousness, impulsive/carelessness, and habitual/brand loyalty, perfectionist, confused by over-choice, and price consciousness. Consumers who are brand conscious focus on purchasing well-known brands (Barber, N., Dodd, T., and Ghiselli, R.,2008). Consumers who are novelty and fashion consciousness purchase with the intention of staying relevant within the current fashion trends (Barber, N., Dodd, T., and Ghiselli, R.,2008). Recreational and shopping consciousness consumers focus of consuming as an activity, or hobby put simply by Kapferer, J.-N. (2005). Impulsive/careless consumers often make spontaneous purchase decisions (Kaplan Thaler, L., and R. Koval, 2003). Habitual/brand loyal customers purchase with the intention of favoring a preferred brand (Barber, N., Dodd, T., and Ghiselli, R., 2008). Perfectionist consumers shop with the intention of purchasing goods and services from the most superior quality (Lam, S. K., Ahearne, M., Hu, Y., and Schillewaert, N.,2010). A customer who is confused by over-choice find difficulty shopping with a surplus of options (Yu-Ping., C., Nelson, L. D., and Ming, H.,2015). Finally, price conscious customers are concerned about the value they receive for purchasing a product, prefer buying at lower prices (Russell, B., 2015).

Eastman and Liu (2012) discovered there are generational differences in the motivation to consume for status. Millennials display higher levels of consumption for status than both Generation X and Baby Boomers. Furthermore, the author contends that in a study of young status conscious consumers, millennials tend to be likely to be affected by a brand's status and symbolic physiognomies, by feelings evoked by the brand and if the consumer's self-image and the brands overall image align. This simply means that millennials desire the status of a brand's products as well as a needed alignment in image. Lambert-Pandraud, R., & Laurent, G. (2010) suggest that younger consumers spend more on branded products including status products; and Maity, M., and Gupta, S. (2016) suggests from his sample of college students, that when status-seeking consumers discover which brands convey status that they will stay with those brands for as long as the status effect lasts. Even though brand loyalty is described as a long-term relationship (Liu-Thompkins, 2013, Y., & Tam, L., 2013), customer satisfaction is an integral ingredient and is typically a precondition for brand loyalty (Labrecque, L. I., Krishen, A. S., and Grzeskowiak, S.,2011). Mostert and his co-authors contend that customer satisfaction plays a vital role in determining brand loyalty among millennials (Mostert, 2016). However, customer satisfaction is not the only singular variable that plays a role in determining brand loyalty-relationship intention is a variable that is imperative as well. Keller, K. L. (2009) defines relationship intention as a customer's intention to build a relationship with a brand, a product or a service associated with an organization. According to Keller, K. L. (2009) it is important to invest in relationships with customers who have high relationship intentions, as they have already established a high degree of loyalty to the brand. To argue in line with the above premises, Keller contends that they are not opportunistic in their dealings with the brand, are less price-sensitive, have a long-term relationship perspective, and could ultimately be more profitably served. Furthermore, Keller, K. L. (2009) suggests that customers' relationship intentions comprise five sub-constructs: involvement, expectations, forgiveness, feedback and fear of loss of the relationship. However, customers are likely to switch to a competitor brand when they are dissatisfied (Howe, N., and Strauss, W.,2000). Regarding the influence of customer satisfaction on brands, Kellison, T. B., Yu Kyoum, K., and Magnusen, M. J.,2013) and Keller, K. L., Heckler, S. E., and Houston, M. J. (1998), found that customer satisfaction with a specific brand is essential to brand loyalty and that without it brand loyalty cannot exist.

Maity, M., and Gupta, S. argue that customers who are not members of loyalty programs are less affected by advertisements and these advertisements do not significantly affect attitudinal or behavioral loyalty (Maity, 2016). However, the authors also argue that customers who are members of LP's (loyalty programs) are more effectively impacted by attitudinal loyalty through advertisements (Maity, 2016). This article is important and relevant to our research because of the attitudes that millennials have towards advertisements. Based on research millennials are prone to skip advertisements. The information within this study could potentially be used as recommendations for brands (if loyalty is not detected among millennials) to effectively advertise and create loyal customers out of this generational cohort. According to the author, brand loyalty is categorized into behavioral loyalty and attitudinal loyalty (Mostert, P. G., Petzer, D. J., and Weideman, A.,2016). Furthermore, "the behavioral approach focuses more on the outcome rather than the motivations a consumer has when purchasing products (Keller, K. L., Heckler, S. E., and Houston, M. J.,1998). On the contrary, attitudinal loyalty focuses on the emotional or psychological explanations of brand loyalty (Doster, L.,2013). According to the author, the presence of behavioral loyalty, in the absence of attitudinal loyalty is often characterized as spurious loyalty. Such loyalty may be a result of factors like convenience or non-availability of an alternative (Labrecque, L. I., Krishen, A. S., and Grzeskowiak, S.,2011), and customers may switch to an alternative when such an option becomes available. "On the other hand, the presence of attitudinal loyalty, in the absence of behavioral loyalty is often referred to as latent loyalty. This situation is one where the customer may hold the brand in high esteem, or may have an emotional attachment with the brand, but does not purchase the brand. Therefore, one notes that the presence of both types of loyalty is necessary for true loyalty to exist (Labrecque, L. I., Krishen, A. S., and Grzeskowiak, S.,2011)."

The authors contend that customers periodically seek value in their exchange relationship with brands (e.g., Mostert, P. G., Petzer, D. J., and Weideman, A.,2016). Extant literature supports that greater perceived value leads to greater attitudinal and behavioral loyalty (Solomon, M., 2016). Finally, according to the author, "research finds that a consumer's prior disposition is an important moderator of advertising response (Von Freymann, J. W.,2006). If the consumer is a loyal user of the brand or is familiar with it, the positive response to exposure is likely to be higher. Research also suggests that advertising is more effective in increasing the volume purchased by loyal buyers but less effective in winning new buyers (Solomon, M.,2016). Based on Smith K. (2016) research, findings established how organizations can target the millennial generation, "one of the most commanding publics in terms of purchasing power and influence" with social media. It is important to understand the fact that millennials have been surrounded with technology for so long that they cannot imagine their lives without digital media. Organizations can use social media as a "strategic marketing tool for companies to promote, solicit donations, support causes, and interact with publics. Utilizing social media not only provides another medium to communicate, but also it delivers messages in a way that encourages engagement resulting in relationship development" (Barber, N., Dodd, T., and Ghiselli, R., 2008). Doster (2013) contends it is important to gain an understanding of the millennial subculture and their self-presentation and communication styles as they have a significance on the implications when applying marketing strategies today and in the future.

Given that generation Y is the largest demographic in the United States at a staggering 94 million, (Census, 2010) along with constant exposure to media, product, and lifestyle choices, the millennials requires a unique marketing approaches that far differ from those of previous generations. Consumers display different sets of decision making styles guiding their purchase decisions. Eastman (2013) remarks that status consumption is an attempt by the consumer to improve their social standing through purchasing certain products that align with a specific image. The consumer wants to portray that the conspicuous consumption of consumer products that confer and symbolize status both for the individual and surrounding significant others". Marketers can better meet the needs of their millennial shoppers by determining if status consumption is impacting millennials' shopping styles. Over the years there has been a shift in shopping styles from what it used to be with previous generations and currently with millennials. Stocchi, L., Driesener, C., and Nenycz-Thiel, M.,2015) argue that prestigious brand-name clothing is very important to adolescents". In a 2002 study of young status conscious consumers found they are more likely to be affected by a status brand's symbolic characteristics, by feelings evoked by the brand and by the degree of congruence between the brand-user's self-image and the brand image. Reisenwitz T, and Gupta S. (2016) suggest that younger consumers spend more on branded products including status products. Finally, Barber, N., Dodd, T., and Ghiselli, R., 2008) found that millennials are the cohort most likely to buy prestigious clothing, while Boomers are significantly less-prestige sensitive. Thus, the literature suggests that branding is a key element of status products, particularly for younger consumers (Barber, N., Dodd, T., and Ghiselli, R.,2008). Finally, millennials are very success-driven (Howe, N., and Strauss, W., 2000) and status products may be one way they can demonstrate their success." The millennial consumers who are motivated to consume for status, will utilize the shopping styles of being brand conscious and brand loyal (Eastman, 2013). Scientific research has been conducted to understand how and where exactly these brands are positioned in the human brain. Because of new techniques in neuroscience, there is much potential to overcome the limits of self-report measures by which consumers are unable or unwilling to fully articulate their thoughts and preferences. The utilization of neuroscientific techniques to marketing strategies has a brief existence but has been a controversy (Garvey, A.M., Germann, F., and Bolton, L. E., 2016). Bucic et al., (2012) argued that millennials should be treated as an assortment of submarkets that vary in stages of awareness to ethical issues, consider distinct motivations when making purchase decisions, and are willing to engage in cause-related purchasing to varying degrees. This implies that millennials will feel more passionate about purchase decision if it is backed by a specific cause. However, on the contrary, ethical consumerism is based on social, "nontraditional components of products (Doster, L., 2013) and personal and moral beliefs."

In the service settings, Doster, L. (2013, p.16) observes that "the psychological disposition of females indicates that they may be more brand loyal." (Keller, K. L., 2009) found that men are less brand loyal compared to women in the grocery product market. To build off of this theory, (Liu-Thompkins, 2013, Y., and Tam, L.,2013) found that achieving brand loyalty is different between genders depending upon product type, whether utilitarian or hedonic. However, they found that in both studies, women are more strongly influenced toward loyalty behaviors. Putre, L. (2013) also found that mature age groups (35-54 and over 55 years of age) showed significantly more loyalty than younger age groups (18-24 and 25-34 years of age). This may be because older consumers evaluate their experience with the product at the time of the purchase decision (Russell, B., 2015). It is also worth noting that this research supports other theories in the case of consumers within lower income thresholds displaying lower levels of brand loyalty. Based on the author's analysis, younger customers who purchase the warranty were more brand loyal than older customers. This significant result, although in the opposite direction of the author's hypothesis, concurs with more recent surveys where the relationship between brand loyalty and age has been overstated and where brand loyalty varies more by category than by age (Smith K., 2016). Additionally, customers with higher incomes were significantly more store loyal than customers with lower incomes. The results suggest that an eyeglass warranty at a retail optical center is important for younger customers in terms of brand loyalty and higher income customers in terms of store loyalty (Reisenwitz T, 2016).

Per research, marketers should have knowledgeable of three degrees of brand loyalty that can be identified: brand recognition, brand preference and brand insistence (Van der Lans, R., Pieters, R., and Wedel, M.,2008). Brand Recognition is of lesser brand loyalty (Solomon, M., 2016). This occurs when consumers know of a specific brand and would consider purchasing from that particular brand (Russell, B.,2015). The brand would serve as a potential alternative when the consumer's preferred brand is unreachable (Lotfizadeh, F., and Lotfizadeh, F.,2015). Because of this, businesses attempt to create brand recognition in hopes of creating brand preference. Brand preference occurs when a specific brand is favored over competing brands (Keller, K. L., 2009). However, despite showing signs of brand preference, customers accept an alternative brand when their preferred brand is unavailable. Rather than exerting additional effort locating a replacement brand, these types of consumers will find and purchase their preferred brand (Lambert-Pandraud, R., and Laurent, G.,2010). Brand insistence is considered to be the strongest form of brand loyalty. Customers will remain absolutely loyal to their favored brands and will not accept any alternatives. Instead they will desperately attempt to find and purchase their favored brand. If their preferred brand is unobtainable, the consumer will even go as far as suspending the purchase altogether if necessary. (Kaplan Thaler, L., and R. Koval., 2003). Lastly, the author uses studies from Bresler that argues Millennial's brand loyalty is a determinant of how well the brand satisfies their needs. Regarding Generation Y, a number of studies (Kaplan Thaler, L., and R. Koval.,2003: Doster, L.,2013: Balaji K. V., V., & Indradevi, R.,2015) established that millennial buyers' satisfaction predict their loyalty.

Von Freymann (2006) contends that generational demographics such as age can determine how a customer perceives a grocery store's services, quality and attitude. Researchers have argued that a consumer's age and generational class may affect purchase choices (Putre, 2013). In cases of an actual purchase choice, such as at what store will they purchase their groceries each week, consumers will choose either directly based on their attitudes and feel of the prime attributes or central merits of the object according to the author (Von Freymann, J. W., 2006). Consumers typically represent themselves as one of seven different shopper types; namely, price, convenience, quality, value, service, store, or combination shopper (Von Freymann, 2002). Additionally, in ongoing store choice, these three major components (location, price, and services) combine to affect consumer decision-making for each succeeding visit. Attitude is an integral element in exactly how customers view a brand's services or products. "Attitude is comprised of three parts: the cognitive, the affective, and the behavioral. As a component of the buyer behavior process, attitude brings together a consumer's internal evaluation of a brand, affecting purchase intent and purchase choice (Howe and Strauss, 2000)." It is a learned predisposition to respond . . . [for] the way we think, feel, and act toward some aspect of our environment such as a retail store, television program or product" (Howe and Strauss, 2000). Emotion is part of the affective system in attitude; and as such, an integral part of the buyer behavior process.

The author argues that emotion may come from a conscious response to an event or thought and be physiologically connected and physically expressed, with specific responses to the emotion (Balaji K. V., V., and Indradevi, R.,2015). "More specifically, consumptive emotions can be separated into positive or negative experiences, such as the general joy of a shopping trip or the specific sadness or frustration of not finding certain wanted attributes in a favored brand. Each on its own and together can affect the brand choice (Liu-Thompkins, 2013, Y., and Tam, L., 2013)." According to Russel, fifteen separates general or specific consumptive emotional outcomes are listed by Russel.B., (2015) with the positives as joy, hope, relief, pride, liking, and surprise; and the negatives as fear, sadness, distress, frustration, dislike, anger, shame, guilt, and regret. Results of the study indicated that the authors hypothesis and argument was correct. Regression analysis indicated that a significant relationship does appear to exist between shoppers' ages and perceived grocery store services quality attitude assessments (Von Freymann, J. W. 2006). Furthermore, according to the author, a one-way ANOVA analysis indicated that there is a significant difference between grocery store shoppers' generational cohorts in relation to the grocery store services quality assessments. Of the 28 individual perception items, six items show significance at $p < 0.05$ with generation Y, individual customer attention, customer courtesy, and high-quality merchandise available. This indicates that based on this study, millennials will either have a positive or negative attitude towards a brand heavily based on those six variables (Von Freymann, J. W. 2006).

Particularly, brand experience has indeed attracted a lot of attention in marketing practice. Marketing practitioners have come to realize that understanding how consumers experience brands is critical for developing marketing strategies for goods and services (Brakus, 2009). This author argues that the concept of how a customer experiences a brand needs to be thoroughly analyzed, as the experience a customer has with a brand can affect loyalty (Brakus, 2009). Ultimately, when experiences occur they affect judgments, attitudes, and other aspects of consumer behavior. Because of the vitality of this concept the author has developed a brand experience scale. The author argues that "most of the research on experiences to date has focused on utilitarian product attributes and category experiences, not on experiences provided by brands. When consumers search for, shop for, and consume brands, they are exposed to utilitarian product attributes (Brakus, 2009). However, they are also exposed to various specific brand-related stimuli, such as brand-identifying colors (Balaji K. V., V., and Indradevi, R.,2015), shapes (Van der Lans, R., Pieters, R., and Wedel, M., 2008), typefaces, background design elements (Maity, M., and Gupta, S., 2016), slogans, mascots, and brand characters (Keller, 1998). These brand-related stimuli appear as part of a brand's design and identity (e.g., name, logo, signage), packaging, and marketing communications (e.g., advertisements, brochures, Web sites) and in environments in which the brand is marketed or sold (e.g., stores, events). These brand-related stimuli constitute the major source of subjective, internal consumer responses, which we refer to as "brand experience" (Brakus, 2009). According to the author brand experiences vary in strength and intensity; that is, some brand experiences are stronger or more intense than others (Brakus, 2009). If a brand evokes an experience, this alone may lead to satisfaction and loyalty. In addition, an experience may be the basis for more elaborative information processing and inference making that results in brand-related associations (Keller 1993). In turn, these associations may affect satisfaction and loyalty. Because experiences provide value, the author expects that the more a brand evokes "multiple experience dimensions", the more satisfied a consumer will be with the brand (Brakus, 2009). In addition, the author contends, "because experiences result from simulations and lead to pleasurable outcomes, consumers will want to repeat these experiences" (Brakus, 2009). If this is the case "brand experiences directly impact the loyalty consumers devote to brands". Lastly, it has been proven that consumer satisfaction impacts brand loyalty. "When a consumer feels good about the relationship and appreciates the product or brand, a high level of commitment and loyalty results (Eastman, J. K., Iyer, R., and Thomas, S. P.,2013)." This assumption is valid and reliable as multiple sources and references indicate this exact detail throughout this literature survey.

The authors findings were positive as the author's core argument was supported. Based on the tests, brand experience and brand personality exhibited high levels of discriminant validity (Brakus, 2009). Furthermore, the author state "experience affects satisfaction and loyalty both directly and indirectly through brand personality (Brakus, 2009). The direct and indirect effects of brand experience on loyalty are roughly equal. Furthermore, the author states, "experience affects satisfaction and loyalty both directly and indirectly through brand personality (Brakus, 2009). However, the author states that the effect from brand experience have differential effects. He states that brand experiences have a direct effect on brand loyalty is higher than its direct impact on satisfaction (Brakus, 2009). The author also states that marketers should engage in projects to understand and improve the experience their brands provide for their customers, they can use the scale for assessment, planning, and tracking purposes (Brakus, 2009).

Liu-Thompkins argues that customers who repeat purchases at a single location are not necessarily brand loyal based his study that will be later touched on. "In a comprehensive discussion of brand loyalty, Kellison et al., (2013, p. 34) defines loyalty as "a deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior." The author goes on to argue that there are two types of brand loyalty, attitudinal and habit (Liu-Thompkins, 2013). Attitudinal loyalty is defined as a strong intention to buy from the brand and eventually repeat purchase behavior (Reisenwitz T, Gupta S.,2016). Habitual loyalty is defined by the author and Dick and Bucic (2012) as "spurious loyalty", which is essential fake loyalty. Additionally, the author argues that habitual loyalty is behavioral loyalty which again is viewed by the author as ingenuine. Furthermore, the author argues that attitudinal loyalty and habit can result in similar purchase behavior. Both lead to persistent choice of the same brand, despite unfavorable factors such as a higher price (Howe, N., and Strauss, W., 2000). When competing brands try to influence customer switching (brand switching), both attitudinally loyal and habitual customers may be exceedingly unaffected to such efforts (Doster, L.,2013). But, the author contends that despite these similarities, attitudinal loyalty and habitual loyalty "operate at different levels. Attitudinal loyal customers are motivated by satisfactory attitudes and perceptions. While habitual loyalty is dependent on the type of scenario. (Liu-Thompkins, 2013). Simply meaning that customers who display attitudinal loyalty wholeheartedly believe and actually like the brand. Because of these customers are not inclined to switch even at a lower price point from competitors, while habitual loyalty is fostered because the price of the good resonates well with the consumer. Meaning that if a similar brand sells similar goods and services at a lower price point the consumer will be inclined to switch.

Researchers have attributed the development of attitudinal loyalty to a variety of factors, one being satisfaction (Kakati, R. P., and Choudhury, S.,2013) and perceived value (Kapferer, J.-N., 2005). However contrarily, the only crucial aspects for habitual loyalty are dependent of repetition and stable context (DeVaney, S. A.,2015). Habit is developed through repetition in a consistent context (Labrecque, L. I., Krishen, A. S., and Grzeskowiak, S., 2011). Whereas attitudinal loyalty builds on conscious brand evaluation, consumers may be unaware of the associative learning process that leads to habit" (Liu-Thompkins, 2013). Through his research and based on his study he found that "attitudinal loyalty increased the effectiveness of a cross-selling promotion, whereas habit showed the opposite effect and rendered the same promotion less effective" (Liu-Thompkins, 2013). IN other words, customers who were attitudinal loyal were easier to cross sell compared to habitual loyal customers. Interestingly enough the author also states a "generic cross-selling promotion not only is ineffective in moving habitual consumers to the new category but can also negatively affect their purchases in the old category, even after the promotion ends". This indicates that habitual loyal customers need strategic targeting strategies implemented to cross-sell them instead of general techniques as it could negatively impact spending in the long run (Liu-Thompkins, 2013).

According to Barber, Dodd and Ghiselli (2008) market segmentation and consumer traits, such as "product knowledge, purchase confidence, and generational differences can impact purchase decisions. One example of this in the wine industry. When segmenting consumers into generational classes, it can become clearer to identify that specific classes' preferences and in turn help better develop recommendations concerning generational-based segmentation advertising and marketing strategies. Studies indicate that there are differences in how the younger generation′s view marketing tactics. For example, Generation X would require "to the point advertisements that create a product image closest to this group′s views, while Millennial would require images of friends and shareable moments (Barber, N., Dodd, T., and Ghiselli, R. 2008).

According to Lam (2010) findings using social identity theory and brand loyalty literature, it was possible to examine issues such as specific market disruptions such as the "introduction of a radically new brand". The framework focuses on customer's identification with the new brand along with their switching behavior. "People derive their identity from their affiliations with social groups. They value such membership and distinguish themselves from those who did not share such affiliations, forming the in-group and the out-group. When a social identity is threatened, in-group members will likely respond by resorting to three basic strategies: social mobility, social creativity, and social change." As a result, "social change can be initiated either by competitors or by customers who identify with a brand. Market disruptions that are externally caused by competitors can be viewed as attempts to initiate social change between competitors to vie for customers' favor. When a radically new brand is introduced, some customers may perceive the new brand as having a more attractive identity than the incumbent's identity. From a customer′s perspective, brand identifiers sometimes proactively generate negative word of mouth about brands that they do not identify with, especially after they are exposed to comparative advertising." Building on social identity theory (Saddlemyer, J., and Bruyneel, S., 2016) and the customer–company identification framework to formally propose the concept of customer–brand identification (CBI). Lam (2010) defines CBI as a customer's psychological state of perceiving, feeling, and valuing his or her belongingness with a brand. According to Lam (2010), "customers may switch to a new brand for self-enhancement purposes to maximize socio psychological utility rather than functional utility."

Brand Resonance

According to studies of Kevin Lane Keller (2009), the brand resonance pyramid is considered an important tool for marketers to implement marketing communications that can "create intense, active loyalty relationships and affect brand equity". A study conducted by Kevin Lane Keller in 2009 established how integrating marketing communications involves "mixing and matching different communication options to establish the desired awareness and image in the minds of consumers". This will become significant for brand managers when positioning brands in the minds of consumers, especially millennials who will be the target audience of the future. The author argues that due to new technology and internet, brand marketers face challenges as to how they build and manage their brands. The study examines the ways in which the "marketing communications has changed". "Traditional advertising media such as TV, radio, magazines and newspapers are losing their grip on consumers. Technology and other factors have profoundly changed when, where and how consumers process communications, and even whether they choose to process them at all. The rapid diffusion of powerful broadband Internet connections, ad-skipping digital video recorders, multi-purpose cell phones and portable music and video players have forced marketers to rethink many of their traditional practices (Kaplan Thaler and Koval, 2003; Kellison, T. B., Yu Kyoum, K., and Magnusen, M. J.,2013). This study also provides insights as to how marketers can take a "broader perspective in their marketing communication strategies when building brand equity". To create brand resonance, marketers must first create a foundation on which resonance can be built. According to customer-based brand equity model, resonance is most likely to result when marketers are first able to create; proper salience and breadth and depth of awareness; firmly established points-of-parity and points-of-difference; positive judgments and feelings that appeal to the head and the heart. Brand resonance pyramid model (see figure 1) is encapsulated with the following elements such as, Brand Salience: difficulty and frequency of which customers have a brand in their thoughts when making a purchase or consuming product/service, Brand Performance: is the way in which the product/service meets customers' functional needs, Brand Imagery: ability to describes the acquired properties of the product/service, including the ways in which the brand attempts to meet customers' psychological or social needs, Brand Judgments: customers' personal opinions and evaluations, Brand Feelings: customers' emotional responses and reactions with respect to the brand, and Brand Resonance: relationship customer have with the brand and the extent to which "they feel they are in sync with the brand."

Figure 1. Brand Resonance Pyramid Customer-Based Brand Equity Model Pyramid

Source:
Keller, K. L. (2009). Building strong brands in a modern marketing communications environment. Journal of Marketing Communications, 15(2/3), 139-155.doi:10.1080/135272609 02757530

Based on the above factors, the following theoretical framework (see Figure 2) and hypotheses are proposed:

Hypotheses

Millennials and Brand Loyalty

Lam, S. K., Ahearne, M., Hu, Y., and Schillewaert, N. (2010) argues that people derive their identity from their affiliations with social groups. They value such membership and distinguish themselves from those who did not share such affiliations, forming the in-group and the out-group. When a social identity is threatened, in-group members will likely respond by resorting to three basic strategies: social mobility, social creativity, and social change. Consumer seek many sources to add value to their self-image. The association with certain brands will help to achieve the objective. Customer-Brand Identification (CBI) as a customer's psychological state of perceiving, feeling, and valuing his or her belongingness with a brand. Customers may switch to a new brand for self-enhancement purposes to maximize socio psychological utility rather than functional utility (Lam, S. K., Ahearne, M., Hu, Y., and Schillewaert, N., 2010). Millennials are more likely to be affected by a status brand′s symbolic characteristics, by feelings evoked by the brand and by the degree of congruence between the brand-user′s self-image and the brand image (Eastman and Liu 2013). Doster (2013) suggests that younger consumers spend more on branded products including status products. When status-seeking consumers discover which brands convey status that they will stay with those brands for as long as the status effect lasts (Liu-Thompkins, Y., and Tam, L., 2013). Millennials are more likely to be affected by a status brand′s symbolic characteristics, by feelings evoked by the brand and by the degree of congruence between the brand-user′s self-image and the brand image. Doster (2013) suggests that younger consumers spend more on branded products including status products. Finally, Mostert, P. G., Petzer, D. J., and Weideman, A. (2016) found that millennials are the cohort most likely to buy prestigious clothing, while Boomers are significantly less prestige sensitive. Depending on generational demographic, how a consumer views perceived store services quality and attitude is based on age. As such, age plays a vital role in determining the degree of the service quality. Van der Lans, R., Pieters, R., and Wedel, M. (2008) contend that they are not opportunistic in their dealings with the brand, are less price-sensitive, have a long-term relationship perspective, and could ultimately be more profitably served. Furthermore, Kumar suggests that customers' relationship intentions comprise five sub-constructs: involvement, expectations, forgiveness, feedback and fear of loss of the relationship. Maity, M., and Gupta, S., (2016) argue that customers who are not members of loyalty programs are less affected by advertisements and these advertisements do not significantly affect attitudinal or behavioral loyalty (Maity, M., & Gupta, S., 2016). Customers who are members of LP's (loyalty programs) are more effectively impacted by attitudinal loyalty through advertisements (Maity, M., & Gupta, S., 2016). Based on this empirical evidence, we propose the following:

Hypothesis 1:

Millennial respondents will have lower Brand Loyalty scores than Gen X/Baby Boomer respondents.

Brand Resonance, Brand Loyalty, and Generation

In the business and marketing world, brand image has been defined by Keller (1993) as the set of information consumers associate with a brand in their memory, commonly referred to as brand image associations. Early research on brand image data (Barber, N., Dodd, T., and Ghiselli, R., 2008) demonstrated the existence of 'a simple and systematic pattern' binding brand image and brand usage. Through this study, it was found that there is a positive correlation between brand image and brand usage. A study by Garvey, A.M., Germann, F., and Bolton, L. E. (2016) and Kakati, R. P., and Choudhury, S. (2013) gave the idea and conceptualization that smaller brands do not report the usage numbers that larger brands do due to the fact that smaller brands have less brand images than the larger brands do. Brand imagery deals with the extrinsic properties of the product or service including the ways, in which the brand attempts to meet customers' psychological or social needs. Brand imagery is how people think about the brand abstractly rather than what they think the brand actually does (Kakati and Choudhury 2013). Kakati and Choudhury (2013) ran a study for brand imagery with five different fields of the area to determine the most looked upon qualities. These qualities include convenience to purchase, attractive purchase, good warranty, easy instalment, good slogan, and good packaging. These are all qualities that Millennials look for in the products they buy. Keller (1998) defined brand salience as the ability of customers to identify brands. Although it is known that using one's logo or stamp on a product is the norm throughout the marketing world, Justin Saddlemyer and Bruyneel (2016) argue in their study that more high- end quality brands may shrink down and blend in their brand's logo. Justin Saddlemyer and Bruyneel (2016) defend that brands may be able to do this to let the product speak for itself in terms of quality and performance. Brands often use a variety of marketing signals to represent quality, at varying costs. (Saddlemyer and Bruyneel, 2016). For example, a firm may offer a product warranty, which may incur costs to the brand at a later point in time but is viable for firms with high quality (Labrecque, L. I., Krishen, A. S., and Grzeskowiak, S.,2011). Things such as warranties can be a subliminal message to people that the brand has a warranty due to the low quality of a brand. Despite the given information of a product during the time of the purchase or search, Kellison, T. B., Yu Kyoum, K., and Magnusen, M. J. (2013) offer the idea that customers may respond to different brands differently based on their knowledge about the brand, therefore, creating a brand that is known is the main focus of salience, and but along with the studies done by Saddlemyer and Bruyneel (2016), one can conclude various ways a brand may be able to do so. This expectation is formally captured in the following hypothesis;

Hypothesis 2:

Brand Resonance scores will be positively correlated with Brand Loyalty scores, and Generation will moderate the strength of the relationship. We expect the correlation will be lower for Millennials than for Gen X/Baby Boomers.

Brand Resonance Pyramid

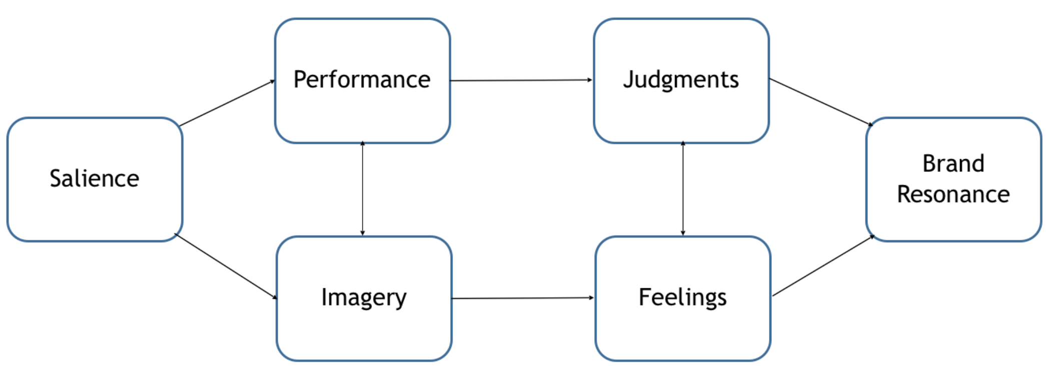
When it comes to the performance of a product/brand, Millennials are known to want the latest and greatest. According to Keller (2009), brand performance refers to the intrinsic properties of the brand in terms of inherent product or service characteristics which define the functional performance of the product as expected by all customers. Brand Performance can be an objective field because the performance of a product is based off two set of eyes, the users and the brands. The performance image is taken from what the brand portrays the performance as, and how the consumer views it as, but the performance can shift between customers on the same product based on initial thoughts and expectations of a product. Belonging is one of five core social motives, the midpoint in Maslow's hierarchy of needs (Smith K.,2016), and essential for group survival. Despite the need to belong, consumers may be motivated to break away from concerns over what others may think of them, how others may act toward them as a function of their product choices, or a number of other social situations (Labrecque, L. I., Krishen, A. S., and Grzeskowiak, S., 2011). When it comes to a product performance, it is a factor taken into play, and the performance of a product as seen in the consumer′s eyes may outweigh the performance of a product as viewed in the eyes of other consumers/peers and the company. In the modern world, becoming brand conscious and making positive choices among adolescent is increasing (Russell, B., 2015). Many consumers are selecting their brand preferences between the ages of 15 and 25 (Smilansky, O., 2016). Furthermore, among young consumers, peers and the like are playing a vital role in the marketplace, this is because they make heavy influences by their purchases and choices of brands (Stocchi, L., Driesener, C., and Nenycz-Thiel, M.,2015).

Another argument established by Raut (2015) is that purchase intention is stronger when consumers' age is lower, and education is higher (Raut, U. R., 2015). Millennial consumers who are motivated to consume for status will utilize the shopping styles of being brand conscious, novelty/fashion conscious, recreational shoppers, impulsive shoppers, and brand loyal (Eastman, J. K., Iyer, R., and Thomas, S. P., 2013). Brand Recognition: the mildest form of brand loyalty (Yu-Ping, C., Nelson, L. D., and Ming, H.,2015), occurs when customers know about a specific brand and would consider it when making a purchase (Von Freymann, J. W.,2006). Customers who are members of LP's (loyalty programs) are more effectively impacted by attitudinal loyalty through advertisements (Maity, M., and Gupta, S.,2016). It is important to understand the fact that millennials have been surrounded with technology for so long that they cannot imagine their lives without digital media. Organizations can use social media as a "strategic marketing tool for companies to promote, solicit donations, support causes, and interact with publics. Utilizing social media not only provides another medium to communicate, but also it delivers messages in a way that encourages engagement resulting in relationship development" (Barber, N., Dodd, T., and Ghiselli, R. 2008). Thus, we propose the following;

Hypothesis 3:

We expect our data to reflect the structure of the Brand Resonance pyramid as described by Keller (2009).

Figure 2. Structure of the Brand Resonance pyramid (hypothesis 3)



Methodology

We conducted our investigation based on any brand the respondents could think of given in a five-year reflection window period to understand the degree of the moderation of each dimension that influence brand resonance based on Kevin Lane Keller's work (Brand Resonance Pyramid) established. Strength of elements indicated in the brand resonance pyramid are tested using hierarchical regression. Finally, based on the statistical analysis, brand management strategies are proposed to target millennials specifically in building brand resonance.

Measures

Generation

The age groups in the survey were 18-24, 25-34, 35-40, and 41 or older. These most closely aligned with the generation definitions of the Strauss-Howe generational theory. According to Howe and Strauss (2000), the Millennial cohort consists of U.S. children born from 1982 to 2002. The two generations prior to 1982 were Generation X from 1961 to 1981 and Baby Boomers from 1943 to 1960. The four levels of the Age Group variable were recoded to form two Generation variables, one with two levels and the other with three. In the two-level variable, "Millennial" consisted of the 18-24 and 25-34 age groups; 35-40 and 41 or older were coded as "Gen X or Boomer." For the three-level variable, Gen X or Boomer was defined in the same way, but 18-24 and 25-34 were coded respectively as "Younger Millennial" and "Older Millennial."

Brand Loyalty

Respondents were asked to rate their loyalty to a brand they purchased and used over the past five years using a 5-point Likert scale from Very Low, Low, Moderate, High, and Very High. Eight aspects of Brand Loyalty were assessed, including Awareness, Recall, Relate, Purchases, Knowledge, Trials, Associations, and Recommendations. These aspects were based on the work of Kevin Lane Keller (2009).

Brand Resonance

Following the Brand Loyalty questions, respondents were asked to answer questions based on concepts described in Keller's brand resonance pyramid (2009). According to Keller, marketing communications build strong brands by influencing customers' awareness and perceptions of the brand. The pyramid describes two conceptual pathways, one rational and one emotional, that establish the nature of the customer's relationship with the brand. The foundation of the pyramid is the salience of the brand, the ease with which it comes to the consumer's mind. The emotional pathway progresses through the imagery that the brand evokes in and the consumer's emotional responses. The rational pathway considers how well the brand performs and consumers' opinions about the brand. In the survey, respondents were asked to consider the six elements of brand resonance in relation to the same brand they were thinking of in the previous section. On a 5-point Likert scale from Very Low to Very High, respondents rated these elements using multiple survey items: Salience (4 items), Imagery (4 items), Performance (8 items), Feelings (6 items), Judgment (8 items), and Resonance (5 items).

Sample Description

Authors used a simple random sampling procedure to respond to the online survey administered using SurveyMonkey. The sample frame includes college students, faculty, and staff. The survey was administered internationally based on regions (Easters Africa, Middle Africa, North Africa, South Africa, Latin America and Caribbean, Middle East, North America, Central America, etc.). A total of 267 individuals responded to the survey. However, 87 of them (32.6%) did not provide sufficient data to be included in the analysis. Of the remaining 180, 119 provided valid data for the questions related to both Brand Loyalty and Brand Resonance. The sample size for the analysis of Hypothesis 1, the relation between Generation and Brand Loyalty was 180, but the sample size for Hypotheses 2 and 3 was 119. Table 1 provides absolute and relative frequencies for 5 covariates in the statistical models: Generation, Residential Status, Education, Income, and Employment Status.

Table 1. Respondent Characteristics

Variable	Category	Count	Percent
Sample Size		**180**	**100%**
Generation	**Millennial (18-34 years)**	**144**	**80.0%**
	Younger Millennial (18-24)	**118**	**65.6%**
	Older Millennial (25-34)	**26**	**14.4%**
	Gen X or Boomer (35+ years)	**36**	**20.0%**
Residential Status	**United States**	**161**	**89.4%**
	Outside the United States	**16**	**8.9%**
	Unknown	**3**	**1.7%**
Education	**Less than a college degree**	**97**	**53.9%**
	College degree or greater	**82**	**45.6%**
	Unknown	**1**	**0.6%**
Income	**$20K or less per year**	**98**	**54.4%**
	$21K to $50K per year	**49**	**27.2%**
	Over $50K per year	**31**	**17.2%**
	Unknown	**2**	**1.1%**
Employment Status	**Student**	**84**	**46.7%**
	Employed full-time	**70**	**38.9%**
	Other	**26**	**14.4%**

Chi-square tests were conducted to assess whether respondents with complete data differed from respondents with missing Brand Resonance data in terms of Generation, Residential Status, Education, Income, or Employment Status. None of the tests were statistically significant, indicating that the group with missing data was similar to the group with complete data, at least in terms of these four variables.

Scale Reliabilities

Scale reliabilities for Brand Loyalty and the six elements of the brand resonance pyramid were assessed using Cronbach's alpha and are reported in Table 2.

Table 2. Descriptive Statistics and Scale Reliabilities for Brand Loyalty and Brand Resonance Scales

Scale	Number of Items	Cronbach's Alpha	Sample Size	Mean	SD
Brand Loyalty	8	.887	172	2.44	1.09
Salience	4	.845	120	2.61	1.05
Imagery	4	.864	121	2.49	1.14
Performance	8	.904	117	2.81	0.92
Feelings	6	.904	119	2.47	1.22
Judgment	8	.932	118	2.56	0.99
Resonance	5	.901	115	2.33	1.35

All scales were highly reliable with alphas of .845 and higher, so mean scores were computed for Brand Loyalty, Brand Resonance, and the other five elements of Brand Resonance.

Results

Relation of Generation to Brand Loyalty

A general linear model was constructed to measure the predictive relationship between Brand Loyalty scores and Generation, controlling for Residential Status, Education, Income, and Employment Status. The model accounted for just 4.7% of the total variance in Brand Loyalty scores and Generation was not a significant predictor. The least squares mean for Millennials was 2.41, 95% CI [2.12, 2.71], and 2.63, 95% CI [2.32, 2.93] for Gen X/Boomers. None of the other covariates in the model were statistically significant. Parameter estimates for the model are presented in Table 3. A follow-up analysis included a 3-level variable for Generation, separating out younger Millennials from older. While the difference between younger Millennials and Gen X/Boomers was stronger than for older Millennials, none of the pairwise comparisons were statistically significant.

Table 3. Parameter Estimates for Brand Loyalty Prediction Model I.

Parameter Estimates	B	Std. Error	t	Sig.	95% Confidence Interval Lower	Upper
Intercept	2.79	.31	9.13	.000	2.19	3.40
Generation	-.21	.20	-1.06	.293	-.61	.18
Residential Status	-.11	.22	.51	.608	-.54	.32
Education	.12	.15	-.80	.426	-.18	.42
Income ($20K or less)	-.14	.23	-.61	.545	-.60	.32
Income ($21K to $50K)	-.01	.21	-.06	.951	-.43	.40
Employment Status (Student)	-.16	.19	-.82	.416	-.54	.23
Employment Status (Employed Full-Time)	-.17	.21	-.84	.401	-.58	.24

Note. The Intercept refers to the predicted Brand Loyalty score for the reference group (Gen X/Boomers from outside the U.S. with at least a college degree, making over $50K per year and an employment status classification of Other).

Relation of Brand Resonance to Brand Loyalty and moderation by Generation

We constructed a second general linear model to measure the predictive relationship between scores on Brand Loyalty and Brand Resonance. Generation was included in the model to assess moderation effects, i.e., an interaction between Brand Resonance and Generation. The non-significant covariates from the first model were dropped from the second model. Effect tests for the model are presented in Table 4. The second model accounted for 43.0% of the variance in Brand Loyalty, a substantial improvement over the first model. An overall effect for Brand Resonance was found; however, Generation moderated the strength of the effect.

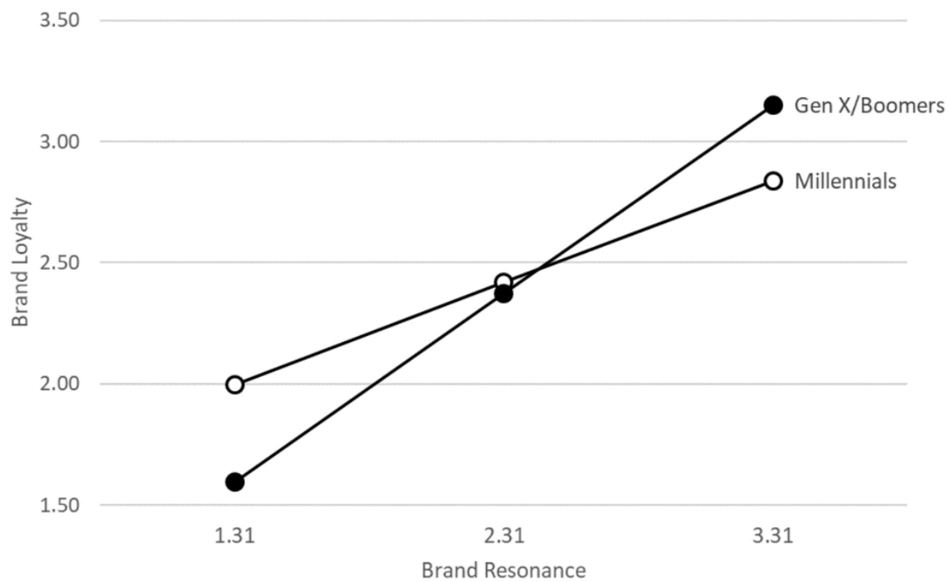
Table 4. Test of Effects for Brand Loyalty Prediction Model II.

Source of Effect	Sum of Squares	df	Mean Square	F	Sig.
Intercept	490.55	1	490.55	1258.91	.000
Generation	0.04	1	0.04	0.11	.741
Brand Resonance	33.23	1	33.23	85.28	.000
Brand Resonance * Generation	2.96	1	2.96	7.59	.007
Error	44.81	115	0.39		

Note. R Squared = .430

As shown in Figure 3 below, the Brand Resonance effect for both groups was positive, but the effect was weaker for Millennials than Gen X/Boomers. For Millennials, a one-unit increase in Brand Resonance was associated with a 0.42 increase in Brand Loyalty, 95% CI [0.28, 0.56]. For Gen X/Boomers, the slope was much steeper at 0.77, 95% CI [0.56, 0.99].

Figure 3. Predicted estimates of the relationship between Brand Resonance and Brand Loyalty by Generation



Discussion

Using an independent samples t-test Hypothesis 1 was tested and found to be not confirmed. There was insufficient evidence to conclude that Millennials have lower Brand Loyalty than Gen X/Boomers. However, Hypothesis 2 was confirmed, we found a strong positive relationship between Brand Resonance and Brand Loyalty and the strength of the relationship was moderated by Generation. As expected, the effect was not as strong for Millennials. The implication of these findings for marketing strategies suggests that Keller's customer-based brand equity model is not fundamentally different for the Millennial generation. As a result, Hypothesis 3 is confirmed. Based on the results of this study findings, we propose the following marketing communication strategies and tactics that could help the academicians, professionals (brand managers, marketing managers, and product managers), and students who pursue education in marketing.

Brand loyalty is defined as "a deeply held commitment to rebuy or re-patronize a preferred product/ service consistently in the future" (Oliver, 1999). It is proven that loyal customers have a higher tendency to purchase products from their preferred brands, are more likely to advocate their favored brands, and are less sensitive to increases in price (Garvey, A. M., Germann, F., and Bolton, L. E.,2016). Demographics, psychographics, and other related sociocultural factors that influence the degree of brand loyalty among the millennials (DeVaney, 2015). Attitude is an integral element in exactly how customers view a brand's services or products (Howe, N., and Strauss, W., 2000). Experiences provide value, and the more a brand evokes "multiple experience dimensions", the more satisfied a consumer will be with the brand (Brakus, J. J., Schmitt, B. H., and Zarantonello, L.,2009). Further, because experiences result from simulations and lead to pleasurable outcomes, consumers will want to repeat these experiences (Brakus, J. J., Schmitt, B. H., and Zarantonello, L., 2009). Attitudinal loyalty is defined as a strong intention to buy from the brand and eventually repeat purchase behavior (Mostert, P. G., Petzer, D. J., and Weideman, A.,2016). Attitudinal loyalty increased the effectiveness of a cross-selling promotion, whereas habit showed the opposite effect and rendered the same promotion less effective (Liu-Thompkins, 2013). Based on the above arguments grounded in the body of literature in support of the findings of our study, marketing professional (marketing managers, brand managers, and product managers) should consider the following key factors when designing marketing communication when reaching the Millennials segment specifically; appropriate pricing strategy based on the income parameters (Smith K.,2016), develop a complete and integral marketing programs that develop attitudinal loyalty by providing superior purchasing experiences derives from availability of high-end quality merchandise, utilitarian product attributes, such as brand-identifying colors, typefaces, background design elements, slogans, signages, packaging, advertisements, brochures, websites, and the environments in which the brand is marketed and sold (Yu-Ping,, C., Nelson, L. D., and Ming, H.,2015), crafting generation-based segmentation, advertising, and marketing strategies (Barber, N., Dodd, T., and Ghiselli, R. 2008).

Limitations

The study suffered high levels of nonresponse. Of the 267 research participants, 32.6% dropped out during the Brand Loyalty section of the survey, and an additional 22.8% dropped out while answering the Brand Resonance questions. As a result, only 44.6% of the total sample completed the survey. No information was collected from participants to explore their reasons for dropping the survey, but there are a handful of reasons that may be relevant. First, participants were asked to think of a brand of their choosing that they had purchased at some point over the past five years. Specific directions about the type of product or service to consider were not given. The lack of specificity and the long reflection window may have weakened their commitment to completing the survey. In addition, the Brand Loyalty and Brand Resonance questions gave very little information about the meaning of the terminology used and how the ratings from Very Low to Very High should be applied. For example, jargon like “test your degree of brand loyalty” were likely difficult to understand for many respondents and it was not always clear how to assign a low to high rating for items like “Relate” or “Associations.” Complete sentences and more natural language would have communicated the intent of the questions more effectively.

Future study

This study leads a potential future extended work to provide a comprehensive interpretation to the study phenomenon. As such, we intend to carry out our send phase of the study with following modifications incorporated; giving product directions to the respondents by requesting them to provide a specific brand name instead of a common brand to understand their behavior in line with that particular brand, minimizing the reflection window time from five years to two years to recall their brands, finally, providing leman meaning of the technical jargons used in the questionnaire.

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FISCAL AND MONETARY POLICY MEASURES AND MACROECONOMIC STABILITY IN NIGERIA

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ABSTRACT

The study examined the effect of fiscal and monetary policies on selected macroeconomic variables in Nigeria using the Auto-regressive Distributed Lag (ADL) bound testing econometric technique from 1981 to 2016. Specifically, the study sought to examine the effects of fiscal policy on selected macroeconomic variables namely, Real GDP, rate of Inflation, rate of Unemployment and Balance of payments of Nigeria; the effects of monetary policy on selected macroeconomic variables namely, Real GDP, rate of Inflation, rate of Unemployment and Balance of payments of Nigeria; and how these policies interact to influence these macroeconomic variables. The study introduced the Transcendental Logarithm Function (TLF). The findings showed that fiscal policy affected economic growth, rate of inflation, rate of unemployment and balance of payments positively and significantly in both the short and long run; monetary policy affected economic growth, rate of inflation, rate of unemployment and balance of payments positively and significantly in both the short and long run. Unfortunately, these policies have been counteractive in increasing growth, reducing inflation and unemployment and fostering a good balance of payments position. It was recommended that government should increase its capital expenditures. Also, any improvements in the formulation and implementation of fiscal policies should be targeted at inclusive growth in the economy. This would create infrastructures that will productively engage the large number of people who are willing and able to work; the apex monetary institution, the Central Bank of Nigeria (CBN), should formulate and implement *effective monetary regulations especially as regards money supply. This will keep the rate of inflation in check; and stimulate the economy positively.*

Keywords: Fiscal Policy, Monetary Policy, Gross Domestic Product, Inflation, Unemployment, Balance of Payments

MANAGING PAINS – EPM & CONFLICT MANAGEMENT

ER. A. K. GHOSH

PABSTA Engineers India Limited

ABSTRACT

Project Management Services are undertaken in whole or in part dependent on the project type, the stage at which hired as the Project Manager, the client's in-house capabilities, and their need for assistance. All of the following duties are undertaken in consultation and with the consent of the Client. As the Project Manager, acts as a virtual extension of the Client's own staff, whereby it enables the Client to be in control of the project at all times while ensuring that the management role within the project is fulfilled.

Keywords: Meeting Schedules , Assessment , Approvals , Focused Meetings , Operating Procedures, Engineers, Due Diligence, Entitlements, Budget, Aesthetics, Negotiation, Value-Engineering, Substantiation, Conflict, Punch Listing , Project Environment, Potential Sources , Reward Systems , Project Managers , Evaluations, Functional Department , Goal-Oriented Conflict, Conflict Resolution, Managing Conflict, Expecting Conflict

PROJECT ANALYSIS PHASE

Assess the status of the project and develop with the Client, the required monitoring and reporting criteria. This may involve a determination of:

Organizational Structure
Working Procedures
Meeting Schedules/ Types of meetings required/ Attendance at Meetings.
Reporting requirements, particularly for Client approvals, budget issues and schedule.

Communication channels and methods of coordinating design with operating requirements, FF&E/ OS&E Purchasing, Client equipment installation, Client move/ relocation, construction, and project completion on hand over.

Assess with the Clients personnel needs related to the project's logistics during construction. This may include site security, construction parking and access requirements (which could be phased depending upon the stages of construction).

Assess with the Client the impacts to any adjoining property from construction, and safeguard the Clients interest.

Following an assessment of the demands for the project, will propose to the Client the proposed project organizational structure, operating procedures, etc., needed for the successful management of the project.

MASTER PLANNING/ ENTITLEMENTS APPROVALS PHASE:

Where the project scope requires this service, AMAPM undertakes the following typical services:

Access the status of site zoning/ community development plan entitlements to define the allowable development options. Check this against the Client requirements to determine any variance to the existing Land Use Approval.

Undertake "focused meetings" with the Client to address the development options within the existing Land Use Approvals or through pursuing zone changes/ variances etc. by which the existing Land Use Development zoning status can be modified to allow the Client's proposed development to be approved.

Assemble the team for the Client that is required to effectively pursue the Client's development options and study the options and potential goals including:

Analyze options for development including FAR limits, allowable land uses, space mix, parking, noise, shade/shadow and traffic impacts and other potential environmental impacts.

Assess operational impacts on the Clients business day resulting from the development process and the associated timescale and costs of the entitlements, design and construction process.

Assess easements and utility services availability and location. Assess site topography.

From the above, determine the Clients program, the preferred options, the potential approvals process, its schedule and cost.

PRE-DESIGN PLANNING:

During the phase the role of the Project Manager is to assist the Client with the following:

Defining overall development objectives and options.

Determine the project team′s organizational structure, operating procedures, etc.

Consultant selection process (define the selection criteria/ interview Architects, Engineers, Interior Designers etc.).

Negotiate the consultant's contract, scope and fee level on behalf of the Client.

Coordinate the design team′s initial due diligence investigations.

Test fit analysis including Lease negotiation involvement and Tenant Work Letter input.

Definition of Land Use/ Entitlements Issues and in the selection of applicable consultants.

Development of a Master Plan for the site.

Develop a master schedule for the entire project.

Define the role for the Client's Engineer/ Facilities Manager in the projects design and construction phases prior to handover.

Develop a preliminary total project budget.
Consult with the Client to determine the appropriate contractor selection method.

DESIGN PHASES:

Oversee the design phase of the project to ensure that the Clients requirements are met for:
Budget
Schedule
Function

Aesthetics
Low maintenance and running costs.
Instruct the Design Team to modify/ change design as necessary to meet the Client's objectives. Ensure that the Client Operation Equipment requirements are integrated into the design. Monitor the design progress with respect to project schedule, budget, etc.
Develop a FF&E/G.C. Differentiation List.
Provide for the Client the pre-qualification of the Contractors.
Select a FF&E/ OS&E Purchasing Agent if appropriate and necessary.

Review bidding documents prior to issue.
Develop a tight and clearly understandable Construction Contract to minimize Change Orders. Assist in the building permit approval process.

BIDDING/ NEGOTIATION PHASE:

Arrange a project site walk-through as part of a Contractor′s pre-bid conference. Evaluate the bids and prepare a bid comparison matrix of the Contractors bids. Finalize contract amendment requirements for inclusion in the bid process. Continue to qualify Contractors/ Sub-contractors.

Assess value-engineering opportunities solicited from bidders.

BID ANALYSIS STAGE:

Interview bidding Contractors.
Finalize the review of value-engineering suggestions.

Solicit comments from all bidders regarding areas of concern, omission or ambiguity in the contract documents identified during bidding.

Cause the contractor to develop a detailed progress schedule.
Define the Pay Application process for the Contractor.
Define the project administration procedures for the Contractor.
Define Change Order substantiation procedures as stipulated in the Contract. Negotiate final contract language with the Contractor.

Refine the project budget and schedule.
Refine the project's cash flow projections for the Clients.

CONSTRUCTION PHASE SERVICES -ADMINISTRATION OF CONTRACT:

With the Architect, provide administration for the construction contract.

Oversee developments of the Contractor's detailed critical path method schedule.

Monitor schedule progress and budget compliance throughout the contract process.

Evaluate, recommend for approval and process Payment Applications through the Client's staff for payment.

Assist the Architect, as required in quality control of the design and construction process as it proceeds.

Chair and minute weekly site progress meetings.

Evaluate and resolve any Change Order applications.

Cause the Architect and the Consultants to action their punchlisting of the work as it progresses.

Assist in Certificate of Occupancy and other governmental/ regulatory agency approvals from the Authorities.

Settle any outstanding claims on the project, Construction and other sources.
Coordinate close-out documentation for the project.
Select a Move Coordinator and Moving Company and oversee the relocation of the staff and their Fixtures,

Furniture and Equipment.

Debrief with the Client's staff at completion to ensure that all outstanding problems are solved and a smooth operations start-up is achieved.

Conflict is as inevitable in a project environment as change seems to be. When project team members interact during the course of completing their tasks and responsibilities, there is always a potential for conflict. In fact, it is virtually impossible for people with diverse background skills and norms to work together; make decisions, and try to meet project goals and objectives without conflict.

Project managers must identify, analyze, and evaluate both positive and negative values of conflict and their effect on performance. They must learn how and when to stimulate conflict and how to use it to increase the performance of project team members. Conflict need not have destructive consequences. Attitudes and conflict management styles play an important role in determining whether such conflict will lead to destructive or mutually beneficial outcomes.

That project management contains conflict will come as no surprise to researchers and practitioners. Project managers face conflict as part of their daily life from a number of sources, both internal to the project team itself and external, in dealing with other project stakeholders . Because of the centrality of this topic to project work, a number of studies have looked at conflict and the project management process: its inevitability, its causes and its likelihood at various points in the development process . Indeed, one study estimated that the average manager spends over 20 percent of his or her time dealing with conflict. Most project managers would likely suggest that the 20 percent figure drastically understates the case. Consequently, because so much of a project manager′s time is taken up with active conflict and its residual aftermath, it is important that we address this natural process within the project management context.

Although we are often painfully aware of the presence of conflict in our project implementation efforts, far less is known about the conflict dynamic itself; that is, the various components of conflict, the stages that conflict often follows, and the wide variety of means for dealing with conflict in containing it and even making it work for the project manager and team. Further, as we will show, once conflict does occur, either within or outside the project team boundaries, if project managers are aware of the various action alternatives they can employ, there is a real opportunity to not only defuse conflict, but also to learn valuable lessons from the conflict episode. Learning these lessons well can go a long way toward making project managers better at their job.

It is important to point out at the start that all conflict within project teams is not necessarily bad. Conflict can offer some important benefits through creating informed consensus: when a team argues the merits of various project implementation strategies, it is likely that in the course of their deliberations it will uncover more information than they would if they came to immediate agreement. Further, conflict can help team members understand the true lines of authority within the project team. Conflict also demonstrates initial attitudes and opinions among the various functional personnel who are assigned to the team, offering the project manager clear signals as to how to better manage the disparate team members.

While all of the above are examples of "functional" conflict, or the positive role that conflict can play in team development and project implementation, in this article we are focusing on the unwelcome side- effects of dysfunctional conflict: the cost to organizations in terms of personal energy and commitment that is brought on by focusing on personal conflicts at the expense of project performance. Clearly, conflict has negative and positive components. However, when managers in general and project managers in particular are asked their views, our own experience has been that they tend to regard conflict as unnecessarily debilitating and wasteful of time and resources: two commodities that are precious for project success.

There are an enormous number of potential sources of conflict. Some of the most common sources include the competition for scarce resources, violations of group or organizational norms, disagreements over goals or the means to achieve those goals, personal slights and threats to job security, long-held biases and prejudices, and so forth. For example, as members of engineering with a deeply-held antagonism for accountants ("bean counters") or marketers ("order takers"), when we are assigned to work on a project team with members from these departments, we will invariably take our biases with us, making cooperation difficult and conflict inevitable. Many of the sources of conflict arise out of the position of managers or the nature of the work they do. On the other hand, an equally compelling set of causes stem from the individuals themselves; that is, their own psychological processes can contribute to the level and amount of conflict within an organization. One useful method for looking at the causes of conflict in projects is to consider the organizational causes and interpersonal causes of conflict.

Some of the most common organizational causes of conflict include:

Reward systems

Scarce resources

Uncertainty over lines of authority

Differentiation.

Reward systems refers to the fact that in some organizations there are competitive reward systems in place that pit one group or functional department against another. For example, when functional managers are evaluated on the performance of their subordinates within the department, they are loath to allow their best workers to become involved in project work for any length of time. The organization may have unwittingly created a state in which managers perceive that either the project teams or the departments will be rewarded for superior performance. In such cases, they will naturally retain their best people for functional duties and offer their less-desirable subordinates for project team work. The project managers, on the other hand, will also perceive a competition between their projects and the functional departments and develop a strong sense of animosity towards functional managers that they perceive, with some justification, are putting their own interests above the organization.

The impact of scarce resources on organizational operations suggests that because organizations are characterized by scarce resources sought by many different groups, the struggle to gain these resources is a prime source of organizational conflict. As long as scarce resources are the natural state within organizations, groups will be in conflict as they seek to bargain and negotiate to gain an advantage in their distribution. Again, should functional managers perceive that every resource given to project teams is a resource "taken" from their departments, this becomes a natural source of potential conflict.

Uncertainty over lines of authority essentially asks the tongue-in-cheek question, "Who′s in charge around here?" In the project environment, it is easy to see how this problem can be badly exacerbated due to the essential ambiguity that exists in terms of formal channels of authority. Project managers and their teams sit "outside" the formal organizational hierarchy in many organizations. As a result, they find themselves in a uniquely fragile position of having a great deal of autonomy but also responsibility to the functional department heads who provide the personnel for the team. For example, when a project team member from R&D is given orders by his or her functional manager that directly contradict directives from the project manager, that team member is placed in the dilemma of having to find (if possible) a middle ground between two nominal authority figures. In many cases, project managers do not have the authority to perform performance evaluations of their team members—that control is kept within the functional department. In such situations, the team member from R&D, facing role conflict brought on by this uncertainty over lines of authority, will most likely do the expedient thing and obey functional managers because of their "power of the performance appraisal."

The final source of organizational conflict, differentiation, suggests that as individuals join an organization within some functional specialty, they begin to adopt the attitudes and outlook of that functional group, while often denigrating or minimizing the contributions of other departments [8]. For example, a member of the Finance department, when asked his or her opinion of Marketing, might reply, "All they ever do is travel around and spend money. They′re a bunch of cowboys who would give away the store if they had to." Marketing′s response would follow along the lines of, "Finance people are just a bunch of bean- counters who don′t understand that the company is only as successful as it can sell its products. They′re so hung up on their margins, they don′t know what goes on in the real world." Now the important point of both of these views is that, within their narrow frames of reference, they are both correct: Marketing is interested primarily in making sales and Finance is devoted to maintaining high margins. However, these opinions are by no means completely true and simply reflect the underlying attitudes and prejudices of members of both functional departments. The more profound the differentiation within an organization, the greater the likelihood of individuals and groups dividing up into "us" versus "them" encampments, which continue to promote and provoke conflict.

In addition to these organizational causes of conflict, we need to also consider some of the salient interpersonal causes. While by no means a comprehensive list, among these interpersonal sources of conflict are included:

Faulty attributions

Faulty communication

Grudges and prejudices.

Faulty attributions refers to our misconceptions of the reasons behind another′s behavior. When people perceive that their interests have been thwarted by another individual or group, they typically try to determine why the other party has acted as it did. In making attributions about another′s actions, we wish to determine if their motives are based on personal malevolence, hidden agendas, and so forth. Oftentimes, groups and individuals will attribute other′s actions to motives that are personally most convenient. In other words, rather than acknowledge the fact that reasonable people may differ in their opinions, it may be more convenient for the frustrated person to assume that the other is provoking a conflict for personal reasons: "He just doesn′t like me." This attribution is convenient for an obvious and psychologically "safe" reason; if I assume that the other person disagrees with me for valid reasons, it implies a flaw in my position. Many individuals do not have the ego-strength to acknowledge and accept objective disagreement, preferring to couch their frustration in personal terms.

A second and very common interpersonal cause of conflict stems from faulty communication. Faulty communication implies the potential for two mistakes:

communicating in ways that are ambiguous and lead to different interpretations, thus causing a conflict; and unintentionally communicating in ways that annoy or anger other parties. Lack of clarity can send out mixed signals: the message the sender intended to communicate and that which was received and interpreted by the receiver. Consequently, the project manager may be surprised and annoyed by the work done by a subordinate who genuinely thought he or she was adhering to the project manager′s desires. Likewise, project managers often engage in criticism in the hope of correcting and improving project team member performance. Unfortunately, what the project manager may consider to be harmless, constructive criticism may come across as a destructive, unfair critique if the information is not communicated accurately and effectively.

The final cause of interpersonal conflict refers to the personal grudges and prejudices that each of us bring into any work situation. These attitudes arise as the result of long-term experiences or lessons taught at some point in the past. Often unconsciously held, we may be unaware that we nurture these attitudes and can feel a genuine sense of affront when we are challenged or accused of holding biases. Nevertheless, these grudges or prejudices, whether they are held against another race, sex, or functional department, have a seriously debilitating effect on our ability to work with others in a purposeful team and can ruin any chance of project team cohesion and subsequent project performance.

Steps in the Conflict Process

Regardless of the triggering cause, once conflicts, either intra- or inter-group, have begun, they often follow a rather well-defined pattern that we can begin to explore. Knowledge of this pattern is highly useful for project managers because it serves as a general template, offering conflict dynamics and patterns for project managers to recognize. If they are able to observe the nature of the conflict process as it progresses, they will be in a better position to search for methods to defuse and minimize the conflict or channel its energies into more constructive pastimes. In this section, we will explore the stages in the

conflict process and offer some suggestions for project managers on how to most effectively deal with the conflict dynamics that often emerge at these stages.

Typically, there are four recognizable stages in the conflict process:

Frustration

Conceptualization and orientation

Interaction

Outcome.

Frustration.

The first step in any conflict process refers to the triggering event that set one or more people at odds. This event is referred to as perceived frustration—the belief that one party has frustrated or is about to frustrate some important concern of another. Frustration comes in many forms and approaches. Earlier, we identified several sources of frustration and hence conflict, and classified them into two categories: organizational and interpersonal. Frustrations occur in everyone's life on a daily basis. Therefore, there must be some reason why we choose to respond to certain frustrations in a confrontational manner. This choice is often predicated on our perception of how important an issue is to us. For example, while under normal circumstances a traffic jam would be a source of frustration, we would rarely deem it serious enough to actively confront the city's administration over the issue. On the other hand, in situations that involve slights to status, promotion possibilities, or public image, we tend to react to frustrations more directly. It is in these situations, where we attach a level of importance to the frustrated goal, that we are liable to respond in an aggressive and competitive manner.

Conceptualization and Orientation.

Conceptualization means defining the issues underlying the source of conflict. When we analyze the causes of a conflict between ourselves or our team and another party, an interesting psychological process begins to occur: we see the conflict through the lens of egocentricity. Egocentricity refers to the predilection of most people to define issues solely in terms of their own concerns. In other words, when confronted with a situation in which we feel frustrated by another individual, we respond in a way that does not recognize the other party's perspective. That is, we perceive that the other person is thwarting us, without considering their point of view or why they are acting in a particular way.

The clear alternative to analyzing frustration in terms of egocentricity is to begin to develop a level of insight into the other party′s concerns. There is an old saying that admonishes us to never judge another person unless we have walked a mile in his shoes. The implication of this chestnut is that until we are able to understand another person′s motives, intent, and past experiences, we cannot objectively address the nature of the conflict episode. Rather, we will continue to be inclined to simply respond with an egocentric approach that only further solidifies the lines that separate the rival party′s positions. Attempting to gain this insight into the underlying issues involves refusing to capitulate to the initial sense of frustration with another party and search for reasons why that person or group is operating the way they are. It is this search for the answer to "why" that can defuse many conflicts before they escalate. It requires the project manager or team member to be able to forego the appeals of egocentricity in order to try and analyze the problem from the other party′s perspective. Depending upon the nature and degree of the conflict, this rational objectivity can be very difficult but it is an activity well worth the effort. If we are able to halt conflicts at this stage, many of the problems that will continually plague the project team throughout the remainder of the project development can be halted before they get too destructive.

While conceptualization helps us to initially define the terms of the conflict, orientation refers to the outlook we begin to adopt once a conflict episode continues to escalate. Ruble and Thomas [10] have argued that conflict orientation generally involves operating along two separate dimensions of concern: (1) the degree to which one party seeks to satisfy their own concerns, and (2) the degree to which a party seeks to satisfy the other person′s concerns. Figure 1 shows Ruble and Thomas' conceptualization of this two-dimensional model of conflict orientation. They argue that we make implicit tradeoffs in our

willingness to seek our own gains versus our willingness to satisfy the other party to the conflict. They further posit that the underlying motive driving these two dimensions is our desire on one hand to be assertive and gain our own maximum advantage and on the other hand to be cooperative with the other party in order to maintain satisfactory relationships .

Within this two-dimensional model of conflict orientation and behavior, Thomas suggests that five distinct and recognizable types of conflict behavior are potentially possible. Figure 2 shows each of the five conflict-handling styles. The decision of which type of behavior to pursue resides solely with the party who is conceptualizing the nature and reasons for the conflict. The five conflict-handling styles are:

Competing

Accommodating

Avoiding

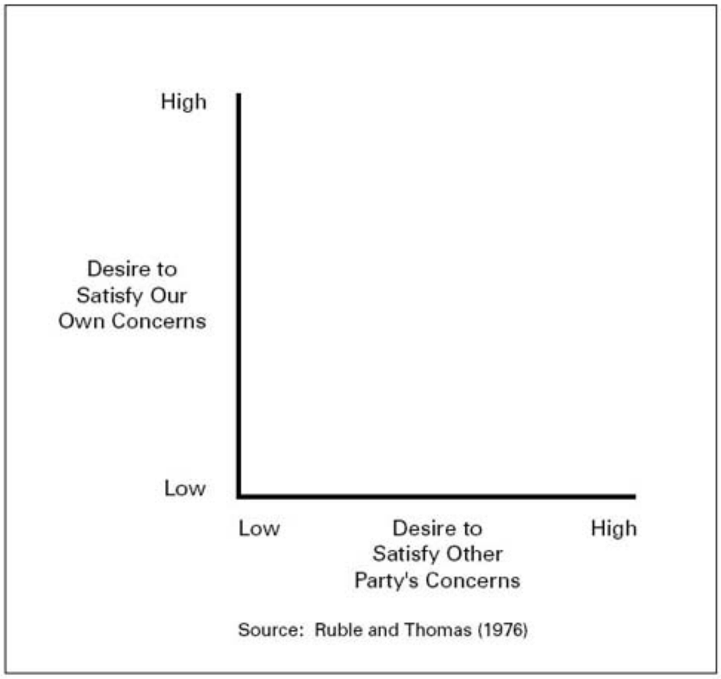
Compromising

Collaborating.

Competing behavior is basically assertive and uncooperative. Someone adopting a competing style has no regard for satisfying the other party′s concerns, viewing conflict as a win-lose proposition in which they have resolved not to lose. Competing behavior is often used by insecure or power-hungry people who will use every technique or trick to get their way. It is often ironic to find that individuals who are high on the competing dimension have great difficulty in operating under any other style, no matter what the nature of the conflict. For example, highly competitive people take issues of resource allocation or the results of a game of gin rummy with the same degree of intensity. They often cannot distinguish between "important" conflicts and "unimportant" conflicts; indeed, the very creation of a concept such as an "unimportant" conflict is alien to their way of thinking.

At the opposite extreme from competing behavior is the accommodating style. As Figure 2 shows, accommodators enter conflicts from the perspective of seeking to first satisfy the other party′s concerns over their own. Accommodators foster nonassertive and cooperative styles, usually in an effort to be true "team players." They are quick to look for ways to either defuse a situation or to allow the other party to win. The accommodating style can be very useful when the issue of concern is seen as much more important for the other side than for the accommodatee. It may serve as an important goodwill gesture or a basis for "storing up" favors that the manager may need at a later point. The obvious problem with overuse of the accommodating style is that it tends to create passivity in a project manager, a state which can deprive subordinates or peers of useful viewpoints and contributions.

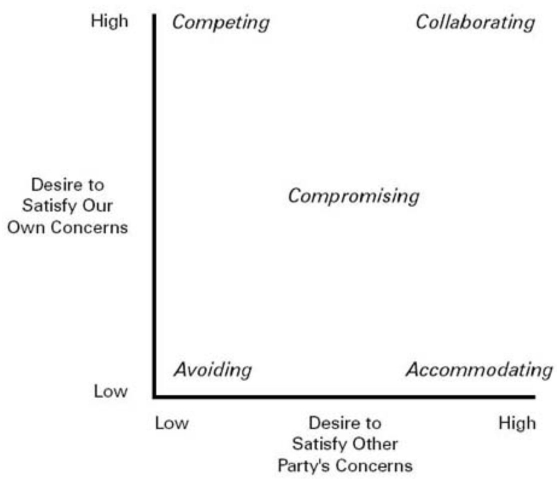
Figure 1. Conflict Orientation



The avoiding style is one that is at the same time unassertive and uncooperative. Individuals who rely on the avoiding style manifest no desire to either satisfy their own concerns or the concerns of the other party to the conflict. Avoiding tends to be an effective method for sidestepping a conflict that one party does not seek. It is the style of organizational diplomats and politicians who perceive that they can accomplish much more if they operate behind the scenes rather than out in the open, in conflict with another party.

Compromising behavior falls somewhere between assertive and cooperative behavior. It represents a desire by one party to satisfy some of their concerns and a willingness to give in on other points. A compromiser sees conflict as a win-lose situation, but believes that in order to get something, it is necessary to give something else up. A compromising style tacitly acknowledges the importance of making concessions in order to gain something from the conflict. As a result, while compromisers see conflict in terms of winners and losers, they generally feel that each party can win a little and lose a little.

Figure 2. Modes of Conflict Behavior



Source: Ruble and Thomas (1976)

The final style of conflict behavior, collaborating, rates high on both assertiveness and cooperativeness. Collaborators view conflict from a very different perspective than most managers in that they reject the win-lose argument that most of us believe underlies conflict. They always seek a win-win solution to conflict situations. In order to achieve such an outcome, collaborators readily work with the other party to see if it is possible to find a solution that fully satisfies both sides. This sort of joint problem-solving requires a great deal of flexibility, creativity, and precise communication between the parties to the conflict.

A collaborating style is usually necessary when the issue at hand is simply too important to be solved with a compromising approach. For example, in situations in which project leaders are seeking to make major product specification changes or determine resource allocation, they may be faced with two or more distinct alternatives. Rather than vainly attempt to satisfy these disparate viewpoints by offering a compromise that will please no one and do nothing to further the development of the project, these managers may seek to hold a series of project team meetings in order to get all positions on the table where they can be addressed in a problem-solving session. The results of this problem-solving meeting may be a new strategic focus for the project, with new tasks and responsibilities for each team member. In this example, the problem underlying the conflict could not be ignored and allowing one team member to dominate the others with a competing style could potentially result in an incorrect decision. The best alternative for the project manager is to seek, in active collaboration with the project team, a solution that offers a win-win alternative.

Because no one conflict-handling style is appropriate in every situation, insightful project managers will seek to develop flexibility in their approaches to dealing with conflicts, either their own or those of team members within the group. The benefits of a collaborative style are that, unlike competing or avoiding, a collaborative style emphasizes group relationships. That is, using this style offers a method for enhancing communication and creative problem solving. In doing so, a collaborating approach can bring team members in conflict closer together, rather than driving them further apart by solidifying the conflict situation.

Interaction. Once a conflict episode escalates, a number of different exchanges begin to occur between the two parties in conflict. This exchange process is referred to as the conflict interaction step. While there are a number of potential actions that conflicting parties can take during this process, we will focus on some of the more common dynamics of group conflict during the interaction stage.

One common occurrence that usually takes place early in the conflict process is reinforcement through stereotyping. When we perceive that another party is frustrating a goal we value, we may respond by attributing their intransigence to convenient (and often incorrect) motives. For example, in a budgeting disagreement with the project cost accountant, a project manager may react by saying, “What can you expect from a group of unimaginative bean-counters?” This reaction, while common, underscores the potential for reinforcing the disagreement by creating a self-serving stereotype of the other party. Under this process, all opponents are selfish, willfully ignorant, or malicious because these attributions allow us to hold the high ground in the dispute. At the same time, we attribute honorable motives to our own behavior. Through stereotyping other cultures, races, or the opposite sex, we create a convenient cause for our discontent without being forced to reexamine our own motives as a potential contributing cause of the conflict. The irony is that, as the name of this process suggests, when we initially perceive ourselves in a conflict, rather than attempting to defuse or suppress this tension, our first inclination is often to reinforce the conflict, making it that much more difficult to correct.

The second process that often occurs during the interaction phase is that conflict begins to heighten feelings of positive identification with our own group. There is a natural tendency, when we perceive ourselves in conflict with an external stakeholder, to close ranks and become more single-minded in our attitudes and dispositions. As a result of that process, it is very common for groups to develop a superiority complex vis a vis the other group. This superiority complex feeds our natural inclinations to regard our own position as sacrosanct and justified as opposed to our "devious" and "maliciously inclined" opponents.

On a national level, this positive identification dynamic occurs quite frequently. To cite a recent historical example, in the early 1980s, just prior to the Falkland War between Great Britain and Argentina, the country of Argentina was in a state of tremendous political turmoil. Crowds in Buenos Aires and other large cities continually protested the right-wing rule of the military junta that controlled the government– right up until Argentina invaded the Falklands, creating a convenient external foe in the form of Great Britain. Literally overnight, the crowds that had been demonstrating against the government outside the Casa Rosada in downtown Buenos Aires became vast throngs supporting the actions of their leaders. This is another example of the positive identification effect that frequently occurs in the face of external conflict.

A final dynamic during intervention refers to the idea that while we exaggerate that positive nature of our own group and its members, we also seek to distort and exaggerate differences between our group and the opponent. In other words, once we find ourselves in a conflict situation, there is a real pressure to conform to group norms, to swallow internal differences in the face of outside aggression, and deny any degree of similarity with members of the opposing group. This separation serves to further solidify differences that prevent easy solutions to conflicts because they make it much harder for groups to seek

common ground. In fact, we actively avoid the potential for identifying commonalties, preferring to focus on the differences and the reasons why we are justified in maintaining our beliefs.

Outcome. The final step in the conflict process is the outcome, during which time the two parties have come to some agreement in terms of resolving the conflict. It is important to bear in mind that no matter what the outcome— agreement, disagreement, or tacit agreement to let the issue drop—there will be residual emotions and ill will from the process. It seems an obvious point but it bears repeating that people simply do not forgive and immediately forget conflict episodes, particularly when the issues were significant or the emotional commitment of either party brought the conflict to a personal level. Project managers must be cognizant of the likely detritus of conflict. Playing down or smoothing over the problem when it has been "resolved" may be overly simplistic and ignores the potential for further tensions.

A final point about the outcome stage is to remember the difference between short-term and long-term outcomes. There is a familiar concept known as winning the battle and losing the war. When a manager wins a conflict, there is a strong potential for the other party to remember these experiences and look for retribution opportunities. This result is particularly true in the case of a manager who is prone to rely solely on the competing style in dealing with conflicts. As we have suggested, a competing approach that is based on assertiveness and unconcern for the other party is likely to create bad emotional feelings from the other party. Whether that party wins or loses the conflict, they are likely to remember the event and seek ways to repay the other group.

Methods for Resolving Conflict

A number of methods for resolving inter- and intra-group conflict are at the project manager′s disposal. Before a decision is made about what approach will be employed, it is paramount that project managers consider a number of relevant issues pertaining to the conflict. For example, will the project manager′s siding with one party to the dispute alienate the other person? Is the conflict professional or personal in nature? Does any sort of intervention have to occur or can team members resolve the issue on their own? Does the project manager have the time and inclination to mediate the dispute? All of these questions play an important role in determining how to approach a conflict situation. We suggest that project managers learn to develop flexibility in dealing with conflict, assessing and prioritizing the situations in which it is appropriate to intervene and those in which the sounder course is to adopt a neutral style.

Figure 3. Methods for Resolving Conflict

Avoidance

Non-attention Physical separation Limited interaction Defusion Smoothing Compromise Confrontation Problem-solving

As Table 3 demonstrates, we find it helpful to categorize possible conflict resolution approaches in terms of three fundamental philosophies: avoidance, defusion, and confrontation. Each approach has its benefits and drawbacks and, more importantly, each may be an appropriate response under certain circumstances. Let us consider the different approaches in turn.

Avoidance techniques suggest that the project manager ignore the causes of the conflict and allow it to continue under controlled circumstances. Avoidance is a conflict-handling approach that requires the project manager to adopt a position of neutrality, and indeed, passivity, while the parties to the conflict work out their differences on their own. One simple example of avoidance is non-attention. Non-attention suggests that the project manager simply look the other way and allow the parties in conflict to come to their own resolution without the project manager stepping in. Mark McCormack [13], in his highly entertaining work, What They Still Don't Teach You at Harvard Business School, points to a situation in which two of his vice-presidents had developed an antagonism based on personal dislike rather than professional reasons. He suggests that when conflict is of a personal and emotionally charged nature, a prudent manager will refuse to intervene, sending signals that this sort of interaction is unacceptable but otherwise allowing the warring parties to work out their differences.

Other examples of avoidance techniques include physical separation and limited interaction. These approaches are similar in that they essentially suggest that project managers with subordinates in conflict should find ways to keep their people out of each other's way.

When they must get together for project status meetings, the project team leader plays the role of referee, making sure that the conflict is kept at bay for the course of the meeting. Needless to say, these techniques, along with non-attention, suggest that the project manager refrain from seeking the source of the conflict and instead pay attention to ensuring that the fallout from subordinate conflict does not impact on the project′s development. This may be a forlorn hope, however, as frequent or intense conflict can force team members to expend a tremendous amount of energy in worthless pursuits. Consequently, a project manager′s decision to adopt an avoidance tactic in the face of subordinate conflict should be made with due consideration to the implications of allowing the conflict to continue. Such a decision should not simply be the result of the project manager′s distaste for conflict intervention or inherent laziness.

The second set of conflict resolution techniques are called defusion approaches. These tactics are based on the desire to buy time until both parties have a chance to cool down and deal with the conflict in a more "rational" manner. Note that as in the case of avoidance techniques, the defusion approaches also do not seek the underlying causes of the conflict. Rather, they are intended to address the unintended consequences once a conflict situation exists. One type of defusion technique is referred to as smoothing. The smoothing approach involves the project manager playing down group differences and emphasizing commonalties. Under this approach, it would be common to hear a project manager say, "Come on, people. We are all on the same side here. Let′s get together to work on the project." Smoothing represents appeals to professionalism or the group′s commitment to higher goals (the organization, the project, etc.).

A second defusion technique is compromise. Compromise has already been examined in this article and refers to the implicit assumption that in order for one party to the conflict to win on some points they must be willing to give up others. The compromise approach is classic "give and take" management and as with smoothing does not require the project manager to plumb the root causes of the conflict. It simply arbitrates the process once it is under way.

The final conflict resolutions method is confrontation, best represented by problem-solving meetings. Unlike the other two sets of conflict resolution methods, confrontation requires project managers to seek and expose the causes underlying the conflict. Each source, whether personal or professional, is identified and discussed at length so that all parties to the conflict have the opportunity to put their issues out on the table where they can be addressed and resolved. Problem-solving meetings are difficult; they require a project manager to have patience, strong nerves, and calmness. When a manager seeks the causes of a conflict, it is akin to attempting to understand other individuals' underlying motives and goals. Frequently, the parties to the conflict are initially loath to open themselves up and examine their basic causes. Hence,

the problem-solving process is often a lengthy one, accompanied by high emotions, intransigence, and obstructions from the parties concerned. A good example of problem-solving meetings frequently occurs during the Storming phase of team development. "Storming" refers to the idea that as groups develop from a disparate selection of individuals into a potent project team, they must work through a wide variety of personal biases and professional differences that can cause tremendous friction [14]. While an important part of group development, the process can be difficult to manage. Successful problem-solving meetings are necessary for future project team operations, but they contain an element of risk. If they are not handled well, they will not work. Indeed, a poorly run problem-solving meeting can actually solidify conflict and ill feelings between group members, making future cooperative activities highly unlikely.

The important point to bear in mind concerning the nature of resolving conflict is that each of the above approaches may be appropriate in different situations. We do not suggest that a problem-solving session is always beneficial or warranted, nor would we argue that non-attention is always "lazy" management. Project managers have to learn to understand their own preferences when it comes to handling conflict. Once we have achieved a greater sense of self-awareness about our own predilections, we will be in a far better position to resolve our conflicts constructively, whether with top management, clients, or as a mediator for subordinate conflicts. As we argued previously, the key is flexibility. It is important not to lock into any particular conflict style nor favor one resolution tactic to the exclusion of all others. Each has its strengths and drawbacks and can be an important addition to the project manager′s tool chest.

Conflict in Projects

Breakdown in communication is the overarching, most common, and most obvious source of conflict in projects. A lack of trust, respect, effective listening skills, and perceptual differences can lead to serious communication problems. Misinterpretation of a design drawing, a misunderstood change orders delays in delivery of critical components, and failure to execute instructions are all results of some type of communication breakdown. The communication skills of project managers are often put to the test by overlapping areas of responsibility, gray lines of authority, delegation problems, complex project organizational structures, and conflicts among participants. That is why communication is too important to be fully covered by administrative procedures alone. Project managers and their teams must also develop effective communication skills (especially listening skills) to resolve project conflicts. They must learn to create an atmosphere that encourages open communication in order to deal with conflict and gain team members' acceptance of and commitment to project goals.

In general, all potential conflict fits one of three categories, although a particular conflict situation may be based on two or more of the categories:

Goal-oriented conflicts are associated with end results, performance specifications and criteria, priorities, and objectives.

Administrative conflicts refer to the management structure and philosophy and are mainly based on definition of roles and reporting relationships and on responsibilities and authority for tasks, functions, and decisions.

Interpersonal conflicts result from differences in work ethics, styles, egos, and personalities of the participants.

Approaches to Conflict Resolution

In Project Management: A Systems Approach to Planning, Scheduling, and Controlling, five modes for conflict resolution are explained and the situations when they are best utilized are identified. (19) These modes are Confronting, Compromising, Smoothing, Forcing, and Avoiding.

Confronting is also described as problem solving, integrating, collaborating or win-win style. It involves the conflicting parties meeting face-to-face and collaborating to reach an agreement that satifies the concerns of both parties. This style involves open and direct communication which should lead the way to solving the problem. Confronting should be used when:

- Both parties need to win.

You want to decrease cost.

You want create a common power base.

Skills are complementary.

Time is sufficent.

Trust is present.

Learning is the ultimate goal.

Compromising is also described as a "give and take" style. Conflicting parties bargain to reach a mutually acceptable solution. Both parties give up something in order to reach a decision and leave with some degree of satisfaction. Compromising should be used when:

Both parties need to win.

You are in a deadlock.

Time is not sufficient.

You want to maintain the relationship among the involved parties.

You will get nothing if you do not compromise.

Stakes are moderate.

Smoothing is also referred to as accommodating or obliging style. In this approach, the areas of agreement are emphasized and the areas of disagreement are downplayed. Conflicts are not always resolved in the smoothing mode. A party may sacrifice it's own concerns or goals in order to satisfy the concerns or goals of the other party. Smoothing should be used when:

Goal to be reached is overarching.

You want to create obligation for a trade-off at a later time.

Stakes are low.

Liability is limited.

Any solution is adequate.

You want to be harmonious and create good will.

You would lose anyway.

You want to gain time.

Forcing is also known as competing, controlling, or dominating style. Forcing occurs when one party goes all out to win it′s position while ignoring the needs and concerns of the other party. As the intesity of a conflict increases, the tendency for a forced conflict is more likely. This results in a win-lose situation where one party wins at the expense of the other party. Forcing should be used when:

A ″do or die″ situation is present.

Stakes are high.

Important principles are at stake.

Relationship among parties is not important.

A quick decision must be made.

Avoiding is also described as withdrawal style. This approach is viewed as postponing an issue for later or withdrawing from the situation altogether. It is regarded as a temporary solution because the problem and conflict continue to reoccur over and over again. Avoiding should be used when:

- You can not win.
- Stakes are low.
- Stakes are high, but you are not prepared.
- You want to gain time.

- You want to maintain neutrality or reputation. • You think problem will go away.
- You win by delaying.

Researchers examined the impact of the conflict resolution styles used by individuals in shaping their work environment and affecting the level of ongoing conflict and stress. Results of the study showed that individuals who use a certain style to conflicts can create environments with varied degrees of conflicts. Individuals who use more of a confronting style create an environment with lower levels of task conflict, which reduces relationship conflict and stress. Whereas, individuals who use more of the forcing or avoiding styles tend to create an environment with more task conflict, which increases relationship conflict

and stress. The study suggests conflict develops not only in environmental circumstances but in the styles used by individuals when confronted with a conflict. The manner in which a person responds to organizational dissension and uncertainty will influence the responses of others and the individual′s work experience.

Another study went a step further and examined the relationship between the three forms of organizational justice (procedural, distributive, and interactional) and the conflict resolution styles. The researchers concluded that higher interactional justice was related to greater use of the confronting style when distributive justice was low and procedural justice was high. Use of the avoiding style was positively related to distributive justice. This study suggests when employees perceive organizational justice, they are likely to use more cooperative modes, such as confronting, smoothing, and compromising, in dealing with conflict. Results from this study have implications for organizations. Managers at all levels of an organization should be attentive to enhancing employee perceptions of organzational justice in order to encourage the use of more cooperative styles for organizational conflict management.

Barki and Hartwick tested a model of how members of information systems development (ISD) projects perceive interpersonal conflict and examined the relationships between interpersonal conflict, conflict management styles, and ISD outcomes. In the study, interpersonal conflict was defined as ″a phenomenom that occurs between interdependent parties as they experience negative emotional reactions to perceived disagreements and interference with the attainment of their goals.″ The results suggest that individuals′

assessments of interpersonal conflict were formed based on disagreement, interference, and negative emotion. Interdependence was not a factor in their assessment. Negative emotion was found to be a significant part of an individuals′ perception of interpersonal conflict. Although conflict management styles were shown to have positive effects on ISD outcomes, the negative effects of interpersonal conflict on the outcomes were not alleviated. Regardless of how the conflict was managed or resolved, the study demonstrated that the impact of interpersonal conflict was perceived to be negative. The researchers concluded that management and satisfactory resolution of interpersonal conflict are important. However, prevention of interpersonal conflict should be the greater focus.

Al-Tabtabai and colleagues undermine the modes of conflict resolution and propose a conflict resolution technique using a cognitive analysis approach. This approach identifies a main source of conflict as the cognitive differences between parties. Feedback is presented that gives analysis of each individual′s judgement and comparisons with the counterpart′s judgement. This cognitive feedback provides insight to conflicting parties and gives them an opportunity to reach an acceptable resolution to the conflict. The proposed systematic methodology to conflict resolution identifies and measures the cues, distal variable, and judgements and determines the relationships between these variables. The six steps of this methodology are listed below.

Indentification of the Conflict Domain

Generation of Conflict Cases

Exercise of Judgement

Analysis of the Results

Communication of the Judgement Differences (Cognitive Feedback)

Negotiation Among Conflicting Parties

The use of the cognitive analysis approach resulted in more agreement among the parties in conflict. Cognitive feedback provided information on reasons why the disagreement occurred among the parties and on areas that needed to be addressed to reach an agreement. This approach allowed the project members involved in the conflict to concentrate on the real differences that provoked the disagreement rather than only discussing the effects of the conflicting situation. The findings from this study suggest the use of cognitive feedback can be effectively applied to conflict resolution.

Active listening is a proven technique managers can use to help resolve conflict. Developing this skill takes practice, but it can be extremely effective when mastered. Listening allows the conflict to take its natural course by giving individuals the opportunity to disagree, express strong opinions, and show passion for ideas. A respect for individual differences is demonstrated and an environment of understanding is fostered. Listening is helpful in achieving a winning resolution by enabling an employee to identify the criteria that is considered an acceptable outcome. When a manager is able to understand

the needs and interests of individuals, the chances of satisfactorily resolving the conflict for both parties are increased. As a result of this process, trust and a relationship bond will form preparing individuals to

listen also to the needs of the manager.

Managing Conflict in Projects

Because of the significant impact that conflict can have on project success, managing it well is one of the most important skills a project manager must possess. An American Management Association study of middle- and top-level executives revealed that the average manager spends approximately 20 percent of his or her time dealing with conflict.

The importance of conflict management is also reinforced by a research study of managers that analyzed twenty-five skills and personality factors to determine which, if any were related to managerial success. Of the twenty-five factors, the ability to handle conflict was most positively related to managerial success.

Figure 4. PROJECT CONFLICTS AND RECOMMENDED SOLUTIONS

Sources of Conflict	Definitions	Suggested Solutions
Conflict over project priorities	Views of project participants differ over sequence of activities and tasks. Includes goals incompatibility and differences in long-term versus short-term perspectives.	Develop a master plan compatible with long-term strategies.
Conflict over administration procedures	Conflicts over managerial and administrative issues of how the project will be organized and managed.	Clarify roles, responsibilities, and reporting relationships at the beginning of the project.
Conflict over technical opinions and performance trade-offs	Disagreements over technical issues, performance specifications, and technical trade-offs.	Use peer review and steering committees to review specifications and design.
Conflict over human resources	Conflicts concerning staffing and allocation of project personnel and where to get them and how.	Develop a work breakdown structure and a corresponding responsibility matrix.
Conflict over cost and budget	Conflict over cost estimates from support areas regarding work breakdown structures and estimating techniques.	Develop overall budgets supported by detailed budget and cost estimates of subproject tasks and activities
Conflict over schedules	Disagreements about the timing, sequencing, and scheduling of project related tasks and information system to prepare and monitor project schedules.	Develop an overall schedule that integrates schedules for subprojects with staffing and other life constraints.
Personality conflict	Disagreements on interpersonal issues.	Emphasize team building and create an environment that emphasizes respect, diversity, and equality.

Project managers must not only be aware of various interpersonal conflict resolution modes and their strengths and weaknesses in order to choose an appropriate approach but must also manage conflict using some practical guidelines that involve preparing for the conflict, facing it, and then resolving it by developing win-win strategies. They must also recognize that it is sometimes good to stimulate conflict in order to encourage self- evaluation, creativity and innovation.

Stimulating Conflict

The whole notion of stimulating conflict is difficult to accept because conflict traditionally has a negative connotation. There is evidence, however, that in some situations, an increase in conflict actually improves performance. Stimulating conflict is considered a proactive approach that requires up-front initiative aimed at minimizing the impact of potential negative conflict and avoiding costly patching-up operations later in the project life cycle. For example, certain policies regarding negotiating contracts and resolving disputes should be developed and agreed on at the beginning of the project. Generally management and project managers can stimulate conflict in the following ways.

Finding the Best Conflict Resolution Approach

Since each conflict situation is unique and dynamic, it is difficult to recommend the best conflict resolution approach. Choice of approach depends on these factors:

Type and relative importance of conflict

Time pressure

Position of the players involved

Figure 5. CONFLICT MANAGEMENT STYLE.

Style	Description	Effect
Withdrawing/avoiding	Retreats from an actual or potential conflict situation	Does not solve the problem
Smoothing /accommodating	Emphasizes areas of agreement rather than areas of difference	Provides only short-term solution
Compromising	Searches for and bargains for solutions that bring some degree of satisfaction to all parties	Provides definitive resolution
Forcing	Pushes one's viewpoint at the expense of others; offers only win-lose situations	Hard feelings may come back in other forms
Collaborating	Incorporates multiple viewpoints and insights from differing perspectives; leads to consensus and commitment	Provides long-term resolution
Confronting/problem solving	Treats conflict as a problem to be solved by examining alternatives; requires give-and- take attitude and open dialogue	Provides ultimate resolution

relative emphasis on goals versus relationships

Forcing, smoothing, and withdrawing techniques are generally not effective in resolving conflicts because they fail to deal with the real cause of the conflict. They may be appropriate when it is important to create a period of peace and harmony while the parties think about their next move.

Techniques involving compromise are usually used in labor-management disputes, but they have some potential problems. For example, in compromising, each party gives up something, and neither gets exactly what it wants. Consequently, both parties may be unhappy with the final decision.

Under some circumstances, the best solution for managing project conflicts is the confronting/problem solving, or negotiation, mode. Since project management involves solving problems as the project progresses through its life cycle, this type of conflict management is very practical. This approach aims for a win-win strategy, which is best for both the project and the parties involved. Project managers should acquire proper training in the procedures, nuances, and skills of professional negotiation. It is important to bear in mind, however, that negotiation and confrontation take time. They simply cannot be managed in a cursory or rapid Mannes but instead require a significant commitment from the project manager in terms of time and willingness to allow all parties to air their grievances.

Conflicts are managed effectively if they are resolved on a permanent basis. The relationship between the desire for achieving goals and the desire for maintaining good long-term relationships has a significant impact on the choice of a conflict resolution style.

Strategies for Managing Conflict in a Project

Identification, analysis, and evaluation before taking action are the keys to effective management of conflict. Project managers must use practical strategies that involve following three steps: preparing for conflict, facing conflict, and then re- solving conflict. Also essential are interpersonal skills, including effective communication, negotiation, and appreciation of cultural differences.

Preparing for Conflict

Realistic project managers know that conflict is a normal—and in some cases necessary—part of working in groups and teams. The art of preparing for conflict thus involves both expecting that it will occur and having a plan for handling it.

Expecting Conflict. The sources of conflict (schedules, priorities, human resources, technical issues, administration, personality, and cost) will vary with the phases of the project. Moreover, the focus of conflict will vary with the attributes of the team and the project goals. With an experienced team, the focus of conflict is within the team itself. If the project goals are vague and loosely defined, the focus of the conflict will likely be between the team and upper management or between the project team and the client, or both. The project manager should analyze the reasons or sources of conflict and how they vary with the phases of the project cycle before taking any action.

Conclusion

The 3C's client, consultant & contractor interrelation is very vital & need to be handled with sensitivities defining "success" & "Failure" shall start from beginning. Time & Cost Goal need to be seen scope, Time & Cost needs to be balanced, satisfaction, effective communication healthy relationship between 3C's and absence of conflicts are to be ensure for positive signs of Project Success.

Conflict can be healthy if it is managed effectively. Conflict management requires a combination of analytical and human skills. Every project participant should learn to resolve project conflicts effectively. Good conflict managers work at the source of conflict. To resolve it permanently, they must address the cause of the conflict and not just the symptoms of it. They size up possible clashes before "contact" is actually made and then prepare their action plans to handle potential trou- ble. They should concentrate on building an atmosphere designed to reduce destructive conflict and deal with routine frictions and minor differences before they become unmanageable. The key to resolving conflict with a positive outcome includes looking for a win-win situation, cutting losses when necessary, formulating proactive conflict management strategies, using effective negotiation and communication, and appreciating cultural differences among project stakeholders.

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PARALLEL RATIONALITY IN MARKET SEGMENTATION VS. TRANSACTIONS: AN EXAMPLE IN RECREATIONAL MARKETS AND LAND USE

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ABSTRACT

Deviations from classical concepts of rationality have long been considered by Thaler, David Kahneman, Rabin, and Tversky, among others. It was shown that there may be behavioural/ psychological components to decision strategy and also that there may exist a certain number of consumers, termed "quasi-rationals," that do not behave in accordance with classical economic rationality. Building on that work, a form of probabilistic demand, sometimes termed the Choice Wave, permits utility-maximizing choices to vary between decision points without violating assumptions of rationality. Individuals have a probability function that results from their decision strategy such that they are permitted to make every possible choice that would maximize utility at the decision point, and no choice that would not maximize utility. Each utility-maximizing choice has a certain probability associated with it.

In between decision points, a situation of uncertainty exists. Individuals have not revealed their preference through making a choice, so the outcome exists as a probability wave over all possible utility-maximizing outcomes. That is, the decision remains in their head, and perhaps not even they are aware of it. At the point of decision, the choice is made, revealing individual preference at that exact moment. As the various factors that comprise the decision strategy are considered within the mind, the outcome is probabilistic until the choice has been revealed at the decision point, at which moment the probability function collapses to a probability of 1 for the very choice that they made.

Probabilistic demand is a method of considering that individual choice at a given decision point is influenced by psychological factors. Even a given choice may be different from that at another decision point, utility is still maximized each time a choice is revealed. As such, each individual may be said to be rational according to their own individual definition of rationality, and the manifestation of that rationality is expressed in the probability function. Individuals may violate classical rationality, but they are still considered probabilistically rational. Since outcome is probabilistic, concepts such as demand and expenditure share are necessarily expressed in expectation value.

Although each individual may be expressed by individual probability functions, there may exist certain "types" of individuals that behave statistically the same in expectation value. If there are multiple such types in a market such that each is statistically significantly different from every other type in the market, then they may each be modeled by a Choice Wave probability function of an "economic man" at the average expectation value of the type. A basic property of Choice Waves is that they are non-interacting and mathematically orthogonal in an n-dimensional Hilbert space, which agrees with the statistical similarity within each type and the statistical difference from one type to the next. Therefore, each type that can be modeled by a Choice Wave can and should be treated completely separately in both empirical analysis and conceptual interpretation. Each Choice Wave comprises an "economic world," each with its own parallel rationality.

The ability to segregate market data into statistically independent types is an important implication of the Choice Wave. For example, markets can be segregated by consumer type, as evinced through consumer revealed preferences, then estimated separately, yielding different parameters, such as elasticities. That then can provide useful insight for policy and marketing strategies. In the case of market segmentation, it is typically irrelevant that incentives of each consumer type are not necessarily aligned. Provided it is feasible, the seller can simply pursue separate market strategies for each type. However, the same probabilistic framework can just as easily apply to transactional situations, i.e., the various types are no longer different groups of consumers in a given market, but two sides of a transaction, such as a contract negotiation.

In the case of transactions, if the various parties to a transaction have decision strategies such that they can each be modeled by a Choice Wave probability function, then their incentives do not necessarily align. If their incentives do not align, then a sub-optimal level of resource allocation will result. There exists, however, a possibility of fixing the problem of the two types of individual (in this case, each type being a different side to the transaction) being in different economic worlds, and that is a bridge. A bridge can be artificial, such as an institution or mechanism that mathematically is part of the constraint function of the Choice Wave that modifies, while it exists, the decision strategy of each side such that incentives align better and an optimal outcome is more likely. Natural bridges can occur probabilistically, and they constitute a form of weak interaction between two different types of individual. Insofar as certain unlikely choices that nevertheless maximize utility exist within the space of each type of individual, there is a probability, however small, that each side of the transaction will simultaneously choose that outcome. Those are fleeting bridges and do not represent an alteration in decision strategy. However, they can provide some improvement in efficiency and give clues useful in designing artificial bridges.

In the present study, both market segmentation and transactions are considered and compared as a means of considering how probabilistic behaviour impacts markets under different conditions. A recreation survey considering willingness to pay for activities in northwest Minnesota yields market segmentation based on respondent revealed preferences. Decision strategies of local residents and non-residents were shown to be different, while the decision strategies of U.S. visitors and Canadian visitors to the region were not able to be segmented.

As part of the same study, land owners in northwest Minnesota were asked their willingness to open their land to outside parties for recreational use, either free or for a fee. That is set up inherently as a transactional situation, i.e., a potential transaction between land owners and recreational users. Land owners and recreational users were shown to be of two distinct probabilistic types, each with an independent and non-interacting decision strategy. That scenario demonstrates the misalignment of incentives between land owners and recreational users, leading to a sub-optimal level of land allocated to recreational use as both sides choose their utility-maximizing level of land use (though the users face a constraint that they can only choose land up to, but not exceeding the amount made available to them). Even though recreational users can be separated into two statistically independent types, the private land *supply side cannot sufficiently address the demand due to the misalignment of incentives. The mathematical theory and the results of the survey suggest that a bridge in the form of an institution or mechanism to align incentives may lead to a more optimal allocation of private land for outside recreational use.*

SOCIOEMOTIONAL WEALTH IN FAMILY FIRMS AND FINANCIAL CONSTRAINTS

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ABSTRACT

Financial research highlights that family firms is the most common form of business organization in the world (La Porta et al., 1999; Claessens et al., 2000; Faccio and Lang, 2002; Anderson and Reeb, 2003). Family firms are the economic backbone of North America's economy. The 117 largest family businesses in North America generate about 11.4% of North America's GDP and around 3.5% of the North America's workforce is employed by family businesses (EY Family Business Yearbook (2016)). According to KPMG 2016 Global Family Business Survey, Canadian family businesses are optimistic about the future. 89% of Canadian family businesses anticipate growing over the next five years using a variety of plans to finance growth. Surprisingly, nearly 90% of Canadian family businesses expect to rely heavily on their own capital to finance their expansion. This dependence on internal funds for their investment may be deliberate to maintain the family dominant position or involuntary as family firms have limited access to external funds. Our understanding of family firm's choice to fund their own growth using existing capital is somewhat limited. The Canadian context provides an especially good platform to study whether presence of a controlling family in the company either mitigates or exacerbates external financing constraints. Family firm's unique ownership structure may have significant impact on the sensitivity of investment to internal cash flow mainly from capital market imperfections (agency costs, asymmetric information and transaction costs). One the one hand, family controlling shareholders usually invest a large part of their private wealth in the firm. In such circumstance, they may engage in risk reduction strategies by using less debt. On the other hand, families might

be reluctant to raise external equity financing which may lead to dilution of family control. However, based on the assumption that families firm are more concerned with the family firm's long-term survival and reputation, Anderson and Reeb (2003) show that agency costs of debt are lower in family firms. This result is opposite to the dependence of family firms on internally generated cash to finance their new investments. Therefore, the impact of family firms on investment–cash flow sensitivity is ultimately an empirical question. As suggested by Berrone et al. (2012), we use socioemotional wealth (SEW) approach to explore this relationship. Berrone et al. (2012) propose five dimensions of SEW, including family control and influence, family members' identification with the firm, binding social ties, emotional attachment, renewal of family bonds to the firm through dynastic succession that help explain why family firm's behaviour is apart from non family firms behaviour

This study use a sample of 406 Canadian firms listed in Toronto Stock exchange (TSX) over the period 2005–2014 Our research contributes to the extant literature on family ownership in several ways. Prior studies examine how family ownership affects external financing constraints in normal economies times. However, our understanding of family firm's investment cash flow sensitivity is somewhat limited in recession times. The conflict of interests between family and minority shareholders may be more severe during financial crisis than in normal times. Due to the financial shock of the crisis, family controlling shareholders tend to be more risk averse and are more likely to use firm's assets to meet a liquidity personal need. As a result, family controlling shareholders may reject or abandon valuable project and expropriate wealth from outside shareholders. We contribute to the family business literature by exploring the effect of family firms on the relation between investment and cash flow during the recent 2007-2009 financial crisis. We also analyse this relationship difference between family firms and non family firms before and during financial crisis. Finally, our paper also complements recent studies on the endogeneity of ownership structure and addresses the endogeneity problem of family ownership and investment-cash flow sensitivity.

JEL classification: G31; G32

Keywords: Family firms; socioemotional wealth, Investment–cash flow sensitivity; financial crisis; corporate governance; Canada

ROMAN LAW AND THE EVOLUTION OF MODERN CORPORATION

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ABSTRACT

The word corporation derives from the Latin word corpus for body, representing a body of people authorized to act as an individual. The modern concept of corporate law has directly or indirectly Roman roots. An organization has a collective identity distinct from that of any particular person who owns or belongs to it. The Romans recognized this with the notion of a corporation.Cities were the first entities the Romans treated as corporations. The concept of limited liability an important structural dimension of a corporation has its root in Rome and Roman law. The paper examines the evolution of modern corporation and the influence and impact of roman law.

SUSTAINABLE TOURISM DEVELOPMENT: IMPLICATION FOR POVERTY ALLEVIATION AND SOCIO ECONOMIC DEVELOPMENT IN BELIZE

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ABSTRACT

Research has proven that tourism is a key economic sector, which serves as a mechanism to promote poverty alleviation through pro-poor tourism development activities within a nation. The real contribution of the tourism industry to the GDP in Belize increased from 1997 to 2017, growing at an average annual rate of 7.32%. The research supports the premise that tourism is a key job creating mechanism through which wealth can be created without requiring large investments. The research studies the extent in which tourism activities reduce poverty by increasing income through employment opportunities in a population that is socially and culturally impoverished in the country of Belize. The primary target group for the paper includes the local poor population, which was measured using the World Bank definition of poverty. A mix-method approach was used in which questionnaires were distributed to a representative sample of the local target group, and interviews were conducted with key stake-holders such as local government authorities, non-governmental organizations, accommodation representatives, and actors in the tourism value chain (fishing, agriculture and handicrafts at every level).

Keywords: Pro-Poor Tourism, poverty, employment opportunities, socioeconomic growth

Introduction

The research studies Pro-Poor Tourism development, particularly in terms of poor involvement in tourism-related activities in the country of Belize. The Prime Minister Rt. Hon. Dean Barrow and the Minister of Tourism Hon. Manuel Heredia Jr. began to focus on the possible potential for tourism to assist in meeting national objectives with an emphasis on poverty alleviation as a key goal in their national development plan. The issue of poverty alleviation in Belize has generally been given special attention, and has been addressed directly in the government's development plans extending back to 2009, when the Government of Belize set an ambitious development goal of eradicating poverty. The strategy was to focus on efforts to strengthen institutions, and revise legislation to integrate management issues into the development framework; to increase cooperation of regional and international levels to promote capacity building and information sharing systems; to regulate coastal resources use; to increase monitoring of petroleum extraction; and to regulate construction projects (Mendoza, P.B., Staff of the Policy and Planning Unit, Ministry of Economic Development, & Commerce and Industry and Consumer Protection, 2010). Since tourism is such a relatively significant sector in Belize, and eradicating poverty is also an important agenda for the country, it is crucial to explore how pro-poor tourism (PPT) initiatives can help to reduce poverty, while boosting the tourism industry in Belize.

Belize continues to evolve into the top recreational and adventure destination within the Caribbean region, and its attractiveness continues to be recognized by its local and international market. As the trends of Belize's tourism industry details, the growth of overnight tourist arrivals continues to increase. For example, according to the Belize Tourism Board (BTB), in 1995 Belize experienced 130,809 overnight visitors when compared to 2017 which showed an increase of 427,026. Tourism continues to play a fundamental role in Belize's GDP growth; the realization is a confirmation of the tourism industry's significance, and its potential for further sustainable growth and investment. Tourism is the number one foreign exchange earner in the small economy, followed by exports of sugar, bananas, citrus, marine products, and crude oil. The government′s expansionary monetary and fiscal policies initiated in September 1998, led to GDP growth averaging nearly 4% in 1998-2007; GDP growth however, slowed to 1% in 2015, and 0% in 2016.

Although Belize has the third highest per capita income in Central America, the average income figure still masks a huge income disparity between rich and poor, and a key government objective remains in reducing poverty and inequality with the help of international donors. High unemployment, increase in poverty, a growing trade deficit and heavy foreign debt burden continue to be major concerns. Belize faces continued pressure from rising sovereign debt and a growing trade imbalance.

The World Bank defines poverty in absolute terms, extreme poverty as living on less than US $1.90 per day (PPP), and moderate poverty as less than US $3.10 a day. Fewer people live in extreme poverty than ever before in the world. In 1990, almost 4 in 10 people were living under the international extreme poverty line of $1.90 a day. In 2013, that figure had fallen to just over 1 in 10, which still represents more than 767 million people. Poverty remains unacceptably high.

Literature Review

According to the SIB (2018), as of July 2018 over 384,240 people live in Belize. Although most people reside in the urban areas, Central American immigrants are establishing communities in rural areas, and replacing the official language, English to Spanish (spoken by 46%). Roman Catholics make up 39.3% of the religious population; however, the rest of the population is spread out among various affiliations, and 15.2% do not associate with any religion SIB (2018).

The tourism industry in Belize is a sector that has not fully matured, and still finding its place in the region. By the standards of long-established Caribbean tourism destinations, tourism is a relatively new industry in Belize. As late as 1984, tourist expenditure was equivalent to only 3.9 percent of GDP, and Belize had a market share of 0.3 percent in the Caribbean on overnight arrival market. The tourism industry started to expand in 1985, when annual overnight arrivals increased to 28,000, and tourist expenditure surpassed US$10 million for the first time (World Bank, 1992). Thereafter, overnight arrival numbers grew quickly. By 2004, the number of overnight arrivals was 10 times that of 20 years earlier, and Belize's share of the Caribbean overnight market had grown fourfold to 1.2%. Belize broadly maintained that market share from 2002 to 2008. The cruise ship segment started in 1998, and grew quickly. Belize had a 3.1% share of the Caribbean cruise ship industry market, and in 2017 for the first time in history, there were 1,014,231 cruise arrivals and 427,076 overnight tourist arrivals (BTB 2017).

Tourism is a system impacting several sectors of Belize's economy, which can generate foreign exchange and employment, complementing primary exports, while stimulating a wide range of economic opportunities that impact many other sectors including transportation, communications, infrastructure, education, security, health, immigration, customs, accommodation, agriculture and culture (UNWTO, 2002; Ashley et.al, 2009; Spenceley, Ashley & de Kock, 2009). The concept of Pro-Poor Tourism (PPT) stresses the importance of integrating pro-poor approaches into mainstream tourism, rather than focusing exclusively on specialty niche markets such as ecotourism, community tourism and ethnic tourism (Torres & Momsen, 2004). Pro-poor tourism however, still remains predominantly at the micro level where current interventions cannot deliver impacts at a significant scale (Goodwin, 2005). Therefore, it is argued that tourism for poverty alleviation should be expanded and be applicable in mainstream (mass) tourism. Its aim is to transform the way tourism is operated worldwide, by promoting sustainability through clear policies and successful projects, by sharing knowledge and experience to semi-skilled or unskilled workers, by building awareness and capacity for more effective planning and implementation of sustainable tourism policies and projects by the Government of Belize (Goodwin, 2005). Thus, effective tourism strategies can create sustainable income by generating opportunities and providing employment needed for the large numbers of semi-skilled or unskilled workers.

According to Ashley et al., (2000), one challenge to 'mainstream' PPT is to create it is a business approach across the industry, instead of rather than a niche market. Pro-poor tourism-- which means "doing business differently, whether the business is a large beach resort or a luxury wilderness lodge" (Ashley and Haysom, 2006). It involves more than just small, medium and micro enterprises. (Torres and Momsen, 2004) argue that success will require targeted research to explore in depth the interface between mass tourism and the poor; the potential for and obstacles to creating linkages between tourism and locally produced goods and services; and the feasibility of partnerships and joint ventures involving the poor (Humphrey, 2000).

Statement of Problem

According to the Index Mundi 41 % of Belize's population is below the poverty line as defined by the World Bank, and is one of the countries that fails the Millenial Development Goal's (MDG) goal of eradicating poverty. In fact, poverty keeps increasing in the country. The government of Belize has been eager to accept tourism as an agent of poverty reduction, supporting age-old development strategies despite debates by academics on the legitimacy of tourism as an effective developmental agent. Discussion has barely surfaced in the tourism literature concerning the tourism-poverty nexus (Hall, 2007), and there is much work to be done to integrate pro-poor tourism and poverty literature. This is intriguing when compared with the tourism statistics, which shows that the real contribution of the tourism industry to the GDP in Belize increased from 1997 to 2016, growing at an average annual rate of 7.32% (SIB, 2017).

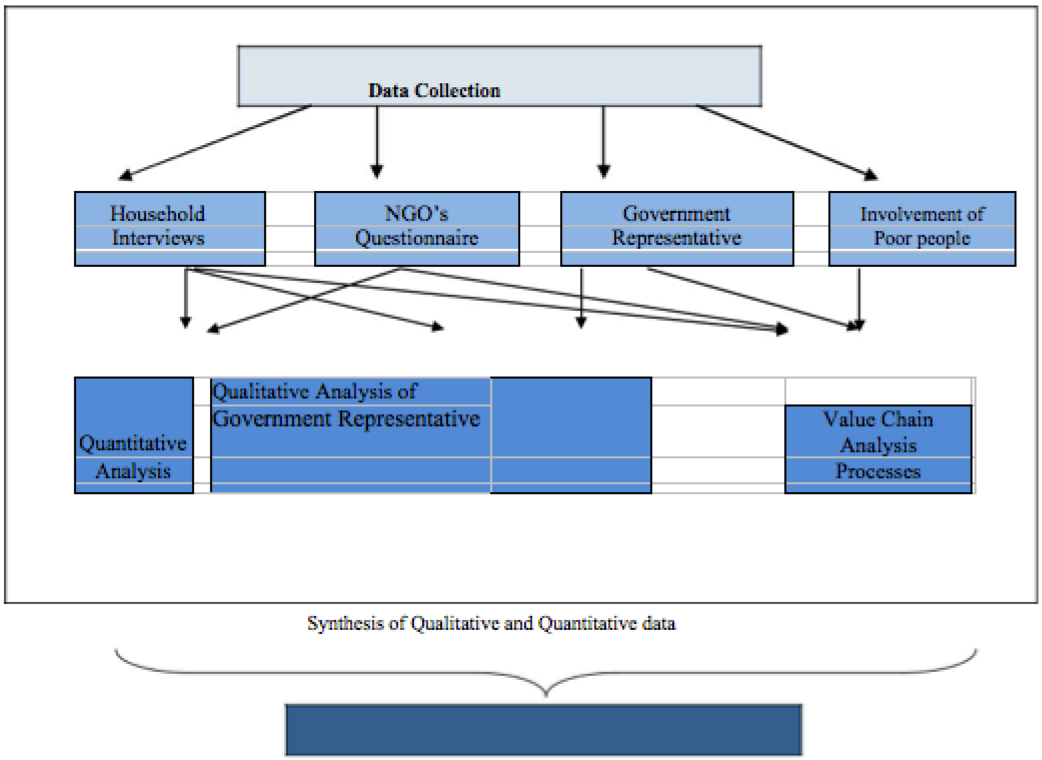
Research Objective

To identify and understand the linkages between the local Government, the local economy, and tourism in ways that expand economic benefits and opportunities for poor people with an intent to alleviate poverty.

Methodology

The research investigates collected and analysed data using a Mixed-Method approach. Both Quantitative and Qualitative methods of data collection and analysis were used in the attempts to answer the research objective and as triangulated research strategy. Triangulation as described by (Cohen, Manion and Morrison, 2007), is 'the use of two or more data collection methods in the study of some aspect of human behaviour'. The model was chosen because one data collection provides strengths to 'offset the weaknesses of the other data gathering methods' (Creswell, 2005). The research used the triangulation approach as an effective way of building cross-validation into research design by increasing the reliability of the data (Tellis, 1997). The combination of the approaches can improve validity of the research, and enhance the research findings (Walton, 2000)

Figure 1.0: Integrated Assessments Process for the research



Development of Hypothesis

The development of a country is accessed by the local economic growth. Therefore, the tourism development plays a vital role in a country's economic development through the creation of jobs and business to contribute to the poverty alleviation (Song, 2016). As a result, hypothesis H1 was structured.

The root cause of poverty is low income, so the alternative way to alleviate poverty is to raise income generation through tourism entrepreneurial activities. As the tourism industry requires low capital for entrepreneurs, the local communities could become investors, businesspersons, or producers and sell the tourism products to tourists (Karnani, 2009). Thus, hypothesis H2 was designed.

Tourism development creates new form of employments for the local communities, as tourism speeds up the processes of a production, service innovations and market expansion based on tourists' demand (Truong & Hall, 2015).. Hence, the hypothesis H3 was structured.

H_1	Tourism activities reduce poverty by increasing income in a population that is socially and culturally poor in the country of Belize.
H_2	There is a positive relationship between tourism entrepreneurial activity and poverty alleviation.
H_3	There is a positive relationship between local economy development and poverty alleviation.

Figure 2.0: List of Hypothesis identify by the researcher.

Sample Size

Selection of sample size is crucial for the research. If the sample is small, it might not reflect the real situation. If the sample is too large, it could increase research costs greatly. Therefore, it is important to identify a suitable scale of sample for each category. Given the expected coherence in household consumption and the limited diversity of activity in the fieldwork location, 300 heads of households, 12 NGO's, 15 accommodations, restaurants, home stay and entrepreneurs, 9 Government representatives, and 120 members of the poor population directly involved in tourism activities were targeted. Table 3 indicates the sample selection, estimated sample frame, and the sample used in the analysis with 89.69% response rate, achieved from the fieldworks surveys.

Tourism creates a direct and indirect effect on tourism entrepreneurial and employment opportunities to increase the local communities' household income (Truong & Hall, 2015). However, directly involved respondents in tourism were considered in this study. A survey questionnaire was used to collect data from the permanent local employees and employers at several tourism channels across the country of Belize, and included souvenir outlets, travel operators, food and beverage providers, and accommodation providers (i.e., homestays', resorts' and hotels). A total of 456 questionnaires were distributed personally to the local communities. The non-probability sampling of judgement and convenience sampling was used in selecting 456 local communities'. Forty-seven questionnaires were discarded due to incompletion. As a result, 409 (89.69%) questionnaires were used in this study. The questionnaire is adapted from several authors. Refer Figure 3.

Figure 3.0: List of Stakeholders included in the research
Source: Field world 2018

Sample Selection	Category of Respondent	Estimated Population	Sample Frame	Sample Used in Analysis	Data Collection Technique
Head of household	Poor household (<1.90 USD/day)	3,980	300	260	Questionnaire
NGO's	Manager and Directors	89	12	10	Questionnaire
Private Sector	Accommodations, restaurants, homestay and entrepreneurs	20	15	15	Questionnaire
Government Local Authorities	Government Representative	60	9	9	Questionnaire
Poor involve Directly	Employment, fisheries, agriculture and handicrafts.	n/a	120	115	Questionnaire
Total		**4149**	**456**	**409**	

Tourism Growth in Belize

One of the first indications that Belize would be a good place for tourism came in the 1950s, when expatriates and locals were taking foreign visitors inland to hunt jaguars, and to fish on the barrier reef. Proof of the concept was made when the Belize River Lodge was opened on the Belize River, and shortly after, the Holiday Hotel was opened in San Pedro.

In 1984, a new ministry was created and tourism became a ministerial responsibility in government, which brought increasing investments in the industry. Investors in the sector were represented by the Belize Tourism Industry Association (BTIA), which was formed in 1985. The Belize Tourist Board, a quasi-government organization was legislated to develop, market and implement tourism programs in 1996.

The Belize tourism product has been described as experiential tourism with a strong ecotourism focus. The growth in cruise tourism from the mid-1990s has often seemed to be at odds with the objectives of ecotourism. Proponents of ecotourism claim that the influx of cruise tourism would crowd out the overnight eco-tourists who spend much more on services in Belize. In 2013 the four most popular tourist destinations in the country were San Pedro, Placencia, San Ignacio and Belize City (BTB, 2013). Activities offered to tourists then included, snorkelling and scuba diving at offshore locations. Inland, treks into the forests, cave tubing and visits to Maya sites were the most popular tours.

Even though most market activities are due to emigration (especially to North America) and crop exportation, tourism is the largest single contributor to economic growth in Belize (Northern Belize, 2013). As a main export for 83 percent of all developing countries and the top export for 113 of the poorest countries, tourism can act as a catalyst for change (Honey, 2008).

Given the positive impact of tourism in developing states, careful development strategies can set a framework for improved social conditions. According to the World Travel and Tourism Council (2017), Travel & Tourism generates 10% of employment around the world equals to 1 in every 10 jobs. Globally, 109 million people work directly in Travel & Tourism (equivalent to the population of South Korea and Italy combined) – not only as pilots, chefs, hotel staff, tour guides or on cruise ships, but as accountants, designers, and engineers for tourism companies, or supporting the industry with laundry services, food production or handicraft making. A further 183 million indirectly depend on the taxes and spending of these tourism employees for their jobs.

Fig 4.0: Total Overnight and Cruise arrivals from 1998-2017

YEAR	OVERNIGHT ARRIVALS	CRUISE ARRIVALS
1998	176,054	14, 183
1999	180,795	34,130
2000	195,766	58,131
2001	195,955	48,116
2002	199,521	319,690
2003	220,574	575,196
2004	230,832	851,436
2005	236,573	800,331
2006	247,309	655,931
2007	251,422	624,128
2008	245,026	597,370
2009	232,249	705,219
2010	241,919	764,628
2011	250,263	727,878
2012	277,135	640,734
2013	294,177	677,350
2014	321,220	968,131
2015	341,161	957,975
2016	385,583	1,005,394
2017	427,076	1,014,231

Source: Belize Tourism Board

The growth is even more impressive considering it took place in the midst of the global financial crisis. Belize has been increasingly recognized for its second-home buyers' market, along with other countries in Central America including Panama and Costa Rica. Much like its competitors, Belize offers a retirement incentive. The fact that Belize is English speaking, its proximity to North America is a big enticement for many U.S. citizens.

Since 2015, several new routes have continued to open up, making major destinations in the United States, Canada, and South America more accessible and affordable. These include Southwest Airlines to Houston, Denver, and most recently, Fort Lauderdale; West Jet Airlines to Toronto, Canada; and COPA Airlines to Panama. In November 2016, Norwegian Cruise Line opened its long-awaited cruise port, complete with island resorts and shopping as an upscale island destination in Harvest Caye, Southern Belize. Also in 2016, Hilton announced its expansion into Belize with the acquisition of its first property, The Resort at Mahogany Bay Village in the island of San Pedro, Ambergris Caye.

As Belize becomes more accessible and attractive to tourists, not only in the United States but globally, the tourism industry is also evolving to meet consumer demands. An increase in cruise ship arrivals is already translating to additional cruise disembarkation facilities. Recently expanded flight connections will mean an increase in construction to meet room capacity demands. Improved standards for accommodations, tourism related services e.g. zip lining will require newer consumer goods and technologies.

Fig 5.0: Tourism Expenditures 2000-2017 (In Millions of USD)

YEAR	CRUISE SECTOR $USD MN	OVERNIGHT SECTOR $USD MN	PERCENT CRUISE	PERCENT OVERNIGHT	TOTAL EXPENDITURES $USD MN
2000	2.2	118	1.8	98.2	120.2
2001	1.85	118.65	1.5	98.5	120.5
2002	12.25	120.55	9.2	90.8	132.88
2003	22.0	133.7	14.1	85.9	155.7
2004	32.55	140.1	18.9	81.1	172.65
2005	30.6	144.1	17.5	82.5	174.7
2006	31.05	221.8	12.3	87.7	252.85
2007	35.35	257.55	12.1	87.9	292.9
2008	33.85	247.65	12.0	88.0	281.5
2009	37.95	172.8	18.0	82.0	210.75
2010	42.25	207.6	16.9	83.1	249.85
2011	44.05	212.75	17.1	82.9	256.8
2012	43.45	276.1	13.6	86.4	319.55
2013	45.95	328.95	12.3	87.7	374.9
2014	50.1	334.35	13.0	87.0	384.45
2015	55.6	329.85	14.4	85.6	385.45
2016	60.7	349.1	14.8	85.2	409.8
2017	46.9	350.55	11.8	88.2	397.45

Over the past decade, Belize has grown into a prime destination for American tourists and retirees. Tourism continues to reflect robust growth prospects. It contributes 41.3% (USD

$397million) of GDP and ranks # 12 in the world to direct contribution to GDP (WTTC 2017). Tourism is Belize's top foreign exchange and revenue earner with opportunities for investment and trade in the areas of ecotourism, adventure, nature, cruise, and nautical tourism related activities.

Although cruise visitors are more numerous, overnight tourism generates most of the total tourism expenditure. While 70.37% of visitors in 2017 were cruise ship visitors, and only 29.63% were overnight arrivals, the latter generated more than 88% of total tourism expenditure.

The North American market remains the main market for overnight tourists to Belize, with the United States accounting for around 62 % of visitors in the last four years. Canadians have traditionally accounted for 4 to 7 percent of overnight visitors; this figure increased to 9.1 percent in 2017. Visitors from Europe have traditionally accounted for 12% to 15% of overnight visitors, but the figures increased 2 percent in 2017. Visitors from the United States, Europe, and Canada collectively accounted for 85% of arrivals in Belize in 2017. For the Caribbean as a whole, the source market shares are the United States, 65%, Canada11%; and Europe, almost 11%. Eastern and southern Caribbean destinations tend to receive relatively fewer Americans and more Europeans. As is typical for western and northern Caribbean destinations, the majority of visitors to Belize come from the United States, while fewer visitors come from Canada and Europe. The source-country mix has implications for the average length of stay of stayover visitors and average expenditures per day. As overnight tourists, Canadians historically have the longest average length of stay (8.7 nights) in Belize (the overall average is 7.26 nights).

Results

The survey implement was designed and distributed in across Belize. Data collection took place over 180 days. According to Levy (2006), data selection is lead for four reasons: (a) to ensure the accuracy of the data collected; (b) to identify response-set; (c) to deal with missing data; and (d) to deal with extreme cases, or outliers. Following data screening 409 usable responses were available for further analyses.

Ten variables have been organized in 5 categories according to different types of poverty conditions, and were analysed for inherent differences among Head of households, NGO's, Government, Private Sector and actors involved in tourism activity.

The results show there is a significant relationship between local economic development and poverty alleviation at 2% significance level. The finding is supported with Croes and Vanegas (2008) that the role of local economic development creates employment and businesses for community well-being. Rogerson (2014) states smaller businesses ` benefits the local economic and the development of community as they produce and sell local souvenir products in the tourism market. As a result, this has created an indirect opportunity for backward and forward linkages such as the agriculture, manufacturing and construction industry. The results also offer support to hypothesis 2 that tourism entrepreneurial activity significantly contributes to poverty alleviation. The findings imply that tourism fosters economic activities among the local communities to become investors, entrepreneurs as well as producers. It is interesting to point out that selling or offering local tourism products and services such as handicraft, homestays, festival, traditional games, local food, local dance performance, jungle trekking and mountain climbing contribute to the household income and security (Harris, 2009).

Table 5 further shows that tourism employment generation is positively significant in alleviating poverty; the findings is in line with Truong and Hall (2015) that tourism development creates direct effect of tourism employment and increases the well-being of local communities.

Recommendations and Conclusion

The purpose of this research was to analyse the research objective which is to identify and understand the linkages between the local Government, the local economy, and tourism in ways that expand economic benefits and opportunities for poor people with an intent to alleviate poverty. The main conclusions derived from the findings are that tourism can alleviate poverty. Depending on the social, economic, political, and institutional context in which tourism is being applied, certain tourism development mechanisms will be more evident than others. The ability of tourism development mechanisms (i.e. employment, infrastructure, and taxes) to deliver poverty reduction objectives are influenced by development philosophy, the size of the tourism industry, the extent of impoverishment, and the regulatory environment. In addition, tourism employment showed improvements in employment and monetary conditions of the poor. However, these improvements did not reflect improvements in other poverty conditions. Hence, it can be deduced that the monetary gains through tourism employment may not be sufficient to alleviate poverty to the point of reduction.

Recommendations:

1.Government's plan to eradicate poverty should be clearly communicated to the public.

2.Government, NGOs and the Private sector need to work hand in hand in order to achieve the objective of eradicating poverty.

3.The need to identify the population who falls under the poverty line, and provide training to understand the tourism industry

4.The need to improve the way other industries target pro-poor activities, or develop pro-poor activities within their industry in order to target poverty alleviation.

5.Improve the data collection especially related to pro-poor tourism.

- Data may also be used in the future to attract new investors.
- Data can be used to attract international donors to benefit poverty alleviation

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MICROFINANCE BANK: ANTIDOTE TO POVERTY ALLEVIATION IN NIGERIA

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ABSTRACT

This study aimed at investigating the roles microfinance Bank plays in alleviating poverty in Nigeria beaming the search light on Ekiti State. Microcredit firms provides small loans to poor people and small enterprises hence, this study therefore provides an overview of the role and performance of micro finance institution in alleviating poverty at different levels in Nigeria. The study made use of structured questionnaires administered to a sample of 50 randomly selected staffs of five microfinance institutions in Ekiti state and some people that have benefited from the program in the service and manufacturing industries. The Multiple Linear Regression models adopted for the study reveals that the effectiveness of microfinance bank and other explanatory variables are positively and significantly influencing poverty alleviation. Microfinance institution are now being considered as one of the most important and effective mechanisms for poverty alleviation through which precious information on ways to improve the health, education, legal rights, sanitation and other living standards which are of relevant concerns to the poor can be disseminated. It is hereby, recommended that the government should intensify her efforts in promoting, monitoring and adequately supervising the micro finance bank activities so as to reduce poverty in Nigeria.

Keywords: Pro-Poor Tourism, poverty, employment opportunities, socioeconomic growth

ANALYZING THE RELATIONSHIP BETWEEN BUDGET DEFICIT, CURRENT ACCOUNT DEFICIT AND GOVERNMENT DEBT SUSTAINABILITY

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ABSTRACT

The main purpose of this study is to determine the dynamic relationships between budget deficits, current account deficit and government debt sustainability during 1974-2015 in the Iranian economy. We used a VAR model with Impulse Functions and Variance Decomposition in our dynamic analysis. The results show that there is a long-term stable relationship among the variables of the model suggesting that to improve the government debt sustainability it has to reduce the budget deficit and current account deficit. Since Iran's dependence on oil revenues is the underlying cause of the dependence of the variables on each other, the government needs to reduce the dependence of the current account and the state budget on oil revenues to reduce both types of deficits and government debt sustainability.

Keywords: Budget Deficit, Current Account Deficit, Government Debt Sustainability, Vector Auto Regression Model (VAR)

Introduction

The large size of the government's role in the Iranian economy and the ever increasing current costs has caused the government to face budget deficits every year. The deficit in turn has brought about acute problems such as high inflation rates, current account deficits and debt crisis. On the other hand, the data on non-oil exports and imports of goods and services in recent years indicate that the country′s non-oil balance of trade has always been negative. The main reason for this economic problem is the single product economy; the country′s high dependence on oil exports. This current account deficit can lead to a budget deficit and debt creation for the government. Another significant phenomenon in recent years is the problem of government debt and the inability to repay it. Due to the dependence of the country′s budget on oil revenues, unsustainability of debt can have significant effects, including revenues from the sale of oil to repay debts and expenditures by the government. This can be a source of negative effects on the Iranian economy such as budget deficits, current account deficit, decrease of production, spread of possible corruption, and the growing vulnerability of the economy to oil price fluctuations and external shocks in the economy (Davoodi, 1993; Negahbani, 2004 and Fatahi et al, 2014).

The large size of the government's role in the Iranian economy and the ever increasing current costs has caused the government to face budget deficits every year. The deficit in turn has brought about acute problems such as high inflation rates, current account deficits and debt crisis. On the other hand, the data on non-oil exports and imports of goods and services in recent years indicate that the country′s non-oil balance of trade has always been negative. The main reason for this economic problem is the single product economy; the country′s high dependence on oil exports. This current account deficit can lead to a budget deficit and debt creation for the government. Another significant phenomenon in recent years is the problem of government debt and the inability to repay it. Due to the dependence of the country′s budget on oil revenues, unsustainability of debt can have significant effects, including revenues from the sale of oil to repay debts and expenditures by the government. This can be a source of negative effects on the Iranian economy such as budget deficits, current account deficit, decrease of production, spread of possible corruption, and the growing vulnerability of the economy to oil price fluctuations and external shocks in the economy (Davoodi, 1993; Negahbani, 2004 and Fatahi et al, 2014).

The term "Debt Sustainability" has many connotations to it, though it almost always refers to the fiscal policies of a government or the public sector. One meaning of sustainability relates to solvency; the ability of the government to repay its debt obligations in perpetuity without any defaults (Burnside, 2004). Research indicates that many political and economic factors determine the credibility of countries in fulfilling their obligations to repay debt. These factors include: public debt, economic growth, inflation, budget deficit, current account deficit and sovereignty quality (political stability). Among macroeconomic variables, budget deficit and current account deficits have a significant impact on the credibility of countries in paying off their debts (Petrovic, 2013). Since the budget and current account deficits have been present in the Iranian economy for more than a few decades, there are potentials for a debt crisis in the economy. As a result, a vicious circle can take place through the interaction between the budget deficit, the current account deficit and the debt crisis. The lack of attention and meaningful recognition of the interactions among these variables has led to actions and policies (sometimes even contradictory) not really geared for eliminating the imbalance in the country's budget, the foreign trade sector, and the government debt sustainability. Therefore, in the present study, interaction between budget deficit current account deficit and government debt sustainability has been studied. The results can serve as a guide for policy makers.

The outline of the paper is as follow. Section 2 presents the related literature review. Section 3 presents the econometric methodology and Data. Section 4 presents the empirical results including variance decomposition impulse response functions and causality analyses. Concluding remarks is given in section 5.

Literature Review

The theoretical and empirical literature that has examined the relationship between current account and budget deficits is of two types. The Keynesian view argues that budget deficits have a statistically significant impact on current account deficits. For example studies by Mundell (1963), and Haug (1996) have argued that government deficits cause trade deficits through the interest and exchange rate channels. In a small open economy IS-LM framework, an increase in the budget deficit would induce upward pressure on interest rates, thus, causing capital inflows. This will lead to an appreciation of the exchange rate through high demands on domestic financial assets, leading to an increase in the trade deficit (Neaime, 2015). The second part of the literature falling under the Ricardian Equivalence Hypothesis (Barro, 1989) argues that there is no relationship between the two deficits. It is shown that changes in government revenues or expenditures have no real effects on real interest rates, investment, or the current account balance. (See for instance Papadogonas and Stournaras, 2006; Qaderi and Samadi 2016).

The empirical literature has studied the relationship between twin deficits and debt sustainability in developing countries, because the issues of the government debt and deficits in EU member states in recent years have become important and seriously discussed after the financial crisis in 2008 (Dinca et al 2011). For instance Khalid and Guan (1999) investigated the causal relationship between current account and budget deficits. Their results for Indonesia and Pakistan show that a current account deficit tends to cause a budget deficit because much of the current account deficit was financed by borrowings from the banking system. Interest payments on these debts over the years have made these countries to have bigger budget deficits. In order to get an understanding of the factors affecting government debt sustainability Petrovic (2013) analyzed the factors affecting long-term interest rates for 27 EU member states during 1995-2011. Based on their findings since government debt and long-term interest rates have a positive relationship with each other, government debt, budget deficit, inflation, and the political system variables have a positive relationship with the long-term interest rates and, as a result, have a positive relationship with the government debt variable. Also, growth rate variables and current account balance are negatively related to long-term interest rates, while it has a negative effect on government debt variable. Mellios and Blanc (2006) studied the factors affecting credit ratings of countries by three important organizations: Fitch, S & P and MOODY'S, and used 13 political and economic factors affecting the credibility of countries in repaying their debts. These variables include public debt, economic growth, inflation, the size of the economy, balance of payments and the quality of governance / political stability and so on. The impact of the variables correlated with these factors on ratings is then assessed through linear regression modelling and ordered logistic modelling. Their results show that per capita income, government revenue, real exchange rate changes, and inflation rates are considered as significant variables in affecting the credit rating of countries in paying off their debts.

Empirical studies on debt sustainability in Iranian economy are scarce. But the literature is growing fast. For instance Mousavi Mohseni and Taheri (2009), using cointegration tests, for the period 1955-2001, found that debt is not sustainable in the Iranian economy. They also pointed to fiscal unsustainability of the post-revolutionary period. Khiabani et al (2013), tested

Iran's fiscal sustainability for the period 1971-2008 using a Multi-Co-Integration method. In their study they show that the government is not in a sustainable-state of public finance. However, if one adds seigniorage to the government revenues, the fiscal sustainability conditions will be met. Fatahi et al (2014), using 1982-2011 data and autocorrelator estimator technique, show that the past budget deficits have had a positive effect on the current budget deficit. Also, debt sustainability was tested through the Fiscal Reaction Function which shows that in the short run debt sustainability is weak in the Iranian economy, but in the long run debt is not sustainable.

With the above in mind, this paper can be perceived as addressing gaps in government debt sustainability literature and the relationships between budget deficit, current account deficit, and government debt sustainability in the Iranian economy.

3. Data and Methodology

3-1. Data

In this paper we studied the relationship between three economic variables namely Budget Deficit, Current Account Deficit and Government Debt Sustainability. The seasonal data has been collected for a period of 42 years from 1974 to 2015. Debt to GDP ratio was taken as indicator for Government Debt Sustainability. The data has been taken from Central Bank of Iran data base and the estimation is implemented using Eviews. The variables and their definitions are shown in Table 1.

Table 1. Variables and their definitions

Variables	Definitions
Budget Deficit (BD)	Logarithm of government expenditures to its income ratio
Current Account Deficit (CAD)	logarithm of Import to export of goods and services ratio
Government Debt Sustainability (DS)	logarithm of the debt-to-GDP ratio
D1	Dummy variable during the war years 1980-1988
D2	Dummy variable for the Exchange rate unification in the year 1993
D3	Dummy variable for the Exchange rate unification in the year 2002

3-2. Methodology

VAR models are among the most successful, flexible and easy to use models for the analysis of multivariate time series. A VAR model has proven to be especially useful for describing the dynamic behavior of economic and financial time series and forecasting. It often provides superior forecasts to those from univariate time series models and expands theory-based simultaneous equations models. Forecasts from VAR models are quite flexible because they can be made conditional on the potential future paths of specified variables in the model. In VAR models, the variables are explained by the lag of the other variables in the system and the lag of itself[1]. The model and its respective ordering are as follows: (j = Time lags)

$$BD_t = a_1 + \sum_{j=1}^{p} a_{11j}\, BD_{t-j} + \sum_{j=1}^{p} a_{12j}\, CAD_{t-j} + \sum_{j=1}^{p} a_{13j}\, DS_{t-j} + e_{1t}$$

$$CAD_t = a_2 + \sum_{j=1}^{p} a_{21j}\, BD_{t-j} + \sum_{j=1}^{p} a_{22j}\, CAD_{t-j} + \sum_{j=1}^{p} a_{23j}\, DS_{t-j} + e_{2t}$$

$$DS_t = a_3 + \sum_{j=1}^{p} a_{31j}\, BD_{t-j} + \sum_{j=1}^{p} a_{32j}\, CAD_{t-j} + \sum_{j=1}^{p} a_{33j}\, DS_{t-j} + e_{3t}$$

4. Empirical Results

4-1. Unit Root Test Results

We applied the Kpss and Hegy tests to determine the presence of unit roots for each variable. As shown in Table 2 and Table 3 none of the variables have annual, semi-annual or seasonal unit roots.

[1] http://faculty.washington.edu/ezivot/econ584/notes/varModels.pdf

Table 2. Results of Kpss Test Statistics

variables	Critical value (%5)	Value of test statistic
BD	0.146	0.117862
CAD	0.146	0.139613
DS	0.146	0.332009

Table 3. Results of Hegy Test Statistics

variables	Null hypothesis	Significant level	Computational statistics
BD	semi-annual unit root	0.005643	-5.304793
	seasonal unit root	0.000000	38.83829
CAD	semi-annual unit root	0.005643	-11.87395
	seasonal unit root	0.000000	57.18882
DS	semi-annual unit root	0.007263	-4.028820
	seasonal unit root	0.000000	38.34778

4-2. Vector Autoregression (VAR) Estimation Results

Before estimating the VAR model, the first task is to choose the number of lags that should be included in the model. Based on Schwarts – Bayezian (SC) criterion, we found that 6 lags are the best to represent the dynamic structure of the VAR system that is shown in Table 4.

Table 4. Choice Criteria for Selecting the Order of the VAR Model

Lag	Log L	LR	FPE	AIC	SC	HQ
0	-127.04	-	0.00114	1.738101	1.96873	1.831755
1	393.61	995.762	190e-06	-4.657649	-4.25403	-4.493755
2	547.99	289.458	3.10e-07	-6.474875	-5.89828	-6.240739
3	580.37	59.5098	2.31e-07	-6.767204	-6.01763	-6.46282
4	606.61	47.2210	1.87e-07	-6.982627	-6.06007	-6.60801
5	634.23	48.6969	1.48e-07	-7.215496	-6.11996	-6.770639
6	676.68	73.2227	9.76e-08	-7.633595	6.3650*	−7.1184*
7	678.87	18.7252	9.54e-08	-7.659800	-6.21831	-7.074462
8	703.83	26.477*	8.76e − 08*	−7.747886*	-6.13342	-7.092307

* indicates lag selection by different criterion

AIC: Akaike Information Criteria

HQ: Hanan – Queen Criteria

FPE: Forecast Error Criteria

LR: Likelihood Ratio Test

Estimation results of the VAR model with six lags are shown below.

BD = 1.918*BD(-1) - 1.789*BD(-2) + 1.220*BD(-3) - 0.861422036685*BD(-4) + 0.551*BD(-5) - 0.261*BD(-6) + 0.144*CAD(-1) - 0.225*CAD(-2) + 0.180*CAD(-3) - 0.043*CAD(-4) - 0.076*CAD(-5) + 0.066*CAD(-6) - 0.045*DS(-1) + 0.250*DS(-2) - 0.420*DS(-3) + 0.252*DS(-4) - 0.035*DS(-5) + 0.044*DS(-6) + 0.159*D1 - 0.115*D2 + 0.033*D3

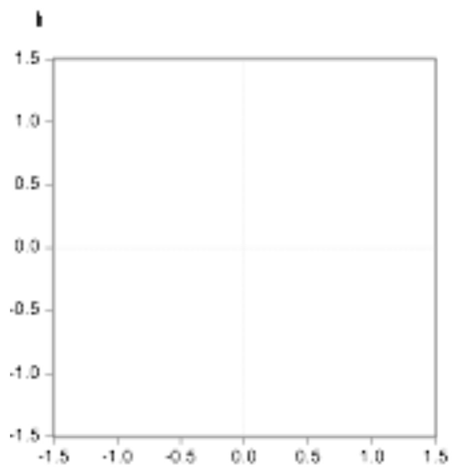
CAD = - 0.135*BD(-1) + 0.301*BD(-2) - 0.249*BD(-3) + 0.247*BD(-4) - 0.292*BD(-5) + 0.169*BD(-6) + 1.697*CAD(-1) - 1.393*CAD(-2) + 0.701*CAD(-3) - 0.292*CAD(-4) + 0.130*CAD(-5) - 0.094*CAD(-6) - 0.220*DS(-1) + 0.197*DS(-2) + 0.086*DS(-3) - 0.208*DS(-4) + 0.125*DS(-5) + 0.012*DS(-6) - 0.034 + 0.140*D1 - 0.094*D2 + 0.101*D3

$$DS = 0.198*BD(-1) - 0.222*BD(-2) + 0.167*BD(-3) - 0.062*BD(-4) - 0.099*BD(-5) + 0.119*BD(-6) + 0.014*CAD(-1) - 0.090*CAD(-2) + 0.208*CAD(-3) - 0.355*CAD(-4) + 0.167*CAD(-5) + 0.030*CAD(-6) + 1.866*DS(-1) - 1.557*DS(-2) + 1.207*DS(-3) - 1.121*DS(-4) + 1.004*DS(-5) - 0.448*DS(-6) - 0.092 + 0.067*D1 + 0.053*D2 - 0.023*D3$$

4-3. Checking VAR stationarity

The inverse of the four roots of the AR part belongs to the complex unity circle (Graph.1); hence, the VAR is stable (stationary).

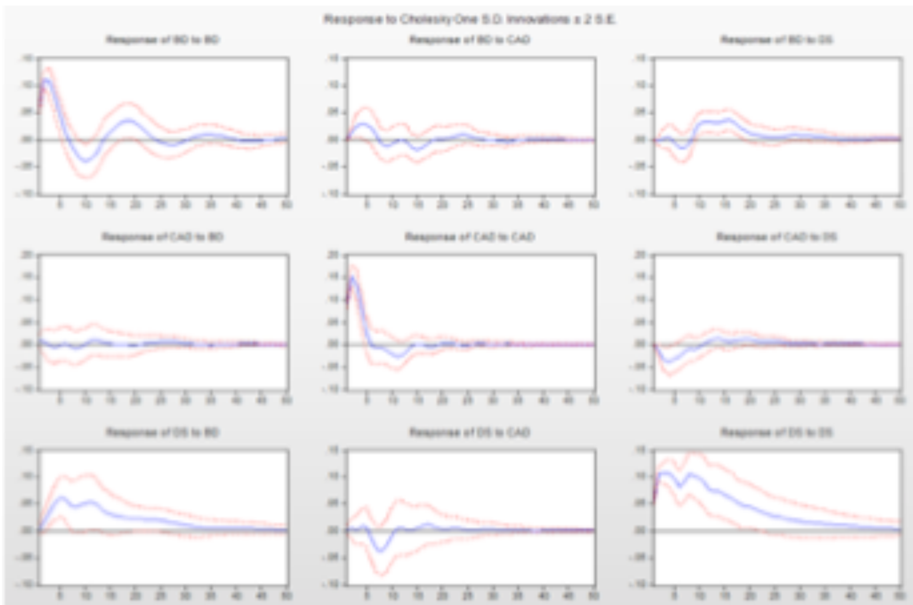
Graph 1. Inverted roots of AR polynoms



4-4. Analysis of shocks and impulse response functions of the VAR

One of the advantages of VAR specifications is that it allows for the computation of Impulse Response Functions (IRF), i.e. functions of the response of any endogenous variables to one standard deviation shock in any other endogenous variable in the system (Rad, 2011). Figure 2 shows the Impulse Response Function analysis, which are the response of the 3 variables to each shock over a ten-year horizon.

Graph 2. The Results of Impulse Response Analysis



Generally, shocks are temporary, meaning the variables in the long run will retrieve their equilibrium. All the impulse functions converge to 0, which is a confirmation of the stability of the VAR model. The following results are obtained from the above functions:

(i) Impact of shocks on BD: If there is a positive shock on DS, this will have a positive impact on BD in the short run but in the long run the impact is oscillating and eventually converges to 0. Also, the effect of CAD shocks on BD in the short term is positive, negative in the medium term and again positive in the long term. These results are consistent with the nature of the Iranian economy since a large junk of the government's budget is from oil revenues. If a shock on DS occurs, it has a negligible and generally negative effect on BD in the short run but in the long run it has a major and positive impact. It can be concluded that the consequences of debt in terms of the economic structure of Iran is of two types. In the short term it will lead to an increase in growth and a reduction in government deficit, but in the long run it will lead to a decline in economic growth, government.

(ii) Impact of shocks on CAD: If there is a positive shock on BD, we see a positive effect on CAD in the first and second season, but from the third to the ninth season, the effect is negative. And in the tenth season BD has a positive effect on CAD again which continues until the seventh season. From the eighteenth to the twentieth season, these effects are marginally negative and ultimately converge to 0. In addition, if there is a positive shock on CAD, from the first to the fifth season we see a positive impact but from the sixth to the fourteenth season the effect becomes negative causing CAD to fall and eventually reach zero. Also if there is a positive shock on DS, from the second to the tenth season, we see a negative impact on CAD, but from the eleventh season on the effect is positive leading to an increase till it converges to 0.

(iii) Impact of shocks on DS: The effect of BD shock on DS has always been positive which shows that as budget deficit increases the government′s ability to repay its debts decreases. But the effect of CAD shock on DS in the short-term is positive. From the sixth to the tenths season it is negative and from the tenth season on (long run) it becomes positive again. This behavior shows that if the current account deficit is due to oil revenue shocks, this deficit would lead to a reduction in oil revenues and consequently falling government revenues. The common way of financing government debts is borrowing from the Central Bank. As a result the current account deficit affects budget deficit through the debt variable. The debt created due to the current account deficit initially leads to higher economic growth and government revenues and as a result the debt-to-GDP ratio falls. Given the fact that current debt is generated by relying on expected future incomes, if expected incomes are not realized, problems arise in the ability to pay off debt. Therefore, the government has to repay debt by creating new debt. Consequently, the government debt increases and the current account deficit has a positive effect on the debt-to-GDP ratio.

4-5. Analysis of the variance decomposition

Next the variance decomposition analysis is presented in Table 6. Variance decomposition allows for a better understanding of the double causality between the variables. It shows the contribution of each source of innovation to the variance of k-year ahead forecast error for each of the variables included in the system. In other words, variance decompositions show

how much of the forecast error variance for each endogenous variable can be explained by each disturbance (Aka and Dumont, 2008).

Table 6. Forecast Error Variance Decompositions

variables	Period	Variance Decompositions		
		BD	CAD	DS
BD	1	100	0	0
	2	98.88	1.07	0.04
	4	94.99	4.88	0.11
	20	76.85	6.65	16.49
	25	76.53	6.92	16.54
CAD	1	0.97	99.02	0
	2	0.40	99.01	0.48
	4	0.28	95.05	4.65
	20	0.88	89.96	9.15
	25	1.03	89.38	9.57
DS	1	0.15	0.06	99.78
	2	1.70	0.12	98.17
	4	9.43	0.21	90.35
	20	18.85	2.47	78.67
	25	19.18	2.40	78.41

(i) The variation of BD: 94.99% of the budget deficit shocks are accounted for in short run and in the long run 75.99%. The current account deficit and government debts both affect budget deficit about 5% in the short run and 24% in the long run. Therefore, if we can create a situation of transparency and confidence in the economy in the long run we can manage to control 24% of the fluctuations of the government deficit. Also we found that the effect of the current account deficit on the government deficit is higher in the short term whereas the impact of debt-to-GDP ratio is higher in the long term. And since the government deficit is mostly of long term nature it is incumbent on the government to know what kinds of remedies it has to cure its deficit in the long run.

(ii) The variation of CAD: Budget deficit shocks in the short run can explain about 28% and in the long run 1.28% of the fluctuations in the current account deficit. Also, debt shocks in the short run can explain 4.65% and in the long run about 9.74% the fluctuations of current account deficits. Finally, current account deficit shocks explain 95% in the short run and in the long run 88.97% of current account deficit fluctuations. Moreover, the share of debt variable in explaining current account deficit fluctuations is more than the budget deficit, but this share in the short run will have a greater impact on current account deficit fluctuations.

(iii) The variation of DS: 90.35% of the impact of debt shocks occurs in the short run and 8.27% in the long run. Budget deficit and current account deficit affect the government debt sustainability about 10% in the short run and 21% in the long run. As a result, the government should be able to control 21% of debt fluctuations in the long-term and therefore improve debt sustainability. In addition, the results show that the budget deficit variable has a bigger impact on government debt sustainability than the current account deficit.

4-6. Granger causality test

At this step, using Granger Causality Test, the relationship between variables is examined two at a time and the results are presented in Tables 8 to 10. The outcomes show that there is a single causality running from CAD to BD and from CAD to DS. Also a bidirectional causality is observed between BD and DS.

Table 8. Granger Causality Test and

null hypothesis	$Probability$	$\chi^2 - Statistic$	df	conclusion
CAD variable is not Granger cause of BD.	0.0209	7.739350	2	Reject null hypothesis
BD variable is not Granger cause of CAD.	0.1604	3.66695	2	Accept null hypothesis

Table 9. Granger Causality Test BD and DS

null hypothesis	$Probability$	$\chi^2 - Statistic$	df	conclusion
DS variable is not Granger cause of BD.	0.0001	31.35334	8	Reject null hypothesis
BD variable is not Granger cause of DS.	0.0332	16.71529	8	Reject null hypothesis

Moreover, the Granger Causality Test results show that the Keynesian approach which implies the existence of a direct relationship from the budget deficit towards the trade deficit is not applicable to Iran's oil based economy. Since the basic source of income in Iran is from oil exports it is plausible to expect a different relationship between the deficits than their relationship in a non-oil economy. As such it is possible to expect a positive relationship between government budget and the trade deficit and the trade deficit could cause a budget deficit.

5. Concluding Remarks

In this study, the relationship between the budget deficits, current account deficit and government debt sustainability in Iran were investigated using a VAR model during 1974-2015., Using Granger Causality Test we showed that there exists a relationship among the studied variables. We also conducted variance decomposition and impulse response functions to highlight the proportion of the effect of one variable on the other.

We found that there is a stable and long-term relationship between budget deficit, current account deficit and government debt sustainability. So, policymakers should pay close attention to this fact in the implementation of policies. Also, our empirical evidence shows that, since the main reason of the relationship among the research variables is Iran′s dependence on oil revenues, we need to reduce the dependence of the current account and government budget on oil export to reduce both deficits and government debt sustainability. To achieve this goal the government could gradually replace oil with non-oil exports and tax revenues. Moreover, it is necessary for the government to reduce its borrowing from the banking system to finance its budget deficit. The government could boost the stock market, issue corporate bonds, and establish financial and credit institutions under the supervision of the Central Bank.

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MULTIDIMENSIONAL POVERTY AND INEQUALITY IN NIGERIA, USING THE FIRST ORDER DOMINANCE APPROACH

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ABSTRACT

This paper examines the issues surrounding the paradox of rising poverty amid high economic growth in Nigeria. The Nigerian economy in recent times has recorded substantial growth, even during the global financial crisis, ranking Nigeria as one of the fastest growing economies globally. In spite of this strong growth performance, poverty remains widespread.

The study used the Nigeria Household Panel Survey data for 2015 as well as the Demographic and Health Survey data for 2003, 2008 and 2013. First order dominance approach was used to measure poverty and inequality across four population groups in Nigeria (household heads, women aged 20 – 49, men aged 20 – 49 and children aged 5 – 17) with different non-monetary indicators.

The FOD results were compared across ethnic groups, zones, states, urban/rural and national levels. These figures showed more robust comparison as compared with other multidimensional approaches e.g. global MPI, FGT.

This work makes a distinct contribution to the literature of multidimensional poverty and inequality in Nigeria as few studies exist on this subject matter. It will support policies aimed at reducing poverty rate, narrowing the inequality gap and this will be crucial for the formulation of meaningful goals and policy evaluation.

It is recommended that focus should be placed on structural transformation through poverty alleviation programmes, genuine commitment to good governance, fight against corruption, provision of social protection, inclusive growth, employment generation, and bridging income gap within the economy.

Keywords: first order dominance, poverty rate, inequality gap, Nigeria, poverty reduction, multidimensional poverty

MENTORSHIP IN ENTREPRENEURSHIP EDUCATION AND ENTREPRENEURIAL CAREER CHOICES OF STUDENTS IN NIGERIAN TERTIARY INSTITUTIONS

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ABSTRACT

This work studied and reported integration of mentorship into the Entrepreneurship Education in South-Western Nigeria. Precisely, the trust between the mentor and entrepreneur as well as the frequency intensity as the content of the support (Psychosocial and career) which the mentor brings into the relationship in South-Western Tertiary Institutions of Nigeria was reported. Universities and policy makers around the world increasingly seek to foster entrepreneurship in order to increase economic growth and job creation. Integrating mentorship into entrepreneurship education in tertiary institutions most especially South-Western tertiary institutions will better enhance entrepreneurial activities and career choice. In Nigeria, scholarship on the impact of mentorship on entrepreneurial education has begun to make progress, but it is still in its infancy. Mentors typically do not work in the firm where the mentee is the founder, so the type of mentorship to enable advancement in an organization is not applicable. Obviously, most of studies in this area were mostly conducted in developed countries and it is a valuable contribution to extant knowledge in entrepreneurial activities. This study will therefore fill the gap in Nigerian South-West context. Descriptive and inferential statistics (Quantitative method)as well as multiple regressions with statistical package for social sciences (SPSS) version 20were employed through structured questionnaires and interview. The research was conducted in six states of South-Western Nigeria, which include: Lagos, Ogun, Oyo, Osun, Ondo and Ekiti states. The actual relationship between mentee and mentors in South-West of Nigerian tertiary institutions have been established and reported in this work. The findings will be used by policy makers, and *practitioners. The study will also contribute to existing theories and literatures on mentorship and its effect on entrepreneurs.*

Keywords: Career, Education, Entrepreneurship, Mentorship, Relationship

Executive summary

The focus of this study is on Integrating Mentorship into the Entrepreneurship Education in Tertiary Institutions in South Western Nigeria. The study intends to explore trust between the mentor and the entrepreneur in South western Nigeria, the frequency intensity and content of the support (psychosocial support, career support) the mentor brings into the relationship.

Universities and policy makers around the world increasingly seek to foster entrepreneurship in order to increase economic growth and job creation Harhoff, 1999. In recent years there has been a proliferation in the number of accelerator programs, entrepreneurship education initiatives and government sponsored small business mentorship programs in the US and abroad (Bruneelaet et al, 2012). Integrating mentorship into entrepreneurship education in tertiary institutions most especially South Western tertiary institutions will better enhance entrepreneurial activities and career choice. Scholarship on the impact of mentorship on entrepreneurial education has begun to make progress, but is still in its infancy. (Blau and Colleques 2010). Mentors typically do not work in the firm where the mentee is the founder, so the type of mentorship to enable advancement in an organization is not applicable (Hsu, 2007) and this study intends to fill that gap. There is no doubt about the fact that studies on mentor mentee relationship and its effect on entrepreneurs were done mostly in developed countries and not in developing countries like Nigeria, therefore this study intends to fill that gap by using South Western Nigeria as a scenario. This study intends to use descriptive and inferential statistics of the participant in the south western Nigeria.

The methodology that will be employed to carry out this study is quantitative method through a structured interview which will be analyzed by multiple regressions through the use of statistical package for social sciences (SPSS) version 20. The research will be conducted in six states of South Western Nigeria that is, Lagos, Ogun, Oyo, Osun, Ondo and Ekiti. It is believed that the outcome of this study can be used by policy makers; and practitioners and theory. The study is expected to contribute to literature on mentorship relationship and its effect on entrepreneurs since studies done in this area are mostly on developed countries and this will be a valuable contribution to extant knowledge in entrepreneurial activities.

Introduction

There was this entrepreneur who mentioned that he started his company participating in the startup programme of the university from which he graduated. Part of the programme was that he watched with an experienced entrepreneur, who would act as his mentor. This mentor would be there for his benefit and whether or not he would use the services of the mentor that was up to him (Black - beard, Marrel and Thomas, 2007). He mentioned that the relationship in his eyes was beneficial and that their relation continued after the start up programme, not as a mentor – mentee relationship, but as a business relationship and the mentor became one of the shareholders in his company (Peter & Gertjan, 2013).

The relationship between the entrepreneur and the mentor is of importance, this has been observed by many researchers e.g. Blake beard et al; 2007; Hall, 2003; Little, 1990, research has also shown that it has longer term effect e.g on leadership style (Chun et al , 2012, management skills in general (St-Jean & Audet, 2012), organizational commitment (Lentz & Allen, 2009), career (Whitely, 1999) and Salery (Chao et al., 1992). The need for business specific knowledge and skills are some of the most important reasons why entrepreneurs in all field gain great benefits if they have someone to guide their professional growth and the development of their business. Entrepreneurs can find such a figure in what we call mentors. Mentors help a person learn, progress and ultimately successful in his activity (Hall, 2003). They are skilled people that leverage on their experience in entrepreneurship or expertise in a certain field, in order to help young entrepreneurs succeed through business and life. The main focus of this study is on the integration of mentorship into the entrepreneurship education in tertiary institutions (Hall, 2003).

The study explains trust between the mentor and the entrepreneur, the frequency, intensity and content of the support (Psychosocial support, career support) the mentor brings into the relationship. Nevertheless, a mentor relation ought to be "beneficial" for the nascent entrepreneur and many aspects are mentioned to be benefits of the relationship (Leek & Wood, 2013; Strauss et al., 2013), such as career developments, support, learning, increased confidence, positive visibility and satisfaction. Universities and policy makers around the world increasingly seek to foster entrepreneurship in order to increase economic growth and job creation (Harhoff, 1999). Perhaps rather than encouraging greater entrepreneurship, it may be more important to emphasize specific types of entrepreneurship (Harhoff, 1999). Recent studies have focused on the economic impact of university- based entrepreneurship as particularly important (Harhoff, 1999; Shane, 20004; Roberts and Eesley, 2011; Eesley and Miller, 2012). Many universities, government and industry participants have started programmes which include mentorship as a key component in increasing entrepreneurship. In recent years there has been a proliferation in the number of accelerator programs in the US and abroad (Bruneela, Ratinhoc, Uaryssea and Hroenc, 2012). Accelerator and incubator programming outside of universities, such as (Combinator, Techstars and the founder institute typically pitch potential entrepreneur on the benefits of the mentorship component of their programs (Bruneela, et al 2012).

As mentorship programs proliferate, mentors are increasingly becoming scarce resource (Kuratko, 2005). It is discovered that a vast amount of literature on integration of mentorship into entrepreneurship education in tertiary institutions are mostly done in developed countries and not in developing countries like Nigeria for example. This study intends to fill that gap by examining the effect of mentoring on nascent entrepreneurs in South Western tertiary institutions in Nigeria.

Problem Statement / Justification

The effects of social networks on entrepreneurial career choice are still not well understood, particularly the causal effects of adding network connections and the mechanisms by which such effects may occur. Using observational data, prior work has examined the exposure to entrepreneurship via parents or coworkers, indicating that it increases entrepreneurial behavior (Stuart and Ding, 2006; Sorensen 2007, Nanda and Sorensen, 2010). By contrast, a recent study using quasi - experimental design found that MBA students randomized to class sections with former entrepreneurs were less likely to start business after graduation (Malmendier and Lerner, 2013). However, one do not know if the results imply that these former entrepreneurs influence their MBA peers in screening away low- quality projects, or bring negative sentiments towards the start up career into the classroom, as successful entrepreneurs rarely return to school to pursue advanced degrees.

Literature on mentorship yields mixed results. Generally, studies have suggested that informal mentoring is more effective than formal programme and provides some evidence that mentorship can improve self efficacy and leadership (Ragins, Cotton and Miller, 2001; Raabe and Beeler, 2003).

However, these studies have mainly focused on career development within organizations, leaving examined question of whether the characteristics of mentors influence the subsequent career choices of mentees in making the transmission form conventional careers (i.e. waged employment) to entrepreneurship (i.e. funding a venture as an employer).

This study will address the missing gap that is, whether the entrepreneurial behavior influences career choices of mentees. Another justification is to show the effects of mentorship approaches on the mentees choices between conventional careers and entrepreneurship. Ragins and cotton (1999) find no difference in career outcome between non mentored and formally mentored individuals, but that informally mentored individuals view their mentors as more effective and their mentees receive greater compensation. Dreber and Ash (1990) also find that individuals who received mentorship reportedly had more promotions, higher incomes and greater satisfaction with their compensation than non- mentored individuals.

One drawback shared by much of the prior literature on mentorship and on entrepreneurship education is the use of observational data (Srivastava, 2013). This empirical drawback limits the possible with purely observational data.It is difficult to disadvantage several competing explanations on the observed effects of mentorship. This is the more reason this study will dwell more on the use of triangulation method; questionnaire and direct interview which will be analyzed by multiple regression to determine the integration of mentorship into the entrepreneurship education in tertiary institutions.

Objective(s) of the study

The main objective of this study is to examine the integration of mentorship into the entrepreneurship education in tertiary institutions on entrepreneur in South – Western Nigeria, while specific objectives are:

To determine if mentorship enhances entrepreneurship career choices,

To examine whether mentorship enhances mentees confidence to start own business, To ascertain if mentees satisfaction enhances ability to seek for career as an entrepreneur

Literature Review

The Concept of Mentoring

Mentoring dates back to Ancient Greek times, when it was very common for young and inexperienced men to have a mentor who would deliver knowledge to them in order to turn them into mature men (Baricer, 2005). Today, mentoring has spread beyond the 'personal sphere' and it has become widely used in business in order to bridge the gap between educational process and the real world experience. Many scholars define mentoring as a complex relationship of achieving his goals (Barls and Onyz, 2011).

The concept of mentoring has been broadly studied within the management field and while managerial processes are not purely linked with the entrepreneurial ones, some factors between the two fields happen to be shown. In the management field, mentor serves as an experienced guide to the mentee through a complex path with which he achieves the success within his organization, success that would be very hard to reach alone because of the complex political construct that may exist within an organization (Carrud, 1987). Mentoring means guidance and support through difficult situations but also to building up self-confidence which involve personal as well as professional development: the benefits for the entrepreneur (as the mentee) are of personal and business nature (Fletcher, 2000). There are four stages of evolution through which a mentorship relationship progresses (Kran,1983): Initiation, cultivation, separation and redefinition. With initiation phase the relationship between entrepreneur and the mentor is established, in the cultivation phase the actual "mentoring activities" takes place which strengthened the relationship between the entrepreneur and mentor. This stage is sometimes followed by the separation phase in which the entrepreneur and the mentor end the mentor relationship and in the final phase (redefinition) both the entrepreneur and the mentor enter into a relationship in which they are equal (peers), "the relationship ends entirely" (Kran, 1983).

Mentoring activities are divided into career related and psychosocial activities (Kran, 1983). Career-related support activities are divided directly related to the "protégés career advent cement" company and supporting the career advancement of the entrepreneur also means the development of the skills and knowledge required to succeed in his own company (Sullivan, 2000). The psychosocial support activities include sponsorship, coaching, exposure-and-visibility, protection and challenging assignments (Kran, 1983). It focuses on identity and competence (Chao, 1997).

Roles and Functions of Mentoring

The five major and important roles identified for mentors are: the role of coach, the role of co-ordinator, the role of supporter, the role of monitoring the mentee, the role of organizer (Sullivan, 2000). Mentoring can develop through all various functions a mentor offered and received (St-Jean and Audet, 2011). A successful mentoring relationship would therefore have to maximize upon these functions in order to be prosperous (St-Jean and Audet, 2011).

Style of Mentoring

St-Jean and Audet (2011) study the effectiveness of mentoring style based on maieutic approach combined with a strong involvement of the mentor in the relationship. Sullivan (2000) confirms that entrepreneurs find linking new teachings with their previous experience to be the most helpful to develop their business. The maieutic approach is the one that allows a mentor to develop upon the knowledge and skills already present in the mentee's experience. This allows the mentee to develop by his own pace the best solution to his question (Sullivan, 2000). It also means that the mentor is not supposed to be directive as he would be a better lead by posing continuous questions to the mentee. The mentor is also supposed to continuously meet the mentee and be near to him morally, in order to verify and support his progress (Sullivan, 2000).

Time Aspect and Phases of Mentoring

The relationship between mentor and mentee develops throughout time. Sullivan (2000), says the transformation process from novice entrepreneur to experienced and independent entrepreneur can be explained through a "life – cycle model", matching with the different issues and challenges that enterprises encounter as he mature. Sullivan relates the Churchill phases of a management model with the learning and growth of a mentored entrepreneur. As the mentee grows and turns into an entrepreneur he will require differentiated assistance from the mentor (Sullivan, 2000). Churchill's phases are: (conception, survival, stabilization, growth orientation, rapid growth and research maturity, which portray small businesses as they move through their life – cycle and mature in accordance to their own needs (Sullivan, 20000). While those phases are well separated, they do not necessarily happen consequently, because each entrepreneur learns and progresses in base of his specific gathering of experience (Sullivan, 2000). These phases combine well with roles of a mentor, because different phases of the growth of an entrepreneur and his business, correspond to different roles of a mentor (Sullivan, 2000).

The Mentor – Mentee Relationship

As a matter of fact the success of an enterprise depends a lot on teachable skills, rather than on other variables and these skills can be learnt more easily from others that already have them (Audet, 2011). Sullivan (2000) holds that expectations on both sides should be taken into account, since they may play determinant role in shaping the relationship between the two parties. Mentee's expectations usually include elements such as skillful communication, mutual personal commitment, expertise in the field and the ability to enhance his career and personal development (Barker, 2005). Mentor's expectations tend to be similar. Among those shared expectations by Barker includes skilful communication, the desire to learn from the mentee, the ability to analyze and synthesize, and the combination of trust, tolerance of diversity and reciprocity, which enhance the formation and the sustainability of fruitful and strong ties (Baker & Onyx, 2011).

Strong ties make the mentor very approachable, more reliable and ensure he shares more deeply and in a more risky way his resources with the entrepreneur and are even more useful to entrepreneurs that are in a vulnerable state, be it financial or psycho-social (Berron & Combinous, 2012). Berron & Combinous (2012) conclude that a close relationship is extremely important, because it prompts the entrepreneurial success in markets dominated by uncertainty, such as the one present in developing countries.

Theory of Development

Entrepreneurship scholars have shown that experienced entrepreneurs raise money faster (Hsu, 2007) and generate firm growth (Eesly & Roberts, 2012). Mentorship by former or current entrepreneurs may have different effects from mentorship by other types of professionals. Mentors who do not have direct entrepreneurship experience may work in venture capital (VC) firms or as a middle or upper level managers in established organizations. Prior work finds that VCs with previous start-up experience are more likely to be active investors (Bottazzi et al., 2008) and have higher returns in their portfolio (Zarutskie, 2010).

By clarifying the potential roles of mentors in the transition to entrepreneurship, four main obstacle can be outlined that potential entrepreneurs face when making decisions about starting a new venture. These include: (1) stigma, or fear of failure, (2) concerns about entrepreneurial ability or self-efficacy, (3) general lack of information about entrepreneurial careers, and (4) lack of social connections to resources providers in entrepreneurship. Stigma or fear of failure is the concern that, if one creates a new venture and it fails, then ones' future career is ruined (Laudier, 2005; Simmons et al., 2013). Experienced entrepreneur-mentors may help their mentees to understand that a failed venture is not the end of a career, but rather an important part of their entrepreneur training. Entrepreneur mentors, especially serial entrepreneurs who have failed before, can help their mentees reduce their fear of failure, because they can help them to develop a more realistic assessment of the possible career choices in event of venture failure (Nanada & Sorensen, 2010).

Second, concerns that an individual may have their own ability or capacity for entrepreneurship may hinder them from trying. Unlike many careers, there is no straightforward way to develop skills as an entrepreneur or discover which skills are necessary without trying it (Lazear, 2005). Experienced entrepreneur – mentors can demonstrate to mentees that these necessary skills to being a successful entrepreneur can be learned. This inspiration comes from the idea that the mentor will share the secrets' of the start-up process with the mentee. Imparting information on the start-up process from someone who has been there and done it can increase the mentee's confidence in his own abilities and entrepreneurial self-efficacy (Zhao et al., 2005), increasing the likelihood and level of success. The entrepreneurial mentor can thus become a role model.

Third, mentoring by entrepreneur mentors provides the mentee with behaviourial information. Entrepreneur mentors are in a unique position to acknowledge the challenges, long hours, material strife, and other difficulties associated with entrepreneurship. They can also talk about the personal characteristics and behaviors necessary to cope with these challenges. On the positive side, they can also speak directly to the non-monetary rewards arising from entrepreneurship in terms of creating innovation and change in an industry; solving real problems and having an impact (Sullivan, 2000).

Finally, there is lack of social connections to resources necessary for entrepreneurship. Particularly students do not have prior co-workers or friends who are angel investors, venture capitalists or start-up layers. Beyond the stage of brainstorming ideas, it is difficult for them to know constraint for nascent entrepreneurs than experienced entrepreneur – mentors can be better positioned to alleviate (Baker et al., 2011).

No doubt high quality research on the subject is still nascent (Homan et al., 1997) while many early studies were descriptive (Vesper and Gartner, 1997), recent work has begun to show as attitudes and intentions towards entrepreneurship or entrepreneurial activity (Fayolleet al, 2000; Tkacher and Kolvereed, 1999; Von Graeventzet al., 2010). Results have suggested that entrepreneurship programmes encourages students to start businesses and increase their entrepreneurial self-efficacy (Mc Mull et al., 2002; Gorman et al., 1997). Peterman and Kennedy (2003) find that students in an enterprise education course who had weak ex-ante entrepreneurial intentions had a stronger increase in those intentions than the students with strong ex-ante intentions. Souitaris et al (2007) finds that a semester long entrepreneurship program resulted in an increase in entrepreneurial intentions Graevenitz and Colleagues (2010) write "while entrepreneurship education has been introduced and promoted in many countries and at many institutions of tertiary education, little is known at this point about the effect of the courses. In particular, it is largely unknown how the courses impact students' willingness to engage in entrepreneurial activity and what of learning processes are responsible for these effects. Instead, the literature has focused on an analysis which studies outcomes, but does not consider the causes on the path of learning.

Methodology

This study will cover tertiary institution in six states in South – Western Nigeria and it focus on the integration of mentorship in entrepreneurial education in tertiary institution in the six states (Lagos, Ogun, Oyo, Osun, Ondo and Ekiti). For the purpose of this study, a quantitative method will be used in data collection and analysis, that is, a triangulation method, structured questionnaire and direct interview.

The study will rely on primary data that will be gathered from Universities, Polytechnics and colleges of education in South – Western Nigeria that is the selected final year students of the institutions. The questionnaire will be divided to three sections. Section A will collect information on the demographic characteristics of the respondents such as age, gender and highest educational attainment. Section B deals with entrepreneurial experiences of the entrepreneurs; Section C will examine the effect of mentoring on nascent entrepreneurs. The study will be analyzed using descriptive and inferential statistics and multiples regressions.

Expected Results

The following results are expected in this work:

Mentorship is expected to enhance entrepreneurial career choices,

Mentorship is expected to enhance mentees confidence to start own business,

Mentees satisfaction is expected to enhance ability to seek for career as an entrepreneur

RESEARCH METHODOLOGY

Research Design

The study used a survey design to mentorship in entrepreneurship education and entrepreneurial career choices of students in Nigerian Tertiary Institutions. This design has been defined by Gay, (1981) as a process of collecting data in order to test hypothesis or to answer questions concerning the subject under study.

Target Population

Cooper and Schindler (2008) observe that a population is the total collection of elements about which one wants to make inferences. The study targeted six (6) Institutions from Lagos, Ogun, Oyo, Osun, Ondo and Ekiti State.

Table 1.1 Sampling Design

NAME OF THE INSTITUTION	MALE	FEMALE	TOTAL	SAMPLE (10%)
UNIVERSITY OF LAGOS	56	44	100	10
UNIVERSITY OF IBADAN	70	30	100	10
UNIVERSITY OF AGRIC ABEOKUTA	75	25	100	10
EKITI STATE UNIVERSITY	46	54	100	10
ADEKUNLE AJASIN UNIVERSITY	59	41	100	10
OSUN STATE UNIVERSITY	68	32	100	10
GRAND TOTAL	374	226	600	70

Data Collection Instrument

A self-designed structured questionnaire was used to collect primary quantitative data. Part A was used to collect general information about the respondents like demographics. Part B was suitable for collecting information on how the role mentorship enhances entrepreneurship career choices among students. Part C was suitable for collecting information about whether mentorship enhances mentees confidence to start own business. Part D was suitable for collecting information To ascertain if mentees satisfaction enhances ability to seek for career as an entrepreneur.

Pilot study

Pilot study are used to ensure validity and reliability of the research instruments (Saunders, Lewis, & Thornhill, 2007). Van-Teijlingen & Hundley (2001) note that pre-testing is useful since it helps to establish whether the study techniques are effective and helps to uncover internal variabilities, hence making the instrument more objective. Muus and Baker-Demaray (2007) note that a pilot test should draw subjects from the target population.

Validity and Reliability of Questionnaire

The purpose of the pilot study was to refine the questionnaire which was piloted on 10% of the potential respondents who were randomly picked. Insight obtained from the pilot survey was analyzed and used to make adjustments in the questionnaire.

Data Collection Procedure

The questionnaires were administered to the respondents by the researcher herself and two other researchers. The research assistants were briefed on the content of the questionnaire and on how to handle difficult queries from respondents.

Data Analysis and Presentation

Quantitative data was analyzed using SPSS 23 through descriptive statistics was use for the presentation of all categorical data (Age, Gender, Level of Study and Study/Discipline), demographical data were further presented with the aid of cross tabulation and multiple Regression.

ANALYSIS AND RESULTS

Respondents' Profile

Demographic Profile Gender of respondents

The male respondents were the majority with 59.2% (355) followed by the female respondents at 40.8% (245) as shown in figure 1 below. It can be deduced from the demographic result that respondents are more among male compare to female.

Table 1.2 Profile of the respondents (n=600)

Demographic Variable	Category	Frequency (%)
Age group	Less than 21 21-24 Greater than 24	8.8 26.7 64.5
Gender	Male Female	59.2 40.8
Level of study	Bachelor Masters	56.8 43.2
Study /Discipline	Science Engineering Management Others	8.8 22.2 56.8 12.2

Age of respondents

The study findings shown in figure below show that 8.8% (53) of the respondents were less than 21 years, 27%(160) were aged between 21-24 years, 65%(387) were greater than 24 years representing the highest frequency of the respondents. This represents a good number in participation by all age groups.

Study and Discipline

From the findings on the courses studied by the students in the Institutions, figure below presents results that were obtained. Most students pursued Science courses at 8.8%, (53) those who pursued Engineering courses were at 22.2% (133), and Management courses students were56.8% (341) while those pursuing other courses were at 73% (12.2). The findings represent a good representation from all courses participated.

RESARCH VARIABLE CLASSIFICATION USING DESCRIPTIVE STATISTICS WITH THE AID OF RESPODENTS

Table 2.1: DESCRIPTIVE STATISTICS MEASURING MENTORSHIP ENHANCES ENTREPRENEURSHIP CAREER CHOICES BASED ON AGE GROUP

Descriptive

STATEMENT	AGE	N	Mean
Mentoring is one of the best method of becoming a successful person	LESS THAN21	53	1.00
	21-24	160	1.24
	Greater than 24	387	3.85
	Total	600	2.90
Mentoring can help in overcoming significant struggles as a youth in academic pursuit or chosen career	LESS THAN21	53	1.00
	21-24	160	1.71
	Greater than 24	387	4.05
	Total	600	3.16
Mentoring will help in receiving guidance and advice regarding career choices	LESS THAN21	53	1.00
	21-24	160	1.00
	Greater than 24	387	1.61
	Total	600	1.39

MENTORSHIP TO ENHANCE ENTREPRENURIAL CAREER CHOICES

Table2.1:

The analysis revealed the mean of each age group to the statement Mentoring is one of the best method of becoming a successful person but respondent from age that is greater than 24 reacted more favourably compare to others. The second statement from the table was reacted to with lower mean except age of respondents having greater than that responded favourably. This indicate that the mean score of 4.05 supported the statement of Mentoring can help in overcoming significant struggles as a youth in academic pursuit or chosen career. The table also shows that the statement mentoring will help in receiving guidance and advice regarding career choices has lower mean score, both less than 21 and 21-24 is having the same mean score age greather 24 that is having mean score of 1.61.

Table2.2: DESCRIPTIVE STATISTICS MEASURING MENTORSHIP IS EXPECTED TO ENHANCE MENTEES CONFIDENCE TO START OWN BUSINESS BY AGE

Descriptive

STATEMENT	AGE	N	Mean
Lecturers	LESS THAN21	53	1.00
	21-24	160	1.00
	Greater than 24	387	1.58
	Total	600	1.38
Entrepreneur Course	LESS THAN21	53	1.00
	21-24	160	1.00
	Greater than 24	387	2.79
	Total	600	2.15
Entrepreneurship Seminar	LESS THAN21	53	1.00
	21-24	160	1.00
	Greater than 24	387	1.60
	Total	600	1.39

Table2.2:

The analysis revealed the mean of each age group to the statement lecturers is expected to enhance mentees confidence to start own business but respondent from age that is greater than 24 reacted more favourably compare to others. The second statement from the table was reacted to with lower mean of 1.00 from respondents having less than 21 and 21 – 24 of age compare to mean score of greater than 24 ages that responded favourably with mean score of 1.60. This indicate that the mean score of 1.60 supported the statement of Entrepreneur course is expected to enhance mentees confidence to start own business. The table also shows that the statement Entrepreneurship Seminar will help to enhance mentees confidence to start own business by respondents has lower mean score, both less than 21 and 21-24 is having the same mean score of 1.00 while age greater 24 is having highest mean score of 1.61 which affirmed the statement.

Table2.3: DESCRIPTIVE STATISTICS MEASURING EFFECT OF MENTEES TO ENHANCE ABILITY TO SEEK FOR CAREER AS AN ENTREPRENEUR BY AGE

Descriptive

STATEMENT	AGE	N	Mean
Mentoring and entrepreneurship educational background can help to develop business plans successfully	LESS THAN21	53	1.00
	21-24	160	1.00
	Greater than 24	387	2.66
	Total	600	2.07
Successful entrepreneurs can motivate me towards entrepreneurship as a career	LESS THAN21	53	1.00
	21-24	160	1.00
	Greater than 24	387	2.53
	Total	600	1.99
Knowledge, skills and interest in entrepreneurship can improve through mentoring career and entrepreneurship career	LESS THAN21	53	1.00
	21-24	160	1.00
	Greater than 24	387	1.43
	Total	600	1.28

Table2.3:

The analysis in the table revealed that the statement Mentoring and entrepreneurship educational background can help to develop business plans successfully was given highest mean score by the respondents of greater than 24 with mean score of 2.66 which implies that the age group reason highly with the statement. From the findings the respondents of age less than 21 and 21 – 24 reason together with the mean score of 1.00

Table3.1: DESCRIPTIVE STATISTICS MEASURING MENTORSHIP ENHANCES ENTREPRENEURSHIP CAREER CHOICES BASED ON GENDER

Table3.1:

The analysis in the table reveals that the mean scores for male and female are 1.89 and 4.36 respectively. However, male respondents with mean score affirm more favourably to the statement of mentoring is one of the method of becoming a successful person. The respondents also acknowledged that to overcome any significant struggles as a youth in academic pursuit or chosen career motoring is necessary to pilot them. Male and female respondent agree that mentoring will help in receiving guidance and advice when it comes to career choices in life. The analysis reveals the mean score with 1.00 and 1.96 respectively for male and female respondents. This indicates that the two group tens towards it.

Table3.2: DESCRIPTIVE STATISTICS MEASURING MENTORSHIP IS EXPECTED TO ENHANCE MENTEES CONFIDENCE TO START OWN BUSINESS BASED ON GENDER

Descriptive

STATEMENT	GENDER	N	Mean
Lecturers	Male	355	1.00
	Female	245	1.92
	Total	600	1.38
Entrepreneurship Seminar	Male	355	1.00
	Female	245	1.95
	Total	600	1.39
Entrepreneur Course	Male	355	1.22
	Female	245	3.51
	Total	600	2.15

Table3.2: The table reveals that both respondents responded but there responses differ. The analysis shows that the mean score for male and female are 1.00 and 1.92 affirmed that lecturers enhance their students confidence to start own business. The table also indicates that entrepreneurship seminar also motivate students to start business of their own with the mean score of 1.00 and 1.95 from respondents of both male and female. The analysis for entrepreneur course shows that both male and female believe in enhancing their confidence to start their own business through entrepreneur course they do in school with the mean of 1.22 and 3.51 for both male and female. The result suggests that more respondent will like to do entrepreneur course if they are giving chance.

Table3.3: DESCRIPTIVE STATISTICS MEASURING EFFECT OF MENTEES TO ENHANCE ABILITY TO SEEK FOR CAREER AS AN ENTREPRENEUR BASED ON GENDER

Descriptive

STATEMENT	GENDER	N	Mean
Mentoring and entrepreneurship educational background can help to develop business plans successfully	Male	355	1.19
	Female	245	3.36
	Total	600	2.07
Successful entrepreneurs can motivate me towards entrepreneurship as a career	Male	355	1.18
	Female	245	3.16
	Total	600	1.99
Knowledge, skills and interest in entrepreneurship can improve through mentoring career and entrepreneurship career	Male	355	1.00
	Female	245	1.67
	Total	600	1.28

Table3.1: the table revealed that when respondents were asked to react to the statement on mentoring and entrepreneurship educational background can help to develop business plans successfully the female respondent replied more favourably compare to male respondents. The table reveals the analysis with the mean score for Male and female as 1.19 and 3.36. This suggested that more respondent came from female. The second statement is having the mean score for male as1.18 and 3.16 for female this analysis revealed that the statement successful entrepreneurs can motivate me towards entrepreneurship as a career has more support from female respondent and favourably high compare to male mean.

Table4.1: DESCRIPTIVE STATISTICS MEASURING MENTORSHIP ENHANCES ENTREPRENEURSHIP CAREER CHOICES BASED ON STUDY/DISCIPLINE

Descriptives

STATEMENT	STUDY/DISCIPLINE	N	Mean
Mentoring is one of the best method of becoming a successful person	Science	53	1.00
	Engineering	133	1.09
	Management	341	3.45
	Others	73	5.00
	Total	600	2.90
Mentoring can help in overcoming significant struggles as a youth in academic pursuit or chosen career	Science	53	1.00
	Engineering	133	1.65
	Management	341	3.69
	Others	73	5.00
	Total	600	3.16
Mentoring will help in receiving guidance and advice regarding career choices	Science	53	1.00
	Engineering	133	1.00
	Management	341	1.24
	Others	73	3.12
	Total	600	1.39

Table4.1:

The analysis revealed the mean of each study/discipline group to the statement Mentoring is one of the best method of becoming a successful person but respondent from others departments reacted more favourably compare to others. The second statement from the table was reacted to with lower mean of 1.0 by science except others which is having 5.0 that responded favourably. This indicate that the mean score of 5.0 supported the statement of Mentoring can help in overcoming significant struggles as a youth in academic pursuit or chosen career. The table also shows that the statement mentoring will help in receiving guidance and advice regarding career choices has mean score for Science, Engineering, Management and others are 1.00, 1.00, 1.24, 3.12, 1.39 which Science and Engineering is having the same mean score of 1.00.

Table4.2: DESCRIPTIVE STATISTICS MEASURING MENTORSHIP IS EXPECTED TO ENHANCE MENTEES CONFIDENCE TO START OWN BUSINESS BASED ON STUDY/ DISCIPLINE

Descriptives

STATEMENT	STUDY/DISCIPLINE	N	Mean
Lecturers	Science	53	1.00
	Engineering	133	1.00
	Management	341	1.25
	Others	73	2.92
	Total	600	1.38
Entrepreneurship Seminar	Science	53	1.00
	Engineering	133	1.00
	Management	341	1.37
	Others	73	2.48
	Total	600	1.39
Entrepreneur Course	Science	53	1.00
	Engineering	133	1.00
	Management	341	2.32
	Others	73	4.32
	Total	600	2.15

othesis testing Table4.2: DESCRIPTIVE STATISTICS MEASURING MENTORSHIP IS EXPECTED TO ENHANCE MENTEES CONFIDENCE TO START OWN BUSINESS ON STUDY/DISCIPLINE

Table4.2:

Table 4.2 above shows that when respondents were asked if lecturers enhance students confidence to start own business most respondents from study/discipline replied favourably to the statement. The analysis in the table reveals that the mean scores for science, Engineering, Managements and others are 1.00, 1.00, 1.25 and 2.92, respectively. However, respondents that fall to Managements and others affirmed more favourably to the statement with mean score 1.25 and 2.92. This suggests that more respondents in Managements and others were of the opinion that lecturers enhance students confidence to start own business. The table indicates that when respondents were asked if Entrepreneurship seminar enhance students confidence to start own business, most respondents from all groups affirmed the statement. The analysis shows that the mean scores for science, Engineering, Management and others groups are 1.00, 1.00, 1.37and 2.48, respectively. The table also reveals that most respondents from all study/discipline affirm that Entrepreneur Course enhance students confidence to start own business The analysis shows that the mean scores for science, Engineering, Management and other groups are 1.00, 1.00, 2.32 and 4.32 respectively. On the other hand, more respondents from other disciplines with mean score 4.32 affirmed the statement. This result suggests that more respondents from other discipline acknowledge Entrepreneur Course as enhancement to instill confidence to mentee to start his/her own business.

Table4.3: DESCRIPTIVE STATISTICS MEASURING EFFECT OF MENTEES TO ENHANCE ABILITY TO SEEK FOR CAREER AS AN ENTREPRENEUR BY STUDY/ DISCIPLINE

Descriptives

STATEMENT	STUDY/DISCIPLINE	N	Mean
Mentoring and entrepreneurship educational background can help to develop business plans successfully	Science	53	1.00
	Engineering	133	1.00
	Management	341	2.18
	Others	73	4.32
	Total	600	2.07
Successful entrepreneurs can motivate me towards entrepreneurship as a career	Science	53	1.00
	Engineering	133	1.00
	Management	341	2.09
	Others	73	4.05
	Total	600	1.99
Knowledge, skills and interest in entrepreneurship can improve through mentoring career and entrepreneurship career	Science	53	1.00
	Engineering	133	1.00
	Management	341	1.11
	Others	73	2.73
	Total	600	1.28

Table4.3:

The analysis in the table revealed that the statement mentoring and entrepreneurship educational background can enhance ability to seek for career as an entrepreneur was given priority by repodents with mean score of 1.00, 1.00, 2.18 and 4.32 which implies that the groups reason highly with the statement. The analysis also reveals the statements by respondents on successful entrepreneurs can motivate me towards entrepreneurship as a career was rated by all study/discipline with mean score of 1.00, 1.00, 2.09 and 4.05. Which implies that all supported the statement. The analysis in the table reveals that the mean scores for science, Engineering, Management and others from the statement of Knowledge, skills and interest in entrepreneurship can improve through mentoring career and entrepreneurship career are 1.00, 1.00, 1.11and 2.73, respectively. However, respondents from other group asserted more favourably to the statement with mean score 2.73. This suggests that more respondents from other group were of the opinion that Knowledge, skills and interest in entrepreneurship can improve through mentoring career and entrepreneurship career.

Testing the statements

In other to test the statement Mentorship is expected to enhance entrepreneurial career choices hierarchical multiple regression analysis was carried out and the results are as presented in Table 4.6.1a below

					Change Statistics				
MODEL	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.973	.948	.948	.392	.948	10812.244	1	598	.000
2	.978	.956	.956	.360	.008	109.529	1	597	.000

a. Predictors: (Constant), Mentoring can help in overcoming significant struggles as a youth in academic pursuit or chosen career

b. Predictors: (Constant), Mentoring will help in receiving guidance and advice regarding career choices

c. Dependent Variable: Institution

The test was to determine if mentorship enhances entrepreneurship career choices

The analysis reveals that mentorship accounted for 94.8% variance in student's entrepreneurship career choices($R2=.948$, $F9=10812.244$,$P<0.5$). The analysis revealed that receiving guidance and advice explain 95.6% variance in students receiving guidance and advice (R2

TABLE ANOVA:

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1658.284	1	1658.284	10812.244	.000
	Residual	91.716	598	.153		
	Total	1750.000	599			
2	Regression	1672.502	2	836.251	6442.026	.000
	Residual	77.498	597	.130		
	Total	1750.000	599			

a. Dependent Variable: Institution

b. Predictors: (Constant), Mentoring can help in overcoming significant struggles as a youth in academic pursuit or chosen career

Table above shows the results of the two models. The first model showed overcoming significant struggles as a youth in academic pursuit or chosen career through. The F-value is calculated as the Mean Square Regression (1658.284) divided by the Mean Square Residual (0.153), yielding F=10812.244. From this results, model 1 in the table is statistically significant (Sig =.000).

DISCUSSION

Results of the study show that the overall attitude of students towards mentorship in entrepreneurship education and entrepreneurial career choices of students in Nigerian tertiary institutions is positive since our model in the table is statistically significant (Sig =.000). It is also shown in the results of the multiple regression that students agreed that mentorship will enhance entrepreneurial career choices and this is a further demonstration of how positive the attitudes of students are towards entrepreneurship education. This result confirms earlier studies the relationship between the entrepreneur and the mentor is of importance, this has been observed by many researchers e.g. Blake beard et al; 2007; Hall, 2003; Little, 1990, research has also shown that it has longer term effect e.g on leadership style (Chun et al , 2012, management skills in general (St-Jean & Audet, 2012), organizational commitment (Lentz & Allen, 2009), career (Whitely, 1999) and Salery (Chao et al., 1992). In his study also (Hall, 2003) mentors help a person learn, progress and ultimately successful in his activity.

Lectures, entrepreneurship seminar, entrepreneur course, all contribute highly to enhance students to become entrepreneurs. Students who declared that they wish to eventually start their own business 'just after graduation' also agreed that 'entrepreneurship seminar' at the institution motivate their intentions on entrepreneurial, this support the findings of Harhoff, 1999; Shane, 20004; Roberts and Eesley, 2011; Eesley and Miller, 2012.

RECOMMENDATIONS

Based on the above discussions conclusions, there are a number of recommendations that can be made. Firstly financial support for the students who are willing to become entrepreneurs, especially university graduates with entrepreneurship education, in order to enable them to break the barrier of financial problem .Secondly emphasis should be place on mentorship in entrepreneurship education and entrepreneurial career choices of students in Nigerian tertiary institutions in order to educate students the more on mentoring and entrepreneurship education.

Also entrepreneurship education and practical entrepreneurship schemes (such as mentorship programmes) should be implemented in all Institution to help foster the desire of students to become entrepreneurs and increase students'/graduates' business management capabilities and job creation propensity.

BIOGRAPHIES

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FINANCIAL COVENANTS AND COMPANY PERFORMANCE: A CAPITAL STRUCTURE APPROACH

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ABSTRACT

First, the area of research regarding financial covenants can be seen as a special part of the much broader field of the capital structure debate. Second, financial covenants can be employed to introduce and develop a new understanding regarding capital structure. Starting with the approach of Modigliani / Miller in 1958 there has been a long and lively theoretical and practical discussion about the – potentially – optimal way to finance a company – the capital structure. One relatively new part of the mentioned research examines financial covenants used in debt contracts or credit rating analysis and their potential relations with – or effects on – the performance and corresponding the value of a company.

Thus, the in this paper presented analytical and quantitative approach aims to investigate the potential relation of financial covenants – as a measurement of capital structure – and the performance of a company. For the purpose of data collection, this approach makes use of public files of financial data of German not listed mid-cap companies.

The results reveal the correlation of – the use of – financial covenants and the performance figures of companies clearly. In detail, the analysis shows that companies that stay financially flexible by not moving close to the limitations set by financial covenants tend to show relatively better performance figures.

Additionally, because of the alternative definition of capital structure, this paper may also be seen as one of the starting points of new approaches to analyse the capital structure puzzle differently. On the one hand, a new understanding applied to the "capital structure" could be useful and *deliver new insights. On the other hand, things become even more complicated leaving the traditional and simple definition of capital structure as the relation of debt to equity.*

Keywords: Financial covenants, debt covenants, capital structure, financial flexibility, strategic finance.

1. Introduction

The question regarding the – maybe optimal – capital structure of a company is one of the most important decision fields of its – financial – management in its daily business. For this reason, the question which factors affect capital structure decisions attracts high awareness in the finance literature for more than five decades until now. Thus, the question under discussion is, if there may be an optimal capital structure of a company and – if yes – how this would look like. It is worthwhile to mention that the traditional definition of capital structure under discussion is the relative simple relation of debt to equity. An optimal capital structure then is that one that leads to further benefit by increasing the value or the performance of a company.

During intensive research, many different additional aspects have been taken into account to get a better understanding regarding this capital structure issue. These are – among others – taxes, risk, growth rates, sectors, collateral, industry and information. One of the recent approaches focusses the importance of key financial figures – such as financial covenants – regarding the capital structure choice of the management of a company.

Next to the mainly financial view, the relation between the capital structure of a company and its "real" results is of interest. The financing part of a company can be seen as the "financial" side and then its results may be seen as its "real" side. One question of interest here is, if the capital structure of a company may have some relation to or effect on its "real" world, its investments, its performance, its management decisions and resulting its value.

Taking into account present-day's practical view of a finance manager, the simple debt to equity ratio may be less important, than the majority of theoretical approaches assumes. Structuring and managing financial instruments in real business life, indeed a set of rating related financial figures going beyond the simple debt equity ratio is employed. This fact may be the result first of today's importance of credit ratings for companies, second the use of financial covenants in debt contracts and third the increasing cash flow orientation in modern finance business. Resulting, the understanding regarding finance and capital structure has changed.

This paper aims to contribute to this relatively new perspective and go beyond it. Resulting, its intention is first to assume that key financial figures like financial covenants may be employed as an alternative and at the same time, more accurate measure of capital structure than only the simple relation of debt to equity. Second, this paper intends to examine the potential relation of the practical employment of financial covenants and the performance of companies.

The empirical part of this paper makes use of financial data of about 3.500 German not listed midcap companies showing a turnover between 100 and 1.000 mio. € in the years 2015 and 2016. Further, the selected portfolio covers different regions of Germany; an industry focus is not fixed. Finally, this paper makes only use of one, but maybe the most important financial covenant: the relation of debt to earnings before interest, depreciation and amortisation ("EBITDA").

The chosen approach has already been tested once, but is still quite new. Maybe, this paper results in a worthwhile contribution to the capital structure theory in general. Concerning practical financial management a kind of success rule that helps finance managers to make better decisions in their daily work may also result.

The overview over this paper looks like the following. Section 2 delivers a focussed literature review including the theoretical background regarding the capital structure research. Then section 3 explains the resulting objective of this paper in detail. The chosen methodology and approach are presented in section 4 of this paper. Subsequently, section 5 presents the empirical results. Finally, the summary of section 6 ends this paper.

2. Focussed literature review

The finance literature already shows a quite active debate concerning the matter of the capital structure. Considering this fact, this section intends to supply only a quite rough overview of it. It begins with the approach of Modigliani and Miller, takes a glance at the following research and ends with an outlook on the current developments.

2.1. Modigliani / Miller's introduction to the capital structure debate

The capital structure issue began with the paper "The Cost of Capital, Corporate Finance, and the Theory of Investment" of Modigliani and Miller in 1958 (Modigliani / Miller 1958). Their first thesis made use of the assumption of a perfect market world without taxes, bankruptcy costs and asymmetric information. In this perfect capital market, the value of a company should not depend on its finance – especially not on its capital structure. The Modigliani / Miller-theorem is generally considered as a purely theoretical result because it ignores real important factors in the capital structure decision like taxes, bankruptcy costs, agency costs and information asymmetry among others. Because the world Modigliani and Miller describe is not real, they later point out that the influence of the capital structure on the value of a company may be influenced by different imperfections of the financial markets. Today there are already many further research contributions providing insights into this topic.

2.2. Following research approaches

In the last more than five decades, many authors discussed and investigated the Modigliani/Miller-theorem out of different perspectives. The ongoing debate roughly divides into two different directions. The first of them concentrates primarily on finding an optimal capital structure that increases the value of a company. The second direction of analysis concentrates on the question, if the choice of the capital structure of a company may interact with the company's real world.

Regarding the first direction of research, many approaches consider factors neglected by Modigliani and Miller. Here the two most important theories are the trade-off- and the pecking-order-theory. The trade-off-theory loosens assumptions stated by Modigliani and Miller by including – among others – bankruptcy costs and taxes while the pecking-order-theory introduces information asymmetry into the capital structure debate.

In the trade-off-theory, firms are financed partly with a mixture of debt and equity. The resulting leverage level is associated with on the one hand higher tax benefits of debt and on the other hand higher costs of financial distress and bankruptcy. Considering this, a value-maximizing company will choose its optimal leverage level accordingly weighing up between tax benefits and additional risks (Bredley / Jarrel / Kim 1984, Harris / Raviv 1991 and others).

The pecking-order-theory has been presented by Myers and Majluf (Myers / Majluf 1984). This theory chooses a different approach by including asymmetric information. It points out that due to asymmetric information companies prioritize their means of financing from internal funds to equity. The reason for this is that managers have an incentive to use private information to issue stocks when they are over-priced. The addressed investors should be aware of this asymmetric information issue and discount the company's existing and new shares. Considering this, managers could omit profitable projects if they have to be financed with underpriced stocks. As a consequence of the costs of asymmetric information, managers finance projects first with internal funds, then low risk debt for which this problem is small follows – and finally equity is chosen. Regarding the trade-off-theory and the pecking-order-theory meanwhile many additional aspects have been discussed. Nonetheless, the one optimal capital structure as a financial instrument or solution to create more value has not been found until today.

With respect to the second direction of research, a potential relation between finance and real world is examined. On the one hand, the capital structure may influence the strategic decisions of a company (Gill / Biger / Mathur 2011, Kochar / Hitt 1998). The question here is, if the capital structure influences the activity of a company in its investment decisions, market activity, cost efficiency or others. On the other hand, different strategic decisions of a company may lead to or even require different capital structure decisions (Lowe / Naughton / Taylor 1994) – in the sense of "finance follows strategy".

Assumably, both perceptions of the potential relation of capital structure and real world may be linked to each other. If a company's capital structure is better or even optimal, the company's results may be better. If the company's results are better, its capital structure may be influenced as earnings increase and may be retained to improve the equity ratio. This obviously straightforward factor makes it more complicated to distinguish between dependent and independent variables in the capital structure discussion.

2.3. Current developments

Although lots of theories and models have been discussed, they still cannot capture all relevant factors that may affect the capital structure choice of a company. Further, all the roughly mentioned approaches disregard a factor that indeed is of increasing importance; this is the influence of key financial figures. These key financial figures become important in the shape of – quantitative – credit ratings or as financial covenants in debt contract. As such, they play an important role on capital markets all over the world. The current work of Kisgen (Kisgen 2006, Kisgen 2009) presents a modern approach to the capital structure debate. It states that credit ratings – and corresponding key financial figures – have an impact on the management's capital structure decisions – understood as the debt to equity relation – because of the costs or benefits that come along with a rating change. Very often, the most important rating figures are close to debt covenants used in finance contracts. Credit Ratings are either determined – externally – by specialised credit rating agencies or – internally – by banks or other lenders. Their intention is to capture the creditworthiness of corporations and provide an ordinal ranking of credit default risk across firms. This kind of rankings is derived via a quite complex rating process in which both, qualitative and quantitative data are used.

This paper intends to tie its analysis to this current rating discussion and go ahead with this approach. The resulting idea is to define the capital structure by making use of a set of important key financial figures or debt covenants and not only the simple debt to equity ratio. Already several studies evidenced the view that the optimal capital structure depends on different detailed aspects and thus cannot be described straightforward. Nevertheless, the majority of researchers still put the focus on the relation of debt to equity.

This paper takes into account that the quantitative part of a credit rating can be described by a set of key financial figures it is assumed that these figures themselves may be used to describe the capital structure. The most important respective figures are relations of debt to EBITDA, EBITDA to interest, EBIT ("earnings before interest and tax") to interest, funds from operations to debt, debt to equity and others. Exactly these figures are very often the ones chosen as financial covenants in debt contracts. The lender is then supposed to stay in the set boundaries. Resulting, the financial covenants tend to fix the – allowed – capital structure.

3. Objective of this study

Generally, a company's capital structure is defined by making use of only the main finance positions debt and equity. Factually, a mixture – or structure – of the capital positions debt and equity and maybe including its sub capital positions like mezzanine and others is utilised. In real cases, the capital structure of a company may be even more complex and consist of lots of different sources of capital.

Taking into account the importance of financial covenants for the daily financing of a company, this paper intends to suggest and discuss or even establish a new definition of capital structure. It uses financial covenants as in instrument to align capital structure then analyses a potential correlation with company performance and discusses this – with the aim to explain it.

Hence, the main objectives of this paper are as follows:

Suggest a new definition of capital structure – closely related to the financial managers' daily work.

Select one main – out of a broader set of others – financial covenant to be focussed in a simple empirical examination. This static approach of analysis is supposed to be understood as a kind of introduction into the new perspective.

Define and analyse the open debt capacity and its relation to the – relative – performance of companies: If financial covenants are employed to direct the capital structure of companies by – for example – limiting their indebtedness, may there be a relation between the capital structure and the performance of companies?

4. Chosen methodology and approach

4.1. Rating figures and debt covenants

Rating agencies and other parties working out credit ratings make use of a broad spectrum of qualitative and quantitative data. As rating approaches are already well developed, the quantitative part of the rating in most approaches concentrates on a set of key financial figures. Based on the intensive data analysis rating agencies are able to assign default probabilities to the quantitative data. An example of this procedure is the following table taken form Standard & Poors (Rams 2018a):

Fig. 1. Standard & Poors Financial Ratios and Credit Ratings

Standard & Poors Peer-Group Industrial, long-term debt Quelle: S&P	AAA	AA	A	BBB	BB	B	CCC
Standard & Poors Financial Ratios							
EBIT interest coverage (x)	23,8	19,5	8,0	4,7	2,5	1,2	0,4
EBITDA interest coverage (x)	25,5	24,6	10,2	6,5	3,5	1,9	0,9
FFO/total debt (%)	203,3%	79,9%	48,0%	35,9%	22,4%	11,5%	5,0%
Free operating cash flow/total debt (%)	127,6%	44,5%	25,0%	17,3%	8,3%	2,8%	-2,1%
Return on capital (%)	27,6%	27,0%	17,5%	13,4%	11,3%	8,7%	3,2%
Total debt/EBITDA (x)	0,4	0,9	1,6	2,2	3,5	5,3	7,9
Total debt/capital (%)	12,4%	28,3%	37,5%	42,5%	53,7%	75,9%	113,5%

Hence, the capital structure in the practical world of the finance manager of a company is not only defined as a relation of debt to equity. In fact as already mentioned – coming from the credit rating approaches – a set of different key financial figures has to be taken into account. The most important ones of them are also very often used as debt covenants in credit contracts. Consequently, they are well known and tracked diligently by finance managers of many companies (Rams 2018b):

- (net) debt in relation to EBITDA,
- EBITDA in relation to interest,
- EBIT in relation to interest,
- debt in relation to debt plus equity (or balance sheet total).

The suggestion here is to define the capital structure by making use of 3 to 4 respective key financial figures. For reasons of simplicity, the introductive analysis in this paper focusses only one of these figures: the most important relation of debt to EBITDA, which is the dominating financial covenant (Roland Berger, HHL 2014).

4.2. Debt covenants and company performance

Next to the suggestion of a new definition of capital structure, this paper intends to explore the potential relation of sticking to the fixed debt limits and the performance of companies. This is done by analysing the financial data of about 3.500 German not-listed midcap-companies showing a turnover between 100 and 1.000 mio. €. The respective figures are analysed for the years 2015 and 2016.

Referring to the credit rating table of Standard & Poors it is assumed that the management is aware of the borders of debt in relation to EBITDA. If the management is set out to stick to the rating BBB they have to stay below roughly rounded 2.5 x EBITDA indebtedness and if the target rating is – at least – BB 3.5 x EBITDA is focused. Indeed this introductory approach works still quite roughly as it considers only one financial covenant. On the other hand, this chosen figure obviously is a dynamic one that represents the limited indebtedness of a company as a multiple of the earnings before interest, tax, depreciation and amortisation. Besides, the EBITDA can be regarded as an approximation of a cash flow measure. The – open – debt capacity resulting from the respective covenant then is calculated by using the financial covenants 2.5 or 3.5 x EBITDA minus existing financial liabilities.

Following, the relation of the EBIT and the net income to the turnover is calculated in relation to the described open debt capacity. Regarding real successful financial strategies of companies, the assumption is that companies that still hold a part of their debt capacity open should perform better than those going close to the limits or even beyond them.

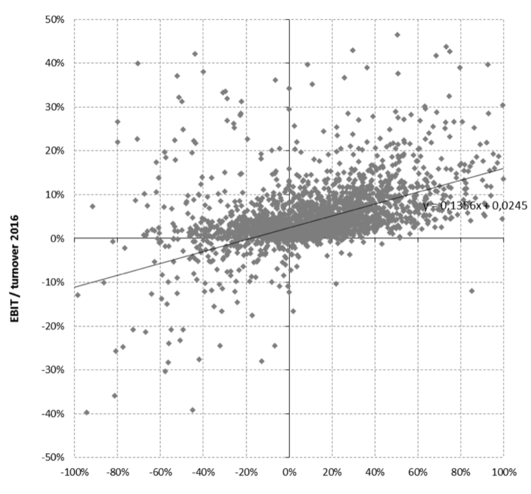
Already today researchers mainly agree, that there should be a relation between capital structure and the value of a company, but the direction is not generally clear (Stulz 1990). Another way to put this here is to ask if financial figures like that of a credit ratings or financial covenants influence the capital structure or if the credit rating itself is – partly – resulting from the capital structure. Overall, performance influences the capital structure depending on the treatment of the earnings. The performance contribution may also depend on the projects to finance and their special nature.

5. Empirical analysis

The empirical analysis in this still introductory paper is worked out in a rough and pragmatic way. Using the empirical data the potential correlation of the relative performance and the holding a distance to the debt limits is analysed. The study assumes that not all 3.500 finance managers follow the same debt limits in their credit contracts but all of them today are aware of the importance of these borders.

5.1. Analysis of the data of 2016

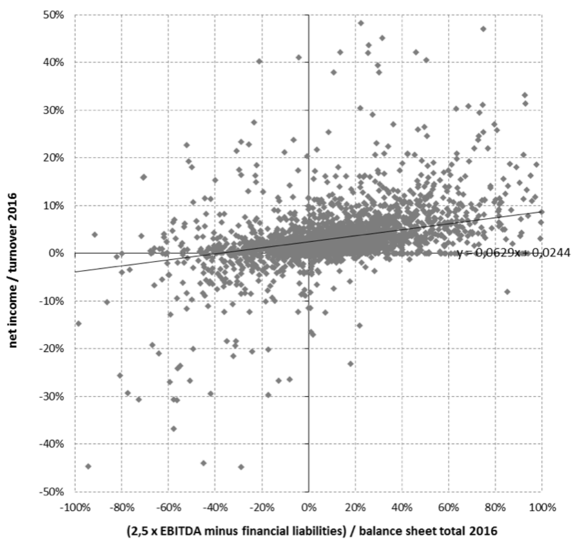
Fig. 2. EBIT / turnover vs. open (2.5 covenant) debt capacity 2016



The resulting correlation is the following:

y = 0,1356x + 0,0245

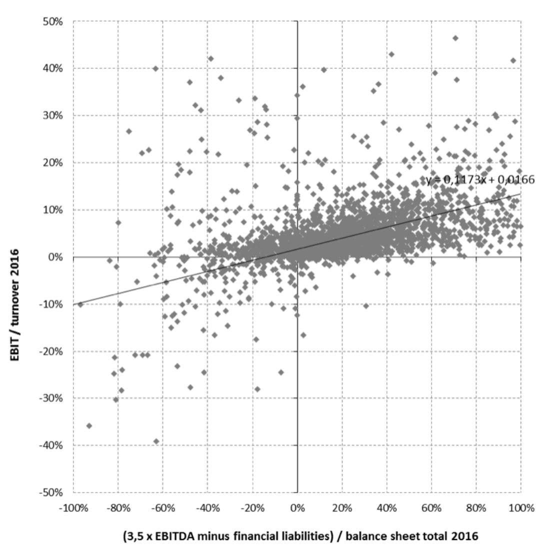
Fig. 3.Net income / turnover vs. open (2.5 covenant) debt capacity 2016



The resulting correlation is the following:

y = 0,0629x + 0,0244

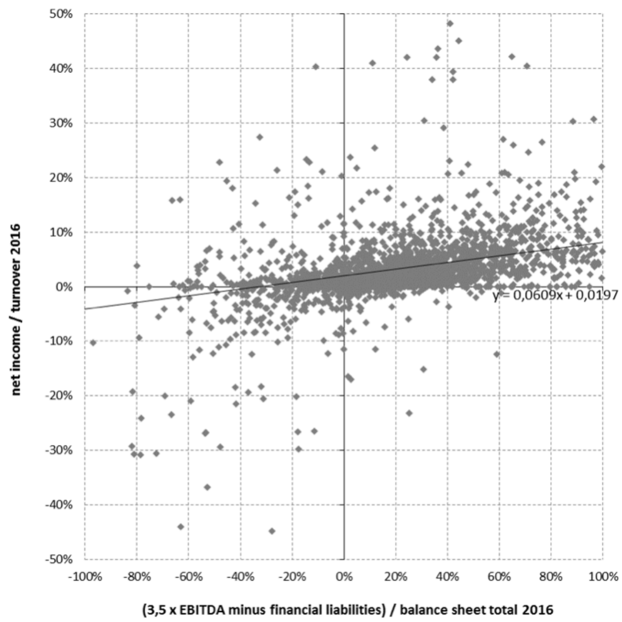
Fig. 4. EBIT / turnover vs. open (3.5 covenant) debt capacity 2016



The resulting correlation is the following:

y = 0,1173x + 0,0166

Fig. 5. Net income / turnover vs. open (3.5 covenant) debt capacity 2016

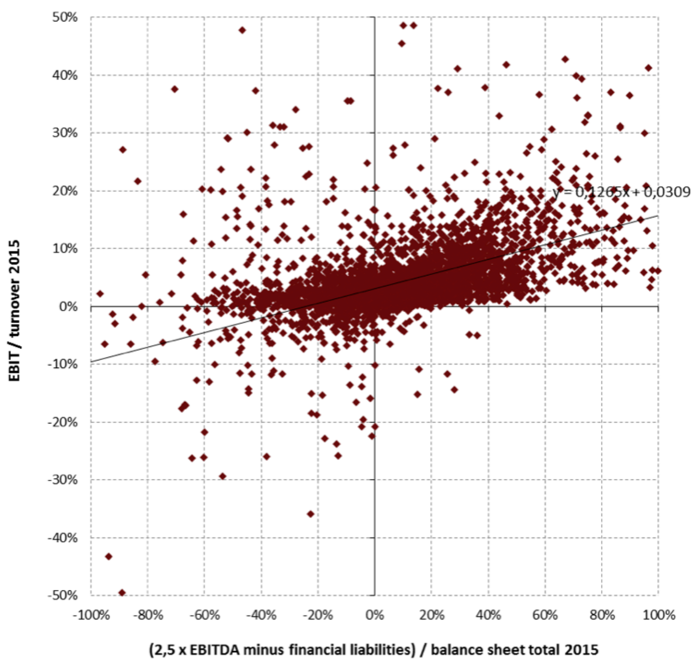


The resulting correlation is the following:

y = 0,0609x + 0,0197

5.2. Analysis of the data of 2015

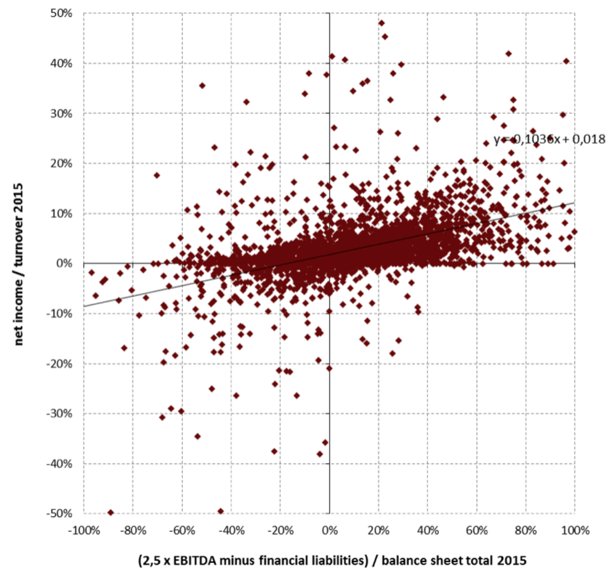
Fig. 6. EBIT / turnover vs. open (2.5 covenant) debt capacity 2015



The resulting correlation is the following:

y = 0,1265x + 0,0309

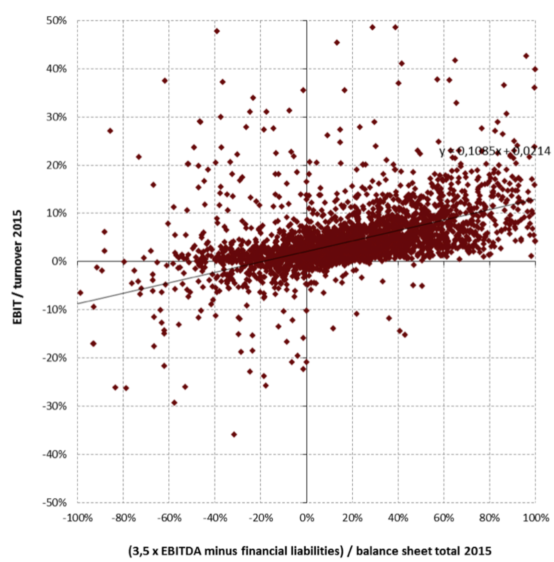
Fig. 7. Net income / turnover vs. open (2.5 covenant) debt capacity 2015



The resulting correlation is the following:

y = 0,1036x + 0,018

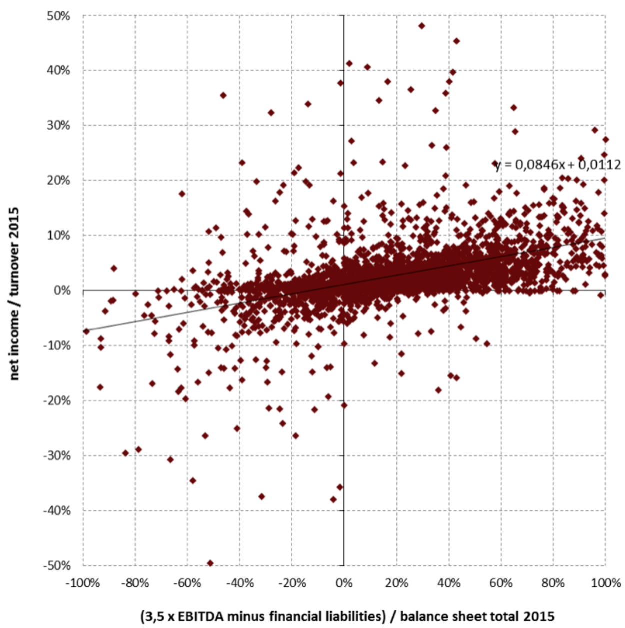
Fig. 8. EBIT / turnover vs. open (3.5 covenant) debt capacity 2015



The resulting correlation is the following:

y = 0,1085x + 0,0214

Fig. 9. Net income / turnover vs. open (3.5 covenant) debt capacity 2015



The resulting correlation is the following:

y = 0,0846x + 0,0112

5.3. Discussion of the empirical findings

The presented results of the empirical analysis show evidently the correlation of "staying below debt limits" and the performance of companies. This correlation appears to be slightly stronger for EBIT / turnover than for net income / turnover. Further, this correlation is stable for the midcap-figures of 2015 and 2016, although the detailed figures vary slightly.

6. Results and Conclusions

The main intentions of this paper have been the discussion of a modified definition of capital structure and the analysis of a potential relation of capital structure and the performance of companies. First, as a result, the suggestion of a new or modified definition of capital structure may turn out be reasonable. Second, the presented empirical study backs the assumption that there may be a correlation between staying below accepted debt limits and the performance of companies.

Nevertheless, many questions remain unanswered or have to be asked additionally. One question here is, if companies using a better – financial – risk management perform better. Alternatively, holding flexibility may help companies to perform better. Then, it is obvious that companies that show better earnings may need less debt. Finally, the real decisions of finance mangers have to be taken into account to get an accurate understanding.

Then, there is much further research work to be completed. First, the statistical methodology should go deeper than in the shown first approach of this paper. Second, it would be sense full to apply a dynamic analysis that examines the development from year to year to grasp the possible effect of the past on the future. Third, more and different financial covenants should be used to define the capital structure more detailed. Then, the separated analysis of different sectors or regions could be of interest.

Assumable, many interesting insights into the capital structure puzzle will be gained.

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RELATIONSHIP BANK'S MANAGEMENT EFFICIENCY AND CLIENT FIRM'S PERFORMANCE: EVIDENCE FROM PAKISTAN

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ABSTRACT

Firm-bank relationship is a matter of interest as a strong bonding may lead to a better performance of the client firm. The foggy mirror of the fate of such relationships needs more clarification on the said matter. This research investigated the effect of management efficiency of relationship bank on its client firm's performance. The data set consists of the observations for the period from 2006-2016. All the non-financial listed firms on Pakistan Stock Exchange are taken for analysis. We have taken all the common proxies for the firm performance like ROA, ROS, ROE and Tobin's Q and regressed them over bank specific and firm specific variables. For management efficiency, two types of measurements are considered i.e. ME and LME. Our results has reported management efficiency of the relationship bank as a vital factor in explaining the fate of firm-bank relationship and its performance. It is found to be significant and positive for client firm's performance. Further analysis has exposed that if the increased number of firm-bank relationship causes an increase in financial cost as well then the benefit of maintaining a relationship with a bank (efficient in management) is setoff.

Keywords: Firm-bank Relationship, firm performance, Management Efficiency, multi-bank relationship

1. Introduction

Competition is not a new phenomenon, it remains a matter of concern for the non-financial business firms for decades. The said scenario has become more adverse with an inclusion of innovation and information technology as it results the competitive environment more complex and demanding for the business firms. A well-recognized remedy for competition in practice is the horizontal and vertical integration of the business in order to achieve un-breakable supplies of needed resources. Among all others, finance and capital is also very important resource for the firms which has to be managed properly. For the said reason, firms are maintaining relationships with the banks so that they are provided with the required finance as per demand and the chances of credit rationing are reduced.

Firm-bank relationship are not only important for providing finance to the client firms but they also build a repute for the client firms in the market (James, 1987). Campbell (1979) suggested the same by reporting increase in trust standings and decrease in leakage of information as a result of firm-bank relationship. Somehow, for some datasets researchers are still confused about the advantages and disadvantages of such firm-bank relationships. Therefore, the generalizability of a firm-bank relationship's impact on firm performance is still under question. The available literature on the said topic can be classified into three categories, first who believes it is beneficial for the client firm, second who argues about its negative effect on firm performance and third believes such firm-bank relationship have no significant impact. These arguments have their own implications and variables for the studies. In this research we tried to relate the client firm's performance not only with the firm-bank relationship but also include some relationship bank's specific variables who can be decisive for the fate of firm-bank relationship. Sultan, Javed, Bhutta, and Qing (2016), a prior study on Pakistani market has suggested that the number of firm-bank relationships have a positive and significant impact on client firm's performance. This study is an extension to the prior study as it includes bank level variables as well to develop a better understanding of the firm-bank relationship phenomenon.

Literature

The foremost research as per knowledge on firm-bank relationship was related to bank loans by James (1987) whereas, the most recent research is established by Sultan, Qing, and Abid (2016) in which researchers analyze a new market (developing market) as most of the prior researches were based on developed market like U.S.A, Japan, Italy and others. A variety of ways are there to establish a firm-bank relationship and a stream of benefits is associated with such kinds of firm-bank relationships such as enriched business standing (Campbell, 1979), remedy against hold-up problem (Bolton & Scharfstein, 1996) & distorted information (Bolton & Freixas, 2000) and increase accessibility to loans with reduction in cost of financing (Bhaumik & Piesse, 2008; Clarke, Cull, & Peria, 2002).

Taking client firm's performance, James (1987) reports that there is a positive relationship between a client firm's stock performance and an announcement of fresh credit line. Furthermore, James finding contrasts between an arm's length private debt and bank loan by positing a negative effect for private loan whereas a positive impact of bank credit line on client firm's stock performance. This positive behavior in client firm's stock performance is attributed to trust building and additional monitoring by firm-bank relationship.

Another aspect of this firm-bank relationship is that it allows relationship bank/s to gather crucial information about client firms which allows a relationship bank to engineer and offer a non-market tailor made loan to its client firm/s (Bhattacharya & Chiesa, 1995). In this way, a firm-bank relationship results in shrinkage of asymmetric information and reusability of such information is optimized (Albareto, Benvenuti, Mocetti, Pagnini, & Rossi, 2011; Boot, 2000).

Firm-bank relationship and its importance for client firm/s is unquestionable but certain indicators are yet to be explored in the light of Khwaja and Mian (2008) as they report the relationship banks have habit to transfer their risks to their client firms. Therefore, bank's financial health and management efficiency is also an important indicator of the firm-bank relationship's performance. Delis, Kokas, and Ongena (2016) are of the view that in U.S non-financial firms that are poorly performing in the market tends to establish a firm-bank relationship with such a bank having a better standing in the market in terms of financial health and management efficiency and effectiveness.

There is no doubt about the importance of such firm-bank relationship established by client firms as we can find a variety of literature on the said topic but the effect of these relationships is yet to established. The fate of this relationship is not only based on the firm level factors but also dependent on certain characteristics of the relationship banks as well. Most of the researches in the past have focused on the firm-level indicators such as firm size, tangibility, leverage, liquidity, growth and age while explaining the mechanism of firm-bank relationship (Angelini, Di Salvo, & Ferri, 1998; Cenni, Monferrà, Salotti, Sangiorgi, & Torluccio, 2015; Chen, Li, & Zhang, 2015;

Morck, Nakamura, & Shivdasani, 2000; Thanh & Ha, 2013; Yao & Ouyang, 2007). Extension to the existing research we enhance the model of firm performance in relation to relationship banks by including certain bank-level independent variables like management quality, asset quality and liquidity.

Research methodology

The research is of empirical nature thus the data set is based on secondary form of data which has been collected from published annual reports and OSIRIS database.

The major empirical models used in the study are:

$$ROA_{it} = \beta 0 + \beta 1\ ME_{it} + \beta 2\ ME_{it-1} + \beta 3\ F\_AGE_{it} + \beta 4\ F\_GROWTH_{it} + \beta 5\ F\_TANG_{it} + \beta 6\ F\_SIZE_{it} + \beta 7\ F\_LIQ_{it} + \beta 8\ NBR_{it} + \beta 9\ FC_{it} + \varepsilon_{it} \quad (M1)$$

$$ROA_{it} = \beta 0 + \beta 1\ ME_{it} + \beta 2\ ME_{it-1} + \beta 3\ FAGE_{it} + \beta 4\ FGROWTH_{it} + \beta 5\ FTANG_{it} + \beta 6\ FSIZE_{it} + \beta 7\ FLIQ_{it} + \beta 8\ NBR_{it} + \beta 9\ MQ_{it-1} * FC_{it} + \varepsilon_{it} \quad (M2)$$

$$ROA_{it} = \beta 0 + \beta 1\ ME_{it} + \beta 2\ ME_{it-1} + \beta 3\ FAGE_{it} + \beta 4\ FGROWTH_{it} + \beta 5\ FTANG_{it} + \beta 6\ FSIZE_{it} + \beta 7\ FLIQ_{it} + \beta 8\ NBR_{it} + \beta 9\ MQ_{it-1} * FC_{it} + \beta 10\ MQ_{it-1} * FC_{it} * NBR_{it} + \varepsilon_{it} \quad (M3)$$

$$TQ_{it} = \beta 0 + \beta 1\ ME_{it} + \beta 2\ ME_{it-1} + \beta 3\ F\_AGE_{it} + \beta 4\ F\_GROWTH_{it} + \beta 5\ F\_TANG_{it} + \beta 6\ F\_SIZE_{it} + \beta 7\ F\_LIQ_{it} + \beta 8\ NBR_{it} + \beta 9\ FC_{it} + \varepsilon_{it} \quad (M4)$$

$$TQ_{it} = \beta 0 + \beta 1\ ME_{it} + \beta 2\ ME_{it-1} + \beta 3\ FAGE_{it} + \beta 4\ FGROWTH_{it} + \beta 5\ FTANG_{it} + \beta 6\ FSIZE_{it} + \beta 7\ FLIQ_{it} + \beta 8\ NBR_{it} + \beta 9\ MQ_{it-1} * FC_{it} + \varepsilon_{it} \quad (M5)$$

$$TQ_{it} = \beta 0 + \beta 1\ ME_{it} + \beta 2\ ME_{it-1} + \beta 3\ FAGE_{it} + \beta 4\ FGROWTH_{it} + \beta 5\ FTANG_{it} + \beta 6\ FSIZE_{it} + \beta 7\ FLIQ_{it} + \beta 8\ NBR_{it} + \beta 9\ MQ_{it-1} * FC_{it} + \beta 10\ MQ_{it-1} * FC_{it} * NBR_{it} + \varepsilon_{it} \quad (M6)$$

$$ROS_{it} = \beta 0 + \beta 1\ ME_{it} + \beta 2\ ME_{it-1} + \beta 3\ F\_AGE_{it} + \beta 4\ F\_GROWTH_{it} + \beta 5\ F\_TANG_{it} + \beta 6\ F\_SIZE_{it} + \beta 7\ F\_LIQ_{it} + \beta 8\ NBR_{it} + \beta 9\ FC_{it} + \varepsilon_{it} \quad (M7)$$

$$ROS_{it} = \beta 0 + \beta 1\ ME_{it} + \beta 2\ ME_{it-1} + \beta 3\ FAGE_{it} + \beta 4\ FGROWTH_{it} + \beta 5\ FTANG_{it} + \beta 6\ FSIZE_{it} + \beta 7\ FLIQ_{it} + \beta 8\ NBR_{it} + \beta 9\ MQ_{it-1} * FC_{it} + \varepsilon_{it} \quad (M8)$$

$$ROS_{it} = \beta 0 + \beta 1\ ME_{it} + \beta 2\ ME_{it-1} + \beta 3\ FAGE_{it} + \beta 4\ FGROWTH_{it} + \beta 5\ FTANG_{it} + \beta 6\ FSIZE_{it} + \beta 7\ FLIQ_{it} + \beta 8\ NBR_{it} + \beta 9\ MQ_{it-1} * FC_{it} + \beta 10\ MQ_{it-1} * FC_{it} * NBR_{it} + \varepsilon_{it} \quad (M9)$$

$$ROE_{it} = \beta 0 + \beta 1\ ME_{it} + \beta 2\ ME_{it-1} + \beta 3\ F\_AGE_{it} + \beta 4\ F\_GROWTH_{it} + \beta 5\ F\_TANG_{it} + \beta 6\ F\_SIZE_{it} + \beta 7\ F\_LIQ_{it} + \beta 8\ NBR_{it} + \beta 9\ FC_{it} + \varepsilon_{it} \quad (M10)$$

$$ROE_{it} = \beta 0 + \beta 1\ ME_{it} + \beta 2\ ME_{it-1} + \beta 3\ FAGE_{it} + \beta 4\ FGROWTH_{it} + \beta 5\ FTANG_{it} + \beta 6\ FSIZE_{it} + \beta 7\ FLIQ_{it} + \beta 8\ NBR_{it} + \beta 9\ MQ_{it-1} * FC_{it} + \varepsilon_{it} \quad (M11)$$

$$ROE_{it} = \beta 0 + \beta 1\ ME_{it} + \beta 2\ ME_{it-1} + \beta 3\ FAGE_{it} + \beta 4\ FGROWTH_{it} + \beta 5\ FTANG_{it} + \beta 6\ FSIZE_{it} + \beta 7\ FLIQ_{it} + \beta 8\ NBR_{it} + \beta 9\ MQ_{it-1} * FC_{it} + \beta 10\ MQ_{it-1} * FC_{it} * NBR_{it} + \varepsilon_{it} \quad (M12)$$

Analysis

In order to analyze the effect of management efficiency, we have formulated a three step model for this research. Theoretical understanding make us believe that the management efficiency of the relationship has a lag relationship with the future outcomes of the client firms. Therefore, we investigate this understanding with model M1. M4, M7 and M10. The expanded analysis for further stages used the combination terms of management efficiency, financial cost and number of firm-bank relationships. These specification of different models with different combination terms help us to better understand and elaborate the relationship among the dependent and independent variables of the research.

Table-1 shows the results for our first two performance variables with respect to relationship bank's management efficiency. Model 1 for ROA used management efficiency (ME), lag of management efficiency (MEL1) as independent variables and other firm specific and bank specific variables such as age, growth, tangibility, size, liquidity are presented in the model for controlling purpose.

The results for ROA model 1 confirms our theoretical understanding about management efficiency of the relationship bank as for current management efficiency results in relation to client firm's performance has no significant result but the coefficient has shown a positive effect. Whereas, when we generated a lag variable for the management efficiency of the relationship bank, it shows significant and healthy coefficient (0.0271) at 5% confidence interval.

These results make us believe that the management efficiency of the relationship bank has significantly positive and lag relationship with its client firm's performance. Model 2 for ROA as dependent variable has used the same specification of the other variables except the introduction of a combination term of management efficiency lag and financial cost of the firm. The results for the new term has shown a negative relationship with the client firm performance which depicts that the firm will have a negative impact on its performance. But unfortunately these results are not significant.

ROA Model 3 has used a new combination term of Lag ME, financial cost and number of firm-bank relationships. This new variable has shown impressive results with a coefficient of -0.21 that is significant at 1%. The results explain that the firm maintaining more number of bank relationships will bear more financial charges which may result in setting off the benefit of efficient management of relationship bank.

Independent Variable	ROA Model 1	ROA Model 2	ROA Model 3	TQ Model 1	TQ Model 2	TQ Model 3
ME	0.917	0.701	0.328	0.363	0.479	0.661
	0.0013	-0.0052	-0.0128	0.0545	0.0423	0.0257
MEL1	0.031	0.027	0.173	0.064	0.120	0.214
	0.0271**	0.0286**	0.0172	0.1037*	0.0882	0.0704
F_AGE	0.073	0.086	0.054	0.004	0.004	0.003
	-0.8872*	-0.0861*	-0.0941*	-0.6342***	-0.6370***	-0.6428***
F_GROWTH	0.00	0.000	0.000	0.000	0.000	0.000
	0.0070***	0.0069***	0.0065***	0.1742***	0.1740***	0.1733***
F_TANG	0.00	0.000	0.000	0.086	0.072	0.058
	-0.1165***	-0.1151***	-0.1241***	-0.2137*	-0.2237*	0.2355*
F_SIZE	0.413	0.413	0.686	0.899	0.793	0.474
	-0.0068	-0.0069	0.0033	0.0047	0.0097	0.0265
F_LIQ	0.00	0.000	0.000	0.000	0.000	0.000
	0.0196***	0.0236***	0.0171***	0.0701***	0.0721***	0.0640***
NBR	0.166	0.283		0.285	0.349	
	0.0171	0.0135		0.0589	0.0515	
F_FC	0.00			0.602		
	-0.7772***			-0.301		
LMEFC		0.210	0.000		0.157	0.010
		-0.0298	0.2026***		0.1478	0.4404*
LMEFCNBR			0.000			0.034
			-0.2100***			-0.2601**
Year effect	Yes	Yes	Yes	Yes	Yes	Yes
N	1449	1449	1449	1449	1449	1449
R2	0.1574	0.1207	0.1907	0.3390	0.3241	0.3333

*** Significant at 1% Level

** Significant at 5% Level

*Significant at 10% Level

The results for TQ, as it is market performance measurement of the client firm, has shown the same results for management efficiency of the relationship bank. Management efficiency (ME), when it is used for the current year performance comparison shown positive but insignificant results which is again consistent with our theoretical understanding. Whereas, while regressing the empirical model for analyzing the lag relationship we found positive and significant results. The firm specific control variables has shown the same results as expected and theoretical proven for all the models for TQ. Using the same specification as ROA we have introduced two combination terms in model 2 and model 3 for TQ. The combination term has confirmed our results for market performance proxy as well that the bank management efficiency has positive impact on the client firm's performance unless the financial cost of the firm is increased with the increase in number of firm-bank relationships established by a firm. In such case the positive impact of relationship bank's management efficiency is set off by the negative impact of increase in financial cost with an increase in firm-bank relationships. The results as shown in table-1 express our significant results with a coefficient of -0.2501.

We have further strengthen our analysis by including other two frequently used performance variables in the literature (ROS and ROE). Table-2 depicts the results for the regression with ROS and ROE for all the three model specification same as used earlier. Results for ROS were also found to significant only when we used management efficiency of the relationship bank in lag. Moreover, the model 3 for ROA has revealed the same for combination term (LMEFCNBR). Analysis for ROE has the same conclusions except for the combination terms. The results were found again negative but unfortunately with no significance.

Independent Variable	ROS Model 1	ROS Model 2	ROS Model 3	ROE Model 1	ROE Model 2	ROE Model 3
ME	0.888	0.690	0.698	0.314	0.313	0.319
	-0.0085	-0.0240	-0.0230	-0.0874	-0.0875	-0.0849
MEL1	0.026	0.064	0.133	0.012	0.004	0.005
	0.1264**	0.1072*	0.0871	0.2030	0.0236***	0.2300***
F_AGE	0.677	0.847	0.869	0.125	0.137	0.125
	-0.01378	-0.0063	-0.0053	-0.4880	-0.4737	-0.4882
F_GROWTH	0.074	0.052	0.061	0.000	0.000	0.000
	0.0121*	0.0131*	0.0126*	-0.0699***	-0.0698***	-0.0699***
F_TANG	0.065	0.055	0.041	0.153	0.194	0.179
	-0.1462*	-0.1517*	-0.1602**	-0.2574	-0.2346	-0.2428
F_SIZE	0.000	0.000	0.000	0.225	0.165	0.192
	0.0603***	0.0601***	0.0553***	-0.0655	-0.0752	-0.0703
F_LIQ	0.000	0.000	0.000	0.590	0.310	0.500
	0.0579***	0.0632***	0.0475***	0.0116	0.0214	0.0147
NBR	0.134	0.075		0.644	0.655	
	-0.0557	-0.0660*		-0.0369	-0.0357	
F_FC	0.243			0.014		
	-0.5856			-2.0549		
LMEFC		0.081	0.000		0.015	0.572
		0.1659*	0.5855***		-0.3697	-0.1396
LMEFCNBR			0.000			0.231
			-0.3792***			-0.2138
Year	Yes	Yes	Yes	Yes	Yes	Yes
N	1449	1449	1449	1449	1449	1449
R2	0.1143	0.1285	0.1314	0.0058	0.0052	0.0059

*** Significant at 1% Level

** Significant at 5% Level

*Significant at 10% Level

Findings and conclusions

Horizontal and vertical integration is no more a surprise in this competitive world. To cope with the current competition, firms are inclined towards maintaining a close bonding with the banking companies as these are the only option for meeting the financial needs of the firms.

Firms establish bank relationships in different ways but the most frequent and widely approach is borrower and lender relationship. Certain benefits and objective are associated with such firm-bank relationships maintained by firms. These relationships not only provide a guarantee of timely financing but also have an impact on the client firm's repute and business standings in overall market.

These relationships have a lot to do with the client firm's performance (Sultan, Qing, et al., 2016). A good firm-bank relationship has a positive impact on client firm's performance (Delis et al., 2016). We have investigated this issue in relation to management efficiency of the relationship bank. The result suggested that the relationship bank's management efficiency influence the client firm's performance in a positive manner. The justification lies in the argument given by Delis et al. (2016) that the relationship with healthier bank has a positive impact on client firm's performance. An efficient management practices by relationship bank will lead to better evaluation and monitoring of credit and eventually results in a better performance of client firms. Our further investigation make us understand that this is a lag relationship so a relationship bank that has efficient management in the past year will have a positive impact on the performance of patron firm in the consequent year. The results further explain that if the number of firm-bank relationships are increased with a condition that the financial cost of the client firm is also increased then this management efficiency of relationship bank is setoff.

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IS THE FAMA & FRENCH FIVE-FACTOR MODEL REALLY REDUNDANT? A WAVELET MULTI-SCALING APPROACH

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ABSTRACT

Estimating the relationship between risk factors and portfolio returns has been a critical issue since CAPM was proposed by William Sharpe in 1964. The pioneer researchers, Fama and French, have important studies to investigate these relationships such as free-factor asset pricing model. These models are commonly used to explain the cross-sectional variation in average stock returns over various times. Recently, Fama and French propose a new five-factor asset pricing model that captures size, value, profitability and investment patterns (FF, 2015;2016;2017). Although their five-factor model performs better in capturing the size, value, profitability, and investment patterns than the other FF models, they emphasized that the addition of profitability and investment factors is redundant for describing average returns. Most of the existing studies, including the FF, have used ordinary least square method to estimate the models. However, there are plenty of studies which indicate the relationship between risk factors and average returns might be different. On this perspective, the motivation of this study is to investigate whether the five-factor model is really redundant or not by using a different approach. For this purpose, the different approach which proposed by In and Kim (2013) is used. The approach is based on the wavelet multi-scaling method that decomposes a given time series on a scale-by-scale basis. Every scale represents a proxy of various investment horizons for investors. The data gathered from Kenneth French's website. Left-hand-side (LHS) of monthly data contains 18 average value weighted portfolios formed on the ratio of book equity to market equity, operating profitability and investment. Right-hand-side (RHS) of monthly data contains five factors which are (Rmt-

Rft), SMBt, HMLt, RMWt, CMAt. The first empirical GRS test results reveal that significance levels of intercept estimates change based on the different scales (investment horizons). Moreover, while the original model's GRS test statistics easily rejects the five-factor model directed at capturing patterns, the GRS test statistics were calculated based on decomposed series cannot reject. On the other hand, the impact of profitability and investment factors on average returns differ in not only various formed portfolios but also the scale-by-scale basis. According to the initial results of our study, it is hard to say that the five-factor model is redundant for all type of investment horizons.

Keywords: Five-factor model, asset pricing, wavelet, multi-scaling approach

JEL Codes: G11, G12, C14

ON TRAINING USE AND ITS IMPACT ON PERFORMANCE IN NIGERIAN ORGANIZATIONS

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ABSTRACT

HR practices, especially training have attracted a great deal of research attention over the past decade because of its potential impact on the 'bottom line' issues. This study is a critical evaluation of the impact of training. Specifically, this study focused on training use and its impact on performance in Nigerian organizations.

This study ranges from the first section which sets the scene by trying to understand training in management, drawing objectives of the study, to critically analysing the theoretical/conceptual framework on training; its proposed impact on organisational performance and the resultant implications on researchers and practitioners.

There are issues with the role of training in transforming and adding value to organisational performance. The method of evaluation for this study is based primarily on secondary sources through a critical analysis of important theories and rigorous research with an attempt to understand the efficacy of training. This method is adopted so as to analyse training with a different design method as most HRM researchers tend to employ the survey methods.

Results suggest that training impacts positively on performance. This study implies that the functional aims of organizations need to be taken into consideration when examining training - organizational performance link. Ideas to guide future human resource researchers are presented. This paper concludes by discussing practical implications for researchers and HR practitioners alike. Finally, the research also identifies some areas for further research.

GENDER INFLUENCE ON THE HIERARCHY OF DETERMINANTS OF ACADEMIC ENTREPRENEURSHIP

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ABSTRACT

In recent years, universities and public administrations have shown increasing interest in the phenomenon of the academic spin-off as a way to transfer research results to the productive sector.

The creation of spin-offs depends on several factors, one of the most important being gender. In fact, the Report from the Commission on the promotion of women innovators and entrepreneurship (2008) shows that female entrepreneurship is still a challenge. In this field, the literature is still scarce and our study tries to contribute by increasing this.

With this goal, in January 2017 we carried out a qualitative study among 42 academics to identify the determinants of academic entrepreneurship. This allowed us to identify six factors. Once these elements had been identified, a quantitative study was carried out on 1,726 academics (39% women, 61% men) to obtain the hierarchy of these determinants.

The technique used for this analysis is conjoint analysis, a technique that has not been used previously in the study of academic entrepreneurship.

Our results identify gender differences in the hierarchy of academic entrepreneurship factors, with implications for the management of technology transfer and for university policy makers.

Keywords: Academic entrepreneurship; Conjoint Analysis; Determinants' hierarchy; Gender role; Spin-off

Introduction

An academic entrepreneur is defined as that individual who is part of an academic institution (usually a university or public research centre) and is capable of identifying a profitable business opportunity, organising the resources at their disposal and their own human capacities and/or those of their team, transforming the results of their research into a marketable and economically profitable product. Etzkowitz and Viale (2010) define them as an expert in a specific scientific area, "who keeps one eye on the practical application of their research (...) and its commercial potential" (Etzkowitz & Viale, 2010, p. 600).

There is no doubt that academic entrepreneurship has become a driver for development and an important element in the places where it has evolved properly (Etzkowitz et al., 2000; Etzkowitz, 2013). The recent importance of academic entrepreneurship is due to several key factors, among which it is worth highlighting the contribution to economic development and job creation (Friedman & Silberman, 2003; Wang, 2006; Thurik et al., 2008; Nosella & Grimaldi, 2009; Rizzo, 2015; Horta et al., 2016).

At present, there is still a huge gap between men and women in terms of entrepreneurship opportunities. Proof of this is the data provided by the European Commission for the year 2014. While women represent 52% of the European population, they represent only 34.4% of self-employed people and 29% of entrepreneurs and those creating new companies (11.6 million), although this percentage varies considerably between countries. With these figures, the European Union itself concludes that the creativity and entrepreneurship potential of European women is being underutilised, recognising specific problems for entrepreneurship in the areas of access to finance, access to information, training, access to business networks and balancing work with family life, despite the fact that women entrepreneurs had a higher percentage of upper and middle education levels (73%) than male entrepreneurs (65%) for the year 2012. However, it should also be taken into account that some authors offer another possible explanation for this phenomenon. These authors argue that the lower rate of entrepreneurship is the result of the social construction of a different reality for women, where they are taught roles with values and motivations that make them choose less risky and ambitious occupations (Romero et al., 2017). To solve these problems, at least in part, the EU aims to promote and support female entrepreneurship through the "Small Business Act" and "Entrepreneurship

2020 Action Plan" strategies, as well as through measures such as the creation of "The EU Prize for Women Innovators".

The annual "Global Entrepreneurship Monitor" (GEM) report reflects, without a doubt, that the involvement of women in entrepreneurship is significantly less than that of men, the gap having increased in some European countries such as Spain in the period up to 2012 due to the influence of the economic-financial crisis (Peña et al., 2016). This gap stabilised in the 2012-2016 period, although it has not been possible to reduce it or return to the better figures seen in previous years (Romero et al., 2017).

Likewise, women's fields of entrepreneurship have mostly been restricted to traditionally feminine areas such as health and caring for others (60% of all entrepreneurs), services (59%) and education (55%), the presence of female entrepreneurs being below 8% in the construction and transport sectors.

In Spain, 15% of women and 5% of men worked part-time in 2012, compared to figures for Europe of 31% and 12% respectively. Likewise, in 2012 the percentage of male entrepreneurs was 21%, while for women it was only 12%. In terms of the entrepreneurial sectors for Spanish women, the European position is replicated, although the order of the sectors is reversed, with the services sector being the main area of female entrepreneurship (64%), followed by education in second (60%) and health and social care in third (59%).

Although in recent years there has been an increase in the academic literature on female entrepreneurship and the influence of gender on the entrepreneurial process (Langowitz & Minniti, 2007a; Wilson et al., 2007b; Gupta et al., 2008b; Noguera et al., 2013; Pulido et al., 2014; Tegtmeier & Mitra, 2015; Micozzi et al., 2016; Miranda et al., 2017), it is still necessary to carry out studies that look in more depth at the entrepreneurship process for both genders and, especially, at the establishment and ranking of the different motives that lead men and women to become entrepreneurs.

This research aims to study the determining factors of entrepreneurship and establish the ranking of these for men and women when deciding to become entrepreneurs in the Spanish academic sector. For this, the conjoint analysis technique has been used for the first time within the scope of research on academic entrepreneurship. This method is considered to be the most appropriate given the proposed objective.

In the following section we review the existing literature on academic entrepreneurship and gender, framing our proposal and identifying the methodology used. Subsequently, the main results of our study are shown and, finally, the conclusions and implications are discussed.

Background. Academic entrepreneurship and gender

As mentioned, studying academic entrepreneurship involves studying the motivations or determining factors (Fayolle et al., 2014; Hayter, 2015). These determining factors are what motivate the main agent in this process, the researcher (Krabel & Mueller, 2009).

Many determining elements have been proposed in the literature over the last 15 years (Ndonzuau et al., 2002; Vohora et al., 2004; Clarysse et al., 2007; R. P. O'Shea et al., 2007; Rothaermel et al., 2007) and these are so varied that it is necessary to identify which are the most relevant of all the possible elements.

Within the study of motivations, the ones that stand out are one problematic factor (Braunerhjelm et al., 2010; Galindo & Méndez-Picazo, 2013) which is the economic benefit that the researcher can obtain if their transfer is successful (Bamberger, 1986; Cromie, 1987; Hamilton, 1987; Scheinberg & MacMillan, 1988; Lynn, 1991; Di Gregorio & Shane, 2003; Markman et al., 2005), the time cost involved in starting that transfer (Lockett et al., 2003; Gompers et al., 2005; Krabel & Mueller, 2009; Meoli & Vismara, 2016), the possibility of increasing their research autonomy by obtaining more resources to finance their projects (Hayter et al., 2016), the social benefit derived from business success (Roberts, 1991; Goektepe-Hulten & Mahagaonkar, 2010; Hayter, 2015), the possibility of improving their curriculum and thus achieving a certain recognition, the possibility of assuming a new role within the university and company (Jain et al., 2009; Hannibal, 2016), improving their skills and abilities (Roberts & Malone, 1996; Hague & Oakley, 2000; Siegel et al., 2003; Lockett et al., 2005; Niosi, 2006; C. &. A. O'Shea, 2008; Algieri et al., 2013; Huyghe et al., 2014; Berbegal-Mirabent et al., 2015; Rasmussen & Wright, 2015) and contributing to the economic development and employment situation in their region (Roberts & Malone, 1996; Jones-Evans et al., 1999; Klofsten & Jones-Evans, 2000; Owen-Smith et al., 2002; Goldfarb & Henrekson, 2003; Benneworth & Charles, 2005; Bach et al., 2008; Ribeiro Soriano & Peris Bonet, 2009; Vincett, 2010; Meoli et al., 2013; Audretsch et al., 2013).

In short, there are many factors cited in the literature as influencing the intention to become an entrepreneur, both individual and contextual. However, a review of this literature shows the need to identify which factors are considered most relevant by academics and rank these in order of importance. Likewise, it is necessary to identify whether the costs and benefits of academic entrepreneurship change according to gender.

Since the 1980s, the literature on female entrepreneurship has focused on analysing the process of creating companies (Humphreys & McClung, 1981) and it has grown significantly in recent years, both in the number of studies and in the importance placed on this area (Bruni et al., 2004; Lewis, 2006). However, it is a phenomenon that still needs attention and an increase in the literature, especially from the point of view of the different motivations (Miranda et al., 2017).

According to Sullivan and Meek (2012) the literature on female entrepreneurship has focused on five major areas (Sullivan & Meek, 2012). The first of these refers to opportunities, that is, the differential access of men and women to financing (Collins-Dodd et al., 2004; Marlow & Patton, 2005; Alsos et al., 2006), to the markets (Bates, 2002; Gicheva & Link, 2013; Link et al., 2014) and to networks (Bruni et al., 2004; Kepler & Shane, 2007; Klyver & Grant, 2010). Second, there are those studies that consider gender as a moderator of intention (Manolova et al., 2007; Wilson et al., 2007c; Díaz-García & Jiménez-Moreno, 2010; Shinnar et al., 2012). A third category relates gender to key behavioural elements of the creation of entrepreneurial intention, such as self-efficacy (Verheul et al., 2005; Wilson et al., 2007a), social barriers (Shinnar et al., 2012; Noguera et al., 2013), especially those related to the assumption of gender roles (Gupta et al., 2008a; Gupta et al., 2009), education for entrepreneurship (Wilson et al., 2007a; Petridou et al., 2009; Sanchez, 2013), risk aversion (Masters & Meier, 1988; Byrnes et al., 1999; Brindley, 2005; Maxfield et al., 2010), previous patent history (Goel et al., 2015) and the influence of having a family with an entrepreneurial background (Mathews & Moser, 1995; Matthews & Moser, 1996). The fourth category uses gender as a control variable when measuring entrepreneurial intention (Kolvereid & Isaksen, 2006). The final category studies the direct relationship between gender and intention (Zhao et al., 2005; Wilson et al., 2007b; Malach-Pines & Schwartz, 2008; Díaz-García & Jiménez-Moreno, 2010).

Most studies researching differences in entrepreneurship between the genders reach the conclusion that there are significant differences between the sexes, the rate of entrepreneurship being higher for men (Zhao et al., 2005; Langowitz & Minniti, 2007b; Leoni & Falk, 2010), although some conclude that the similarities are greater than the differences (Díaz-García & Jiménez-Moreno, 2010; Colyvas et al., 2012; Goel et al., 2015). However, the study of the different subgroups by gender and their intentions is still very limited (Jennings & Brush, 2013)

This identification of intention with behaviour itself (Bird, 1988) is especially useful when the behaviour is difficult to observe or implies unpredictable delays in action, as is the case with entrepreneurship (Krueger & Brazeal, 1994).

In short, gender is an important element of the predisposition to create academic companies, since the proportion of women in the highest positions in the academic field is still lower than that of men (Klofsten & Jones-Evans, 2000; Díaz-García & Jiménez-Moreno, 2010; Shinnar et al., 2012; Goel et al., 2015; Heidler & Lengersdorf, 2015; Hark, 2016; Hillebrand, 2016; Striedinger et al., 2016), as is participation in academic life, translating into a 60-40 ratio in favour of men in Spain. To this occupational limitation we must add another group of obstacles of a behavioural, sociocultural nature, affecting access to social benefits and networks and access to infrastructure and resources (Díaz-García & Jiménez-Moreno, 2010; Shinnar et al., 2012; Goel et al., 2015; Hark, 2016; Arshad et al., 2016; Aguado et al., 2016). Examples include domestic structures which lead women to take greater responsibility for household chores and childcare, a lack of confidence in their own abilities as a result of negative socialising elements, negative social attitudes towards women, from the point of view of both leadership and trust when it comes to granting resources, reduced access to credit and other resources and fewer opportunities, as well as their lesser participation in technical careers (Parker, 2004; Aguado et al., 2016). These all lead to the lower real creation of companies by women (Davidsson, 1995) .

Methodology

The purpose of this research has been to study the main determinants of the entrepreneurial intention of men and women, to then analyse the structure of preferences of academics according to their gender, to identify whether there are differences in their valuations and the hierarchy of the determinants of entrepreneurial intention.

To identify the determining elements of entrepreneurial intention for academics, a qualitative study was carried out. This qualitative study involved 42 professors from 9 Spanish universities who were part of two training workshops on academic entrepreneurship. Their interviews examined the advantages and disadvantages for them of carrying out an entrepreneurial initiative related to their research. As a result of this qualitative study, the main determinants of entrepreneurial intention were identified and these were then used for the creation of the conjoint analysis cards.

Once these determinants of entrepreneurship had been identified by analysing the results of the qualitative study, a quantitative study was carried out using the conjoint analysis technique. This technique provides the interesting opportunity of being able to measure the preferences of the respondents through choosing a series of possibilities into which each of the alternatives has previously been broken down (Green & Rao, 1971). In this way, the decision to become an entrepreneur is the sum of a series of elements or attributes which when added up provide the total utility.

Conjoint analysis was used for the first time in the field of marketing during the 1970s (Green & Wind, 1975) and, since then, its development and frequency of use has grown very significantly, transferring from marketing (Green & Srinivasan, 1990; Hanisch & Rau, 2014) to other areas such as business management (Feltrinelli & Molteni, 2004) and market research consulting (Wittink & Cattin, 1989; Green & Krieger, 1993; Wittink et al., 1994). This increase in its use and in the areas in which it is used is due especially to its potential, flexibility and simplification (Green & Srinivasan, 1978; Carmone et al., 1978; Green & Srinivasan, 1990; Wittink et al., 1994; Shepherd & Zacharakis, 1997; Shepherd & Zacharakis, 1999; Hartmann & Sattler, 2002; McCullough, 2002; Lévy & Varela, 2003; Louviere et al., 2005; Hanisch & Rau, 2014; Suh & Sohn, 2016).

This technique has been used previously (Hanisch & Rau, 2014) in the field of entrepreneurship, but to the best of our knowledge it has never been used as a system for analysing preferences in the study of the entrepreneurial intention of academics.

The main contribution of CA is its ability to offer a ranking of the elements that influence the decision, since it breaks down the decision and represents the items. This allows us to carry out different sensitivity analyses, thus obtaining a classification of the determining elements in their order of influence (Green & Srinivasan, 1990).

Before CA can be applied, a series of decisions must be made.

First, it is vitally important to correctly select those elements or attributes that are determinant in the decision. Starting from the idea that the entrepreneurship decision can be broken down into partial valuations of a series of elements, the necessary data are obtained for the creation of a regression of the entrepreneurs themselves, who in the case being analysed will be the academics who have participated in the quantitative study. These influential factors have been derived from the qualitative analysis, which through a panel of experts identified those aspects of greater or lesser importance in determining the entrepreneurial intention of academics.

The second issue that must be addressed is the number of products or markers, which are created through the combination of attributes resulting from the previous analysis. In this case, the statistical program SPSS 15.0 has given the result of eight different cards in which the different possible combinations of the six factors resulting from the qualitative study are presented.

These eight stimuli or cards (see table 1), which the respondents were asked to make a decision about, were presented by means of a questionnaire designed for this, in electronic format, and sent to the database created for that purpose.

Table 1: Cards created by the SPSS program based on the determinant criteria

	Personal cost	Personal benefit	Researcher benefit	Curriculum benefit	Support programmes	Teaching reduction
Card 1	No	No	No	Yes	Yes	No
Card 2	Yes	No	No	No	Yes	Yes
Card 3	Yes	Yes	No	Yes	No	No
Card 4	No	No	Yes	Yes	No	No
Card 5	Yes	Yes	Yes	Yes	Yes	Yes
Card 6	Yes	No	Yes	No	No	No
Card 7	No	Yes	No	No	No	Yes
Card 8	No	Yes	Yes	No	Yes	No

The third decision to consider is the process of selecting the sample. In this case we have used non-probability quota sampling, since the questionnaire was sent by email to a database created for that purpose, composed of professors and researchers from the 82 Spanish universities, regardless of their type or region, and in total to more than 32,000 people (see table 2). The characteristics required to form part of the database were residency (Spain) and employment or dedication (academics belonging to Spanish universities, regardless of their professional level, area, years of experience or type of centre).

Table 2: Technical data for the study

Study group	Identified academics employed in Spanish universities: 32,969
Sample size	1,726 academics
Geographical scope	Spain
Sample	Non-probability quota (employment and country of residence)
Fieldwork	January 2017
Type of survey	Personal, self-administered

As a fourth decision for the use of conjoint analysis, the measurement scale of the dependent variable must be taken into account. In this case, we have opted for a Likert scale from 1 to 7, in which we request the level of probability with which the action of becoming an entrepreneur would be carried out if each of the conditions described in the cards presented to the respondent were to exist.

The estimation of the parametric model normally used by the SPSS program is that of Ordinary Least Squares regression to estimate the parameters of the proposed model. From the empirical analysis carried out by means of an online questionnaire, a valid sample of 1,726 responses has been obtained (see table 2), having eliminated those that were not completed or had any blank fields.

Of the sample obtained, 61% are men, compared to 39% who are women. This figure is in line with the representation of women in the teaching and research staff at Spanish universities, which was 40.5% in the year 2016 (Data and Figures on the Spanish University System, 2015-2016, Ministry of Education).

Results

The qualitative analysis, carried out among 42 researchers, resulted in the identification of 6 determining factors. These six factors were the most highly valued by the participants, and they are the ones on which the quantitative analysis has been carried out and for which valuations have been requested.

The results obtained from the 8 possible scenarios have been used to estimate the utilities that the respondents have assigned to each of the levels or attributes considered in the model, obtaining the importance of each of these for each proposed scenario.

The reliability of the model has been evaluated through two parameters, Pearson's r, which takes a value of 0.992, and Kendall's tau, which reaches a value of 0.857, both indicators measuring the correlation between the utilities expressed by the respondents and those expected by the model. Given that both indicators have values very close to 1 with a significance of 0, we can affirm that the model has an adequate fit (see table 3).

Likewise, the utilities of the total sample and the relative importance of each of the determining factors have been estimated, without taking into account the gender, to then compare these results with each of the genders.

Table 3: Importance values, utilities and correlations

		Estimation of utility	Standard error	Relative importance
Personal benefit	Increase in my income	.770	.125	27.968
	No increase in my income	-.770	.125	
Researcher benefit	Facilitates obtaining of resources for research	.341	.125	16.194
	Does not facilitate obtaining of resources for research	-.341	.125	
Curriculum benefit	Valued in professional promotion	.339	.125	15.817
	Not valued in professional promotion	-.339	.125	
Support programme	With institutional support	.300	.125	13.979
	Without institutional support	-.300	.125	
Teaching reduction	Teaching workload reduction	.131	.125	13.534
	Without teaching workload reduction	-.131	.125	
Personal cost	Increase in work hours	-.088	.125	12.508
	Maintenance of my work hours	.088	.125	
(Constant)		3.631	.125	

Very interesting results are obtained from these importance values. The first of these is the enormous importance placed by Spanish academics on personal benefit, identified as a financial benefit, contradicting most of the literature on academic entrepreneurship (Bamberger, 1986; Cromie, 1987; Hamilton, 1987; Scheinberg & MacMillan, 1988) by showing that Spanish academics place greatest importance on financial benefit when it comes to transferring their results. This result confirms the results obtained by Lynn (1991), who established this criterion as the second most important of the relevant aspects. Similarly, this result refutes the argument that this factor is considered too problematic by academics for them to consider its importance when making entrepreneurship decisions (Braunerhjelm et al., 2010; Galindo & Méndez-Picazo, 2013).

In addition, also of interest are results such as research and curriculum benefits being more important than the need for support programmes, from the point of view of both resolving management deficiencies (Diánez-González & Camelo-Ordaz, 2016) and providing resources and facilities (Diez-Vial & Montoro-Sanchez, 2016).

Finally, it is worth noting the low valuation that the academics give, in general, to personal cost, that is, academics see the need to dedicate more time to their job as a less important barrier to entrepreneurship.

Table 4: Importance values, utilities and correlations of the female segment

		Estimation of utility	Standard error	Relative importance
Personal benefit	Increase in my income	.732	.144	26.990
	No increase in my income	-.732	.144	
Researcher benefit	Facilitates obtaining of resources for research	.286	.144	14.930
	Does not facilitate obtaining of resources for research	-.286	.144	
Curriculum benefit	Valued in professional promotion	.416	.144	17.266
	Not valued in professional promotion	-.416	.144	
Support programme	With institutional support	.324	.144	15.022
	Without institutional support	-.324	.144	
Teaching reduction	Teaching workload reduction	.083	.144	13.608
	Without teaching workload reduction	-.083	.144	
Personal cost	Increase in work hours	-.068	.144	12.184
	Maintenance of my work hours	.068	.144	
(Constant)		3.635	.144	

As can be seen in table 4, academics rate personal and curriculum benefits as the most important when determining entrepreneurial intention. In contrast, personal cost and teaching reduction are the least valued elements, elements that must be put into perspective, both in the differential ranking and in the possible differences compared to the male sector.

The reliability of the model has been evaluated through two parameters, Pearson's r and Kendall's tau, both indicators measuring the correlation between the utilities expressed by the respondents and those expected by the model. Given that both indicators have values very close to 1, we can affirm that the model has an adequate fit.

Table 5: Importance values, utilities and correlations of the male segment

Table 5: Importance values, utilities and correlations of the male segment

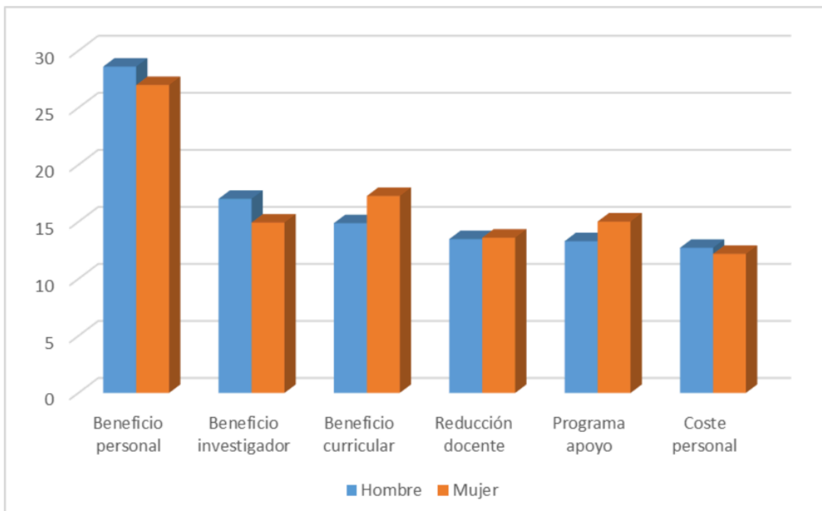
		Estimation of utility	Standard error	Relative importance
Personal benefit	Increase in my income	.795	.113	28.601
	No increase in my income	-.795	.113	
Researcher benefit	Facilitates obtaining of resources for research	.377	.113	17.012
	Does not facilitate obtaining of resources for research	-.377	.113	
Curriculum benefit	Valued in professional promotion	.288	.113	14.880
	Not valued in professional promotion	-.288	.113	
Support programmes	With institutional support	.285	.113	13.304
	Without institutional support	-.285	.113	
Teaching reduction	Teaching workload reduction	.162	.113	13.486
	Without teaching workload reduction	-.162	.113	
Personal cost	Increase in work hours	-.101	.113	12.717
	Maintenance of my work hours	.101	.113	
(Constant)		3.628	.113	

The male academics segment values personal and research benefits as the main determinants of entrepreneurial intention, the first of these coinciding with the female segment, while the least valued are personal cost and support programmes.

Table 6: Comparison of the importance values assigned by women and men

Table 6 shows the different valuations of men and women of each of the determinants of entrepreneurship, which will be analysed individually below for each factor determining intention.

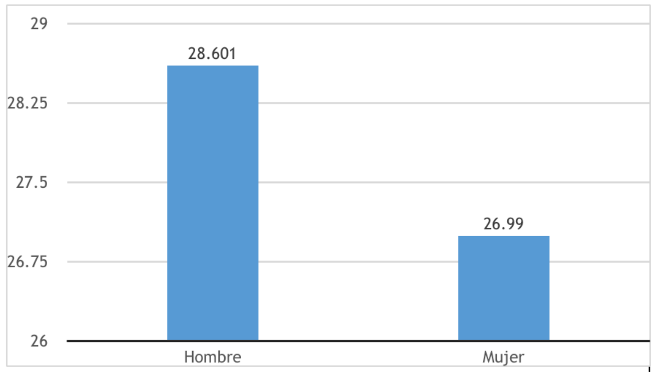
Illustration 1: Valuation of the determinant factors of entrepreneurship by gender



Source: own elaboration based on CA results of SPSS 22.0

[Personal benefit / research benefit / curriculum benefit / teaching reduction / support programme / personal cost / male / female]

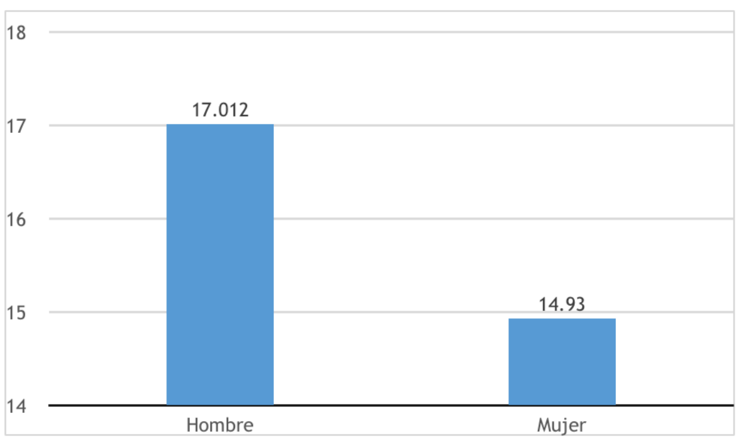
Illustration 2: Valuation of the personal benefit determinant by gender



[Personal benefit / male / female]

Personal benefit is the most highly valued element in both segments, although the valuation given by men for this element is greater than that of women. This implies that men value the economic benefit more than women.

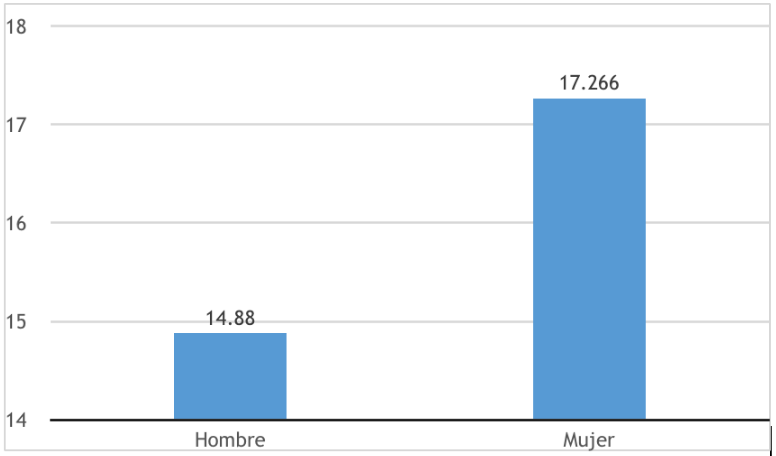
Illustration 3: Valuation of the research benefit determinant by gender



[Research benefit / male / female]

Regarding the research benefit, that is, the possibility of achieving independence in research thanks to an increase in the resources available for that, men value this element more than women, it being the second most important element for men and the third most important for women.

Illustration 4: Valuation of the curriculum benefit determinant by gender

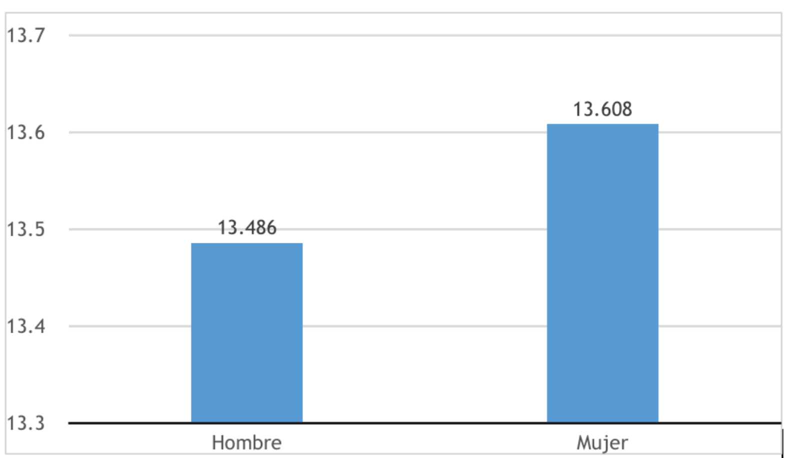


[Curriculum benefit / male / female]

The curriculum benefit valuation is higher for women than for men, a fact that may be due to the existence of glass ceilings (Rosa & Dawson, 2006) and greater employment instability, which is why women need to focus more on obtaining more and better research results.

This curriculum benefit, related to the accreditation processes necessary to attain university positions, is ranked second for women and third for men.

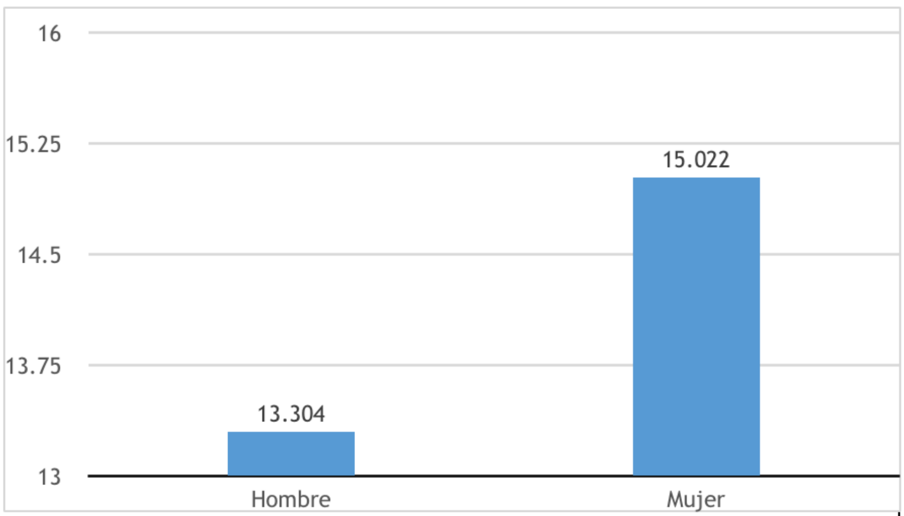
Illustration 5: Valuation of the teaching reduction determinant by gender



[Teaching reduction / male / female]

The teaching reduction determinant is more highly valued by women than men, which may be due to the fact that women in Spain have less spare time to devote to work, since they are largely in charge of the domestic tasks, spending twice as many hours on these as men according to the OECD.

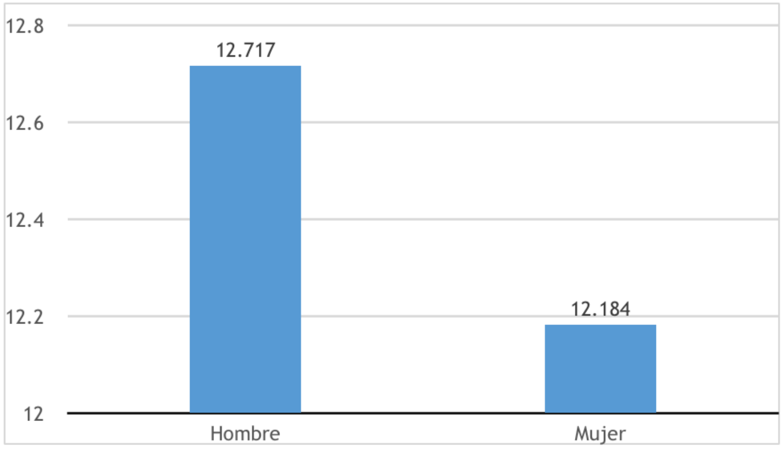
Illustration 6: Valuation of the support programmes determinant by gender



[Support programme / male / female]

Of particular interest is the support programmes determinant and its valuation by both segments. As can be seen in Illustration 6, women value the existence of support programmes as a determinant of entrepreneurial intention much more than men. This fact reinforces the conclusions in the literature on the access to resources aspect, highlighting the greater difficulties that women encounter in accessing resources and markets (Bates, 2002; Collins-Dodd et al., 2004; Bruni et al., 2004; Marlow & Patton, 2005; Alsos et al., 2006; Kepler & Shane, 2007; Gicheva & Link, 2013; Link et al., 2014).

Illustration 7: Valuation of the personal cost determinant by gender



[Personal cost / male / female]

In the same way, personal cost is valued more highly by men than by women. With personal cost, we are referring to the additional time that must be devoted to entrepreneurship, and men value that time more highly and as a higher cost.

This fact may be related to the assessment that according to Sullivan (2012) women make of entrepreneurship. According to this, the higher personal cost to women of entrepreneurship is offset by the greater working flexibility that this entrepreneurship offers (Sullivan & Meek, 2012), as well as the possibility of being able to organise their own duties in the future to achieve a work-life balance (Baines et al., 2003).

Conclusions

According to our study, gender is an influential factor in the determination of entrepreneurial intention since there are two clearly differentiated segments in terms of their motivations and their valuations of the determining factors. While women value the curriculum benefit factor as the second most important element, men rate the research benefit as the second most important. This fact implies that men rate research independence more highly than women, while women focus more on achieving academic career advancement.

Of particular interest is the valuation that both genders give to personal or economic benefit. This is ranked first for both sexes, although it is more important for men than for women.

Similarly, female academics value the existence of support programmes more highly, a fact that supports the literature and the conclusion that the female segment has more difficulty in accessing resources, networks and markets.

In terms of teaching reduction, women value this more highly than men, a fact that may be due to their need to have more time during the day to devote to entrepreneurship, since they do not have as much free time because they are more involved in domestic tasks and child rearing.

From the theoretical point of view, this study makes two important contributions.

First, it makes a new contribution to the literature on academic entrepreneurship and gender differences, providing a new vision of the differential motivators of that entrepreneurship. This study also demonstrates the existence of six main motivators of academic entrepreneurship, identified through the qualitative analysis.

Second, a theoretical contribution is made regarding the methodology. This study provides a novel methodology not used until now in relation to entrepreneurship, which is the use of conjoint analysis and its ability to divide the decision into several elements or components.

There is also an important contribution from the practical point of view, by demonstrating that there are two differentiated segments in the field of academic entrepreneurship. This aspect refers to the need for those responsible for university and public policies on academic entrepreneurship to take into account these differential considerations. Those responsible for the management of academic entrepreneurship policies can improve the influence and impact of entrepreneurship development programmes by taking into account different aspects according to the valuations given to them, adapting these programmes according to the gender at which they wish to direct the programmes.

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STRATEGIC SPOOFING ORDER TRADING BY DIFFERENT TYPES OF INVESTORS IN FUTURES MARKETS

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ABSTRACT

This study investigates the strategic behavior represented by spoofing order trading in Taiwan's index futures market, according to its characteristics, profitability, determinants, and real-time impacts. Both spoofing-buy and spoofing-sell strategies emerge, discernible among not only institutional investors but also individual traders. Spoofing trading is profitable, and traders are more likely to submit spoofing orders when both volume and volatility are high, while the price for spoofing-sell (buy) orders is high (low). Furthermore, spoofing trading induces subsequent volume, spread, and volatility; spoofing-buy (sell) orders have a positive (negative) effect on subsequent prices. These findings provide general support for the view that spoofing trading destabilizes the market.

Keywords: Spoofing orders; Price manipulation; Liquidity; Volatility; Institutional investors; Individual traders

JEL Classification: G10; G14

GLOBAL OIL PRICE FLUCTUATIONS AND CONSUMER PRICE MOVEMENTS IN PAKISTAN: A CASE STUDY

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ABSTRACT

Abstract

This study examines the refined petroleum product prices and consumer price linkages with the global oil price fluctuations in Pakistan with the help of descriptive and comparative analysis. The global oil prices pass-through on domestic petroleum products and consumer prices in Pakistan over the time period 1970-2016 is investigated keeping in mind the high oil dependence of Pakistan's economy. Additionally, this study offers the segregated effects of oil price change on oil vulnerability in Pakistan by delineating the direct oil price change's effect from oil dependence, oil intensity, oil share and exchange rate adjustment effect. The study offers number of interesting features of consumer behavior and government's policy in response to the oil price asymmetric changes and dramatic oil price shocks. The global oil price changes hold major stance in mounting oil vulnerability with rising oil dependence of the economy of Pakistan while the oil price pass-through is appeared relatively less substantial in the case of oil price decline as compared with the oil price increase.

1.Introduction

The macroeconomics of oil price fluctuations has remained the most debating subject of the world economy. Oil being dynamic and the world's most influential commodity has also endured to be a strategic energy source. The large fluctuations in oil prices have been witnessed throughout the economic history; initiated from the oil price hike in 1970s that brought major destructions to the worldwide economy and slipping into the 21st century with major jerks. The persistent global imbalances and sharp economic fluctuations kept the oil prices a major determinant of global economic performance. The linkage between international oil price fluctuations and domestic economic activities, particularly GDP growth rate and inflation has remained major focus of the researchers and policy makers. Generally, it is believed that oil prices drive significant variation in domestic prices in the short and medium-run while the log-run bearing of oil prices can be effectively managed by the monetary authorities by raising interest rate and by selecting a threshold inflation rate.

This study is an attempt to gauge the international oil price implications for the economy of Pakistan with a particular focus on consumer price movements in the wake of global oil price shocks. The study provides a trend comparison of international oil price movements and petroleum prices for household, industrial and transport sector along with the oil price pass-through and impulse responses of domestic petroleum product prices. Additionally, the oil price vulnerability of Pakistan's economy is taken into account by decomposing it into number of factors including direct oil-price effect, oil share effect, oil dependence effect, energy intensity effect and the real exchange rate effect following the Log Mean Divisia (LMDI) approach. This figures out the extent to which these factors count for the variations in oil price vulnerability.

The main findings suggest a concurrence among the consumer prices and international oil price movements. The effect of oil price change is asymmetric in nature and the economy is much vulnerable to the direct oil price change along with the oil intensity of the economy. Pakistan is an emerging industrial economy and is in dire need of oil resources for its power and infrastructure sectors, due mainly to the domestic shortage of oil resources. The international oil price vulnerability of the economy is a major challenge that penetrates into all economic sectors through its influence on domestic prices.

Regarding the oil dependence of Pakistan, oil-imports have increased from 6 % of merchandise imports in year 1970 to 22 % in 2015 (4th times higher). Although the share of oil in final energy consumption reduced by 19 % in the post-regulation period of energy sector during 1995-2012, the alternate energy source i.e., gas couldn't sustain as an alternate energy source and we had to revert back to the same oil share afterwards. The energy sector regulatory reforms in Pakistan were initiated in 2001 when the management of oil sector was transferred to the independent regulatory authority while the Oil Company Advisory Committee (OCAC) and the role of government was restricted to the policy issues only. Earlier, state-owned oil marketing company Pakistan State Oil (PSO) was the sole importer of crude oil and petroleum product that was later shifted to the other oil market companies and bulk consumers. In 2006, Oil and Gas Regulatory Authority (OGRA) was authorized to issue license to new entrants in the oil market and to fix and announce the petroleum product prices. Later in 2011, the Oil Market Companies (OMCs) were allowed to fix and announce prices for major petroleum products. OGRA is still responsible to maintain equity in the oil prices through inland freight equalization margin. But, petroleum and its products' domestic prices are more flexible to move on with the international pricing trends [Khan and Ahmed, 2014].

2. Oil Price Fluctuations Pass-Through: Review of Literature

Literature has identified a number of channels through which oil price fluctuations may affect the macroeconomic activities of the world economies. Kilian (2009) gave a comprehensive count of these channels that includes supply and demand channel, role of asymmetry in response and monetary policy channel. Explicitly, the oil price increase leads to the transfer of income from oil-importing to oil-exporting countries through its terms of trade effect. The exogenous oil price shock in itself is considered as a terms-of-trade shock that directly influence the production decisions and hence productivity; oil enters as an input in domestic production function. However, the magnitude of such effect largely depends on the degree of oil-intensity, oil-dependence and oil-share in GDP of respective country. Later, Barsky and Kilian (2004) focused on the change in domestic capital and labor due to oil price fluctuations, rather than treating oil price shock as real productivity shock.

The empirical work on oil price and GDP relationship although varies substantially in terms of its magnitude and the measures used for oil price fluctuation, the overall economic growth has been observed to be declining in oil-importing countries after every positive oil price shock. The oil price shocks are also treated in literature as the aggregate demand shocks through disruption in consumers' and producers' business confidence and hereby spending [Hamilton, 2008; Lee and

Ni, 2002]. However, it depends on the time dimensions because the adjustment effect that results from real wage, domestic prices and structural changes in the wake of oil price change may be sluggish in the short-run but are likely to influence consumption patter in the long-run.

The impact of oil price increase is directly related with the external economy indicators in the sense it leads to deteriorate terms of trade and trade balance and depreciates the oil-importing country's exchange rate in the short-run. The indirect impact makes its way through rising inflation, high production cost, reduced investment and depressed economic growth. This also leads to the loss in tax revenues and increase in the budget deficit. If country heavily relies on the oil, the oil price increase will tend to switch the resources towards oil borrowing at high prices, initially that pushes up the interest rate as well. In the long-run, consumption pattern can be modified if country has alternate energy resources and is already working on its near full-employment. However, the oil-importing developing countries, like Pakistan, have long been depending on oil-import as its major energy source and the reliance on imported oil is not expected to be declined in near future. This makes oil-importing countries highly sensitive to the oil price fluctuations and the log-run consumption pattern faces little changes overtime.

Besides, the high oil prices reduce discretionary income of consumers and create uncertainty about the future path of oil prices that overall lead to the postponed irreversible expenditure plans of durables. Even if expenditure plans are reversible consumption will fall due to increase in precautionary savings. Further, the macroeconomic impact of oil price change also hinges on the extent of oil price shocks and its sustainability. The long-run upward pressure on the oil prices creates business and investment uncertainty in the economy. On the contrary, the oil price decrease is expected to work in opposite direction but on average oil price change has remained positive over the last four decades. And oil prices are still substantially higher than the early years due to surging demand from the emerging world economies.

Since 1990s, literature turned its focus on the asymmetric response towards oil price changes [Mork, 1989; Lee, Ni and Ratti, 1995; Hamilton, 1996; Hamilton and Herrera, 2004; Lee and Ni, 2002]. The net oil price increase based on the relative increase in price over a given time period is observed to have sharper effect when oil price hike is relatively larger than its preceding years. In a recent research, Baumeister and Kilian (2016) pointed out that the perception of consumers, financial markets and policy makers regarding oil price shocks varies substantially. They pointed out that the oil price shocks are largest from the consumers' perspectives, smaller from the financial markets' perspective and smallest through the vector autoregressive (VAR) model of the oil market that suggest heterogeneity in oil price fluctuations in carrying its effect on the macroeconomic activities.

As provided by the literature, oil price shocks have been associated with the major macroeconomic upheavals with varying degree and extent depending on the oil dependency of the respective country. However, the role of oil price fluctuations in passing through to the domestic inflation is agreed in most of the studies. The oil price shocks may or may not be the major cause of recessions in the economies, the doubt put forward by Bohi (1989), but it is widely accepted that oil price shocks partially transfers into domestic price shocks. Seminal work by Kwack (1973) and Kravis and Lipsey (1977) pointed out the large dependence of domestic prices on the prices of imported goods.

Another strand of research focuses on the declining impact of oil prices on inflation and is based on the Philips Curve framework including Hooker (1996, 2002), LeBlanc and Chinn (2004), Blanchard and Gali (2007) and Valcarcel and Wohar (2013) who concluded that the oil price pass-through has declined substantially over the time for United States, Japan, Germany, France and Italy. The reason behind is the intervening role of effective monetary policy, flexibility in the labor market and declining energy intensity of the respective countries. However, the arguments in favor of asymmetric response of oil price changes has only been able to verify the pass-through of positive shock (oil price increase) not the negative one (oil price decrease) [Lown and Rich, 1997].

More intuitively, the role of institutions has been regarded responsible for the declining effects of oil price shocks on the internal economies. These institutional factors include the subsidies, fuel tax, tax levies and exchange rate adjustments. The countries following the floating exchange rate system are expected to be less prone to the oil price shocks. Jongwanish and Donghyun (2011) concluded that subsidies and price controls have mitigated the oil price pass-through for selective South Asian countries. Similar evidence is reported for China by Tang, Wu and Zhang (2010) for the time period 1998-2008 and for Kenya by Kiptui (2009). On the contrary, Chen (2009) found the increasing pass-through of oil price on domestic Consumer Price Index (CPI) for Turkey due to high oil import dependence and insulating current account deficit. The higher energy demand tends to increase the oil price pass-through to domestic prices while the role of monetary policy measures including change in interest rate and money supply are considered as insignificant in explaining the pass-through. Some recent studies also proposed some alternate time-varying variables to gauge the pass-through of oil price shock[1].

This is also believed that the factors responsible for pass-through varies largely across the oil price shock of 1980 and the segregated effect of oil price change pre and post-1980 can suggest more relevant findings. As already discussed, the transmission channel of oil price shocks to the economy occurs through disruption in consumption and investment expenditures due to low level of current income and expected future profit, the channel between oil price shocks and domestic prices does not offer a consensus. Generally, the oil price fluctuations can transmit into domestic inflation through the cost channel that point towards the increase in cost of production due to higher oil prices that urge the producers to pass on the increase in cost to consumers and ultimately lead towards increase in domestic prices.

On the contrary, oil price decline is expected to reduce the domestic prices and import bills and hence improves the trade balance. This also leads toward rising consumer demand and investment due to expected high profit that overall stimulate the macroeconomy. Besides, decline in oil prices translates into lower taxation and loss in tax revenues that increases the budget deficit. In order to fulfill deficit, the option of increase in money supply can offset the effect of price decline, on the one hand. And the pressure from structural adjustment program's requirements stressed on the increase in taxes, on the other.

3.International Oil Price Dynamics

Historically, first two peaks in oil prices in years 1974 (first oil price hike) and 1980 (second oil crises in the wake of Iranian revolution and Iran-Iraq war) were mainly driven by oil supply disruption. The Iranian revolution 1987 and Iran-Iraq war 1980 claimed serious shortfall of oil production capacity and oil-export dropped in Iran to 1 million barrels/day that completely diminished by the end of 1980. Similarly, oil production in Iraq declined from 3.5 million barrels/day to 500 thousand barrels/day. Subsequently, there was a sharp decline in oil prices in 1986 due to adjustments in the oil supply that sustained for the long-run and also remained below trend line till year 2004. Meanwhile, United Nation's oil embargo on oil-exporters of Iraq due to Kuwait invasion created daily decline of crude oil supply by 4.7 million barrels in the international market that eventually increased the oil price.

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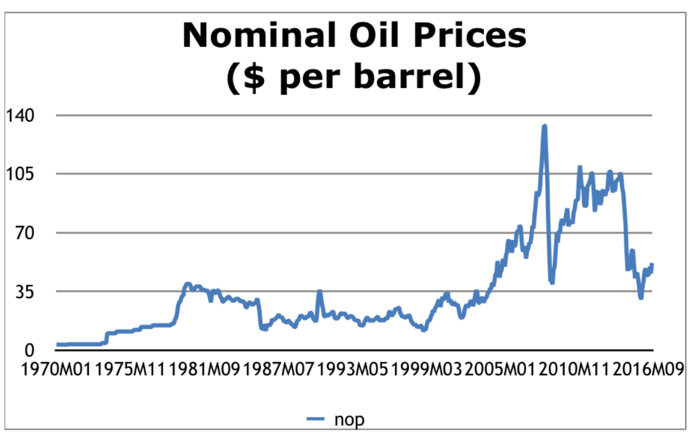
[1] See Baumeister and Peersman (2013a, b); Bekiros et al. (2015); Bekiros and Paccagnini (2016); Riggi and Venditti 2015) for detail.

However, oil supply shortage was supplemented soon by OPEC that stabilized the oil market within short time period. And the crises appeared less acute and persistent than the last two shocks. Even the oil price dropped to its historically low level in 1998 that urged OPEC to appeal for production control that triggered a slight rebound of oil prices in 1999 and 2000 [Yan, 2012]. Later, the historical events of Asian financial crises and 9/11 tend to destabilize the oil prices and international oil prices again experienced sharp round of oil price increase. The global increase in GDP also bid-up the crude oil demand and hence price that increased to a record high level in the mid-2008.

However, the financial crises of 2008 dramatically changed the trends in oil prices that fell to a strikingly lower nominal price of 40 $ per barrel. This was mainly due to overall shrinking of aggregate demand of industrial commodities due to financial and credit crunch. The year 2010 again observed upsurge in oil prices as the result of rising demand from emerging economies and the demand for oil recovered to the levels prevailing in 2007 by stabilizing the price around $100 per barrel. The years 2010-2014 again experienced the demand and supply shocks in the oil market due to Libyan crises and increasing tension in Iran. Overall, oil prices show high persistence and clustering over high frequency data as depicted in Figure 1. Both oil price increase and decrease faced large fluctuations and the effect of such changes might be asymmetric to the internal economy.

Figure 1 Crude Oil Price Trends 1970m1-2016m2



Source: FRED data

Given the importance of oil as most internationally traded commodity, the oil price fluctuations can largely explain the emerging imbalances in the world economies. In that context, the macroeconomic impact of oil prices have been widely analyzed by the existing literature with a major focus on the internal economy (GDP growth and domestic inflation) specifically for the oil-importing countries but little effort is made for Pakistan. Hence, the short and long-run dynamics of international oil prices for Pakistan are worth investigating.

4.Comparative Analysis of International and Domestic Petroleum Product Prices (2004Q1-2015Q2)

This section deals with the trends in domestic petroleum product prices and its comparison with international crude oil prices from first quarter of year 2004 to second quarter of year 2015[2].

The comparative analysis allows us to incorporate major oil shocks in subsequent years [sharp oil price decline in 2008 due to financial crises, all time high peak of $120 per barrel as a result of growing aggregate demand from emerging economies in 2011 and sharp fall in year 2014 to $48 per barrel due to rise in oil production and dumping in the oil market].

4.1 Summary Statistics

Table 1 provides the summary statistics of West Texas Intermediate (WTI) crude oil prices in $ per barrel. The domestic petroleum products prices are selected from Yearbook of Energy Statistics, Pakistan and data on Consumer Price Index (CPI), Producer Price Index (PPI) and Wholesale Price Index (WPI) are sourced from International Financial Statistical Yearbook, IMF. The prices were given in Rupees litre other than furnace oil prices those were given in Rupees tonnes and are converted into dollars per barrel for consistency. Precisely, the Kerosene oil prices (KOP) represent household sector because domestic users consume more than 70 percent of kerosene oil. For the transport sector, the Motor Spirit/Gasoline prices (MSP) and High Speed Diesel Oil prices (HSDP) are selected while Furnace Oil Prices (FOP) and Light Speed Diesel Oil Prices (LDOP) specifies the industrial sector use of oil price that consume more than 60 percent of the furnace oil and light diesel oil. The transport sector in Pakistan in the leading user of petroleum products which accounts for 55 percent followed by the power

[2] The quarterly data on international oil prices was available from 1980 but data on domestic prices prior to 2004 was not available, the reason to truncate the data.

sector 34 percent, and remaining 11 percent is used by residential sector and others [Pakistan, Govt. of (2015-16)].

Table 1 Summary Statistics of Oil Price Data

(Dollars per barrel)

Oil Prices	Mean	Median	Standard Deviation	Skewness	Kurtosis
WTIOP	74.63	75.47	23.08	0.028	2.031
CPI*	41.25	24.02	42.79	1.305	3.565
PPI*	39.47	20.28	43.37	1.341	3.554
WPI*	39.48	20.28	43.38	1.341	3.554
KOP	114.86	103.50	33.91	0.214	1.694
HSDP	128.66	126.71	37.07	-0.007	1.846
MSP	140.46	142.19	23.55	-0.207	1.882
LDOP	108.55	104.42	33.87	0.177	1.727

* Report the annual average of prices from 1970-2016.

The domestic petroleum products prices pose more than 80 % significant correlation with global crude oil prices[3].

The average gasoline price is highest (140.26) with lowest standard deviation among all domestic prices. The distribution of these prices is not symmetric over the time due to non-zero skewedness although it is not substantial due to its value below than 1. The oil prices for transport sector are overall negatively skewed while for the other it is positively skewed that shows clustering of transport sector oil prices on the lower values. Moreover, domestic prices are at high margin than global oil prices due to inclusion of general sales taxes, tax levies and so.

4.2 Comparative Analysis

The graphical display portraits the clear picture of oil price evolution over the time. A close look at Figures 2-7 suggests a lag of 3-4 quarters in the domestic price changes with respect to global

[3] The domestic prices are final sale prices inclusive of general sales tax and other charges including ex-refinery price, custom/excise duties, fixed development surcharges, distribution margin and inland freight margin.

oil price changes. Mostly oil price increase in passed on to domestic prices more quickly than the decrease in oil prices over the given time period. The trend in general sales tax mostly remains consistent over the time and shows a little tax adjustment in the wake of oil price change. However, it becomes more responsive after the year 2013. Perceptibly, in the wake of the pro-market regulatory reforms, petroleum product prices those were first being determined on monthly basis by independent bodies (OGRA was responsible to fix petroleum prices per government formula in 2006) were deregulated in 2011-2012 by the Federal government [Khan and Ahmed, 2014]. And as a result, domestic oil prices become more responsive and adjusted-in-line with the global oil prices.

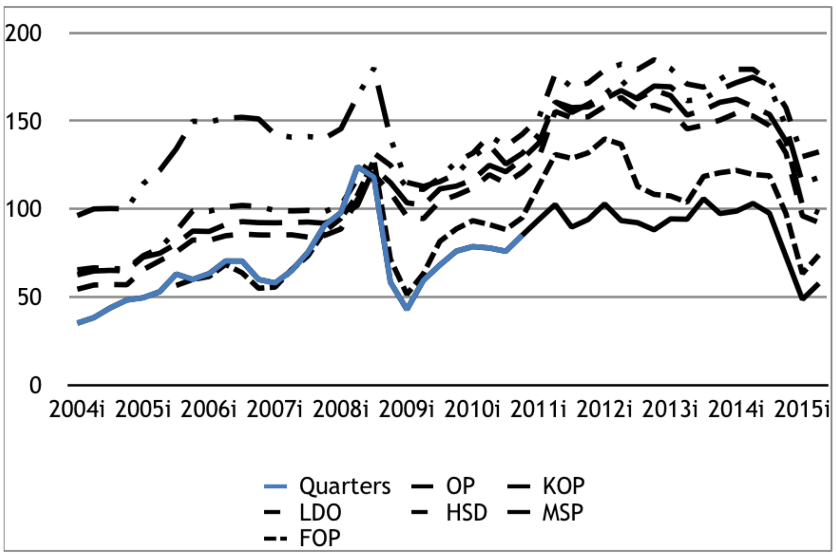


Figure 2. Trends in International vs. Domestic Petroleum Prices

With respect to oil price decrease, government change petroleum prices levy rates that curtail the pass on of international oil price decline on consumers. Levy is the fuel tax that can also be held responsible for adjustment inflation in Pakistan. Hence, fuel price cut invites the additional sales taxes that lead consumers enjoying the benefits of falling crude oil prices in the international market partially. The low fiscal space remains the other motivation behind the increase in tax rates by the government as the fall in global oil price deprives government from import revenues and custom duties. The government of Pakistan suffered Rs. 68 billion revenue loss due to oil price decline in 2014 that invited a 22% rise in the sales tax in January 2015 and 27 % in the next month. The crude oil imports also tend to increase by 12 % from 2014-2015 due to low oil prices. The industrial sector could benefit from lower prices if production cost tends to decline and productivity and competitiveness of the sector increases.

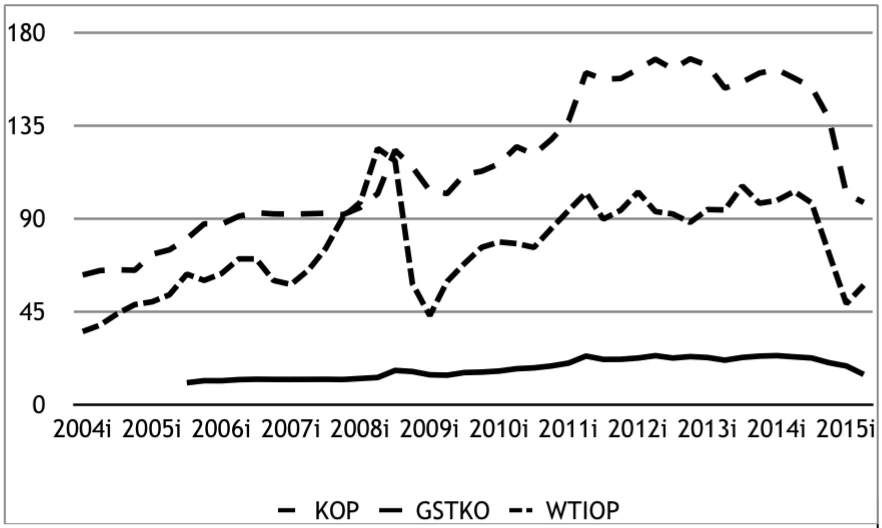


Figure 3. Trends in International, Kerosene Oil Prices and General Sales Tax [Household Sale Prices]

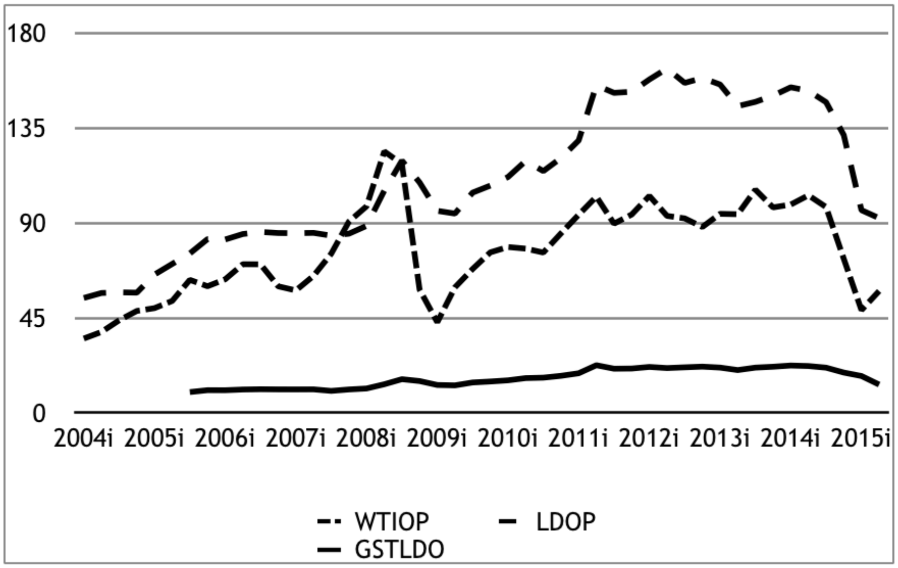


Figure 4. Trends in International, Light Diesel Prices

and General Sales Tax [Industrial Sector Prices]

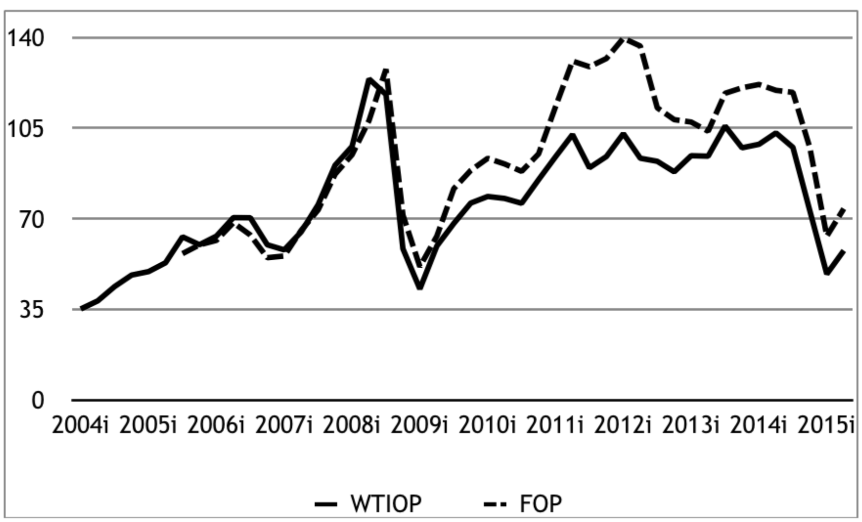


Figure 5. Trends in International, Furnace Oil Prices (ex-refineries)

[Industrial Sector Prices]

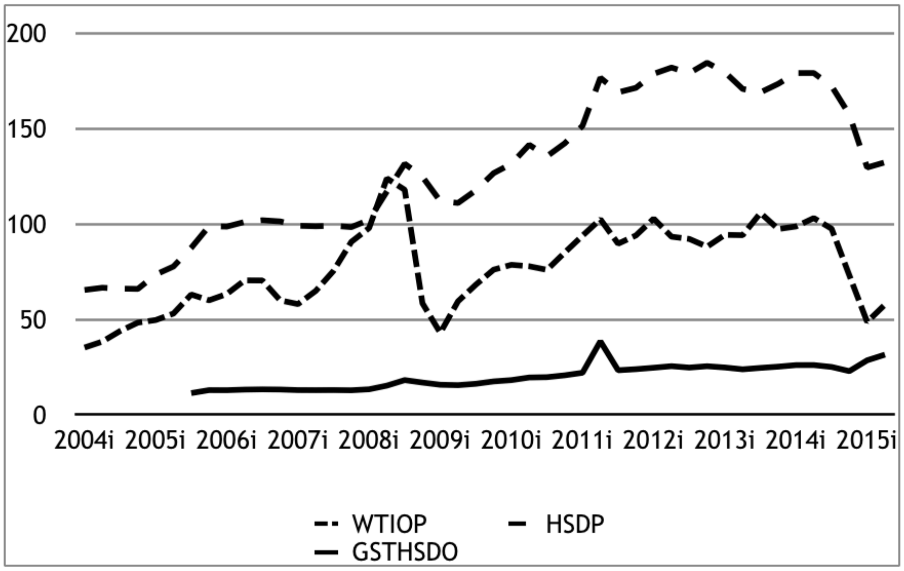


Figure 6. Trends in International, Domestic High Speed Diesel Prices and General Sales Tax [Transport Sector Prices]

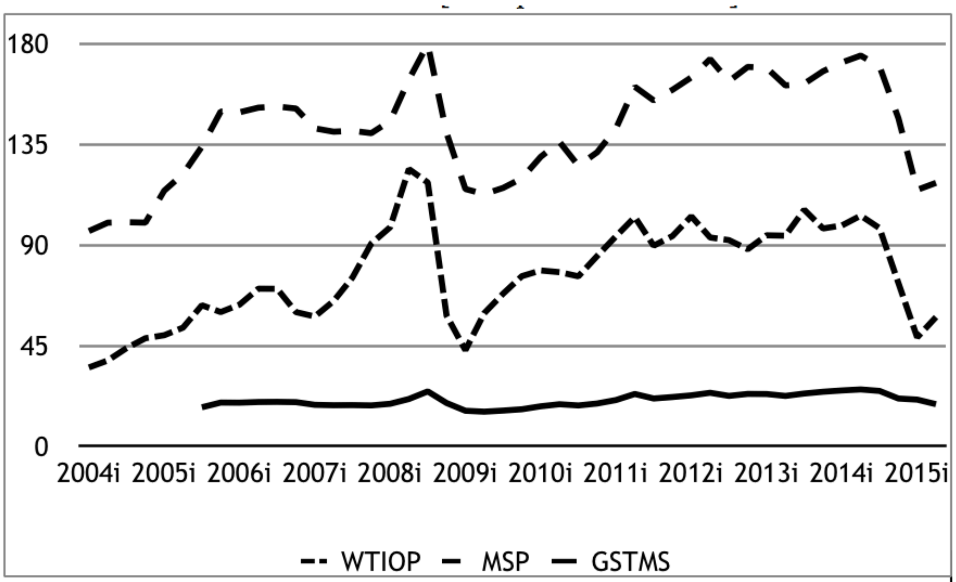


Figure 7. Trends in International, Motor Spirit Oil Prices (gasoline) and General Sales Tax [Transport Sector Prices

Regarding industrial sector, the furnace oil prices represents the industries' deregulated ex-refinery cost that reflects the imported prices. Furnace oil is mostly used in the power sector for electricity generation through thermal power plants. Before 2004, furnace oil demand was declined due to surplus of electricity and conversion of oil based plants to Natural Gas based system but the need of energy at the moment has been on terrific rise due to investment in infrastructure and China Pakistan Economic Corridor (CPEC). The new power projects rely mostly on oil based plants and have intensified the need for furnace oil that is expected to grow abruptly in future. This demand was expected to increase by 17 percent during 2010-11. It is expected to increase further to 19 million tones by the year 2017-18 [World Bank, 2003]. While the transport and agricultural sector are two major users of Gasoline. Transport sector includes both private and commercial types of users. In the recent years a high amount of subsidy was given by the government of Pakistan on gasoline rendering a sharp increase in its consumption but the unpredictable changes in the oil prices in international market leave government in no position to provide persistent relaxation on the gasoline. Government has to gradually reduce the subsidies on gasoline to cope up with the structural adjustment program of IMF and to enhance its fiscal space[4].

[4] This is pertinent to mention that fiscal deficit and money supply were introduced in the inflation equation to check likely effect but major variation in domestic inflation was still pivoting around global oil prices than other factors.

Roughly, the General Sales Tax (GST) and development surcharges contribute more than other components in final sale price. The revenue collection, depending on the development surcharges, is mostly extracted from the transport sector. The margin is lower from household oil demand and the industrial sector. The development surcharges (DS) mostly vary as the rate of return to the investor is directly linked with it. The investor is being paid form development surcharges if the import parity price is low. The policy of fixed prices, assured profit margins and ad-hoc price revisions proves as a disincentive for the producers to produce cost effectively.

Comparison of domestic oil prices portrays highest prices for the transport sector, the biggest user of oil products. The gasoline prices were higher than HSD till 2009's second quarter and then switched by the gasoline prices with small margins till the 2nd quarter of year 2015. By the year 2008, a high amount of subsidy was being given by the government on gasoline, resulting in increase in spending, but later increasing international oil prices could not be accompanied with a boost in subsidies due to fiscal constraints in trade financing and budget. The lower prices also lead towards low taxes and results into lower revenue collection. Comparatively, the fuel subsidies were advised to be reduced in the wake of fall in international oil price by Asian Development Bank. Consumption of HSD in the country has grown dramatically due to lower prices and lower taxes while gasoline experiences higher taxes and higher prices.

For household sector, the kerosene oil prices have remained substantial but international oil price outstripped the household price in the period of sharp rise i.e., 2008. Unfortunately, the gap has widened in the subsequent years. Similar is the case for Light diesel oil for industrial sector. For gasoline, the margin between international and domestic price has remained the same. Overall, the domestic sectors immensely bank on the imported oil as the domestic oil fulfills only 18 % of demand as compared with 82 % of the demand satisfied by imported oil. Demand for refined petroleum products also exceeds domestic oil refining capacity, so nearly half of Pakistani oil imports are refined products and its share in total energy consumption is 40% [Ahmad and Mithilesh (2008)].

4.3 Oil Price Pass-Through

The direct oil price pass-through to domestic prices is computed as the absolute change in domestic retail end-of-year prices divided by the absolute change in international prices for the given year in order to estimate the pass-through in particular years of drastic oil price changes[5].

This provides us important insight into the pass-through of oil price shocks after year 2004 on domestic prices and can help us to gauge the validity of government policy measures to control the likely effects of oil price change on domestic economy. According to these estimates, oil prices increased by 27 % in 2008 after financial crises that declined by 37% in the year 2009. The increase in oil price is passed through to the domestic prices for all sectors by more than 50 % implying a sharp pass-through of oil prices. On the contrary, the subsequent decline in domestic prices due to reduction in international oil prices has remained less than proportional for household and industrial sector and offers a moderate pass-through of oil prices. However, the transport sector gained from this oil price decline and the prices of gasoline (motor spirit) decreased by more than proportional. The oil price increase in subsequent years observed a sharp pass-through again till the year 2012. The oil price decrease of year 2014-15 suggests a more than proportional decline in the prices of all sectors. These figures justify the government claim of prompt pass-through of the benefits of low oil prices to domestic prices of household, industrial and transport sector only for the year 2015-16. The frequent adjustment in domestic prices per oil price fluctuations is adopted as a policy option and fall on the discretion of oil market companies and carries more flexibility.

4.4 Impulse Responses of Oil Price Shocks

An additional attempt was made to find out general and accumulated responses of domestic oil prices to the net increase/decrease in global oil prices and structural shocks [Kilian (2009)]. A Structural VAR Model based on the quarterly data from 2004Q1-2015Q4 is used with treatment of global oil price change as least endogenous and domestic oil prices as most endogenous in the model. The Impulse Response Functions (IRF) based on SVAR under short-run restrictions (innovations are contemporaneously uncorrelated) are given in Table 2. The IRF traces the effect of one-time generalized shock to global oil prices to the innovations to the current and future

[5] The data source used in computation is already mentioned in section 4.2.

values of domestic oil prices. Generally, the response of domestic oil prices is negative (positive) at all horizons for global oil price decrease (increase) impulses.

Regarding oil price increase, the generalized effect on Kerosene oil prices is positive and significant in first 3 quarters and then tends to decline till the 12th quarter. Opposite is the case for oil price decrease that leads to the instantaneous decline in domestic oil prices till 3rd quarter and then gradual increase till the 12th quarter. However, the accumulated response of kerosene oil prices i.e., accumulated sum of impulse response towards one standard deviation shock to global oil price increase (decrease), remains positive (negative) and shows no point of convergence in the long-run.

For the transport sector, response of gasoline oil prices appears as significant till 7th and then 10th quarter, respectively. Specifically, the motor spirit oil prices tend to temporarily increase (decrease) till the 3rd quarter and then decrease (increase) towards the oil price increase (decrease) but one-standard error band later imply statistical insignificance. Similarly, the response of furnace oil prices remains significant for first 10 quarters and tends to become insignificant later. Mostly, the response of domestic oil prices towards global oil prices sustained till the 3rd quarter with a subsequent increase as a result of global oil price increase and vice versa but the effect is gradually mitigated till becoming insignificant towards the last quarters.

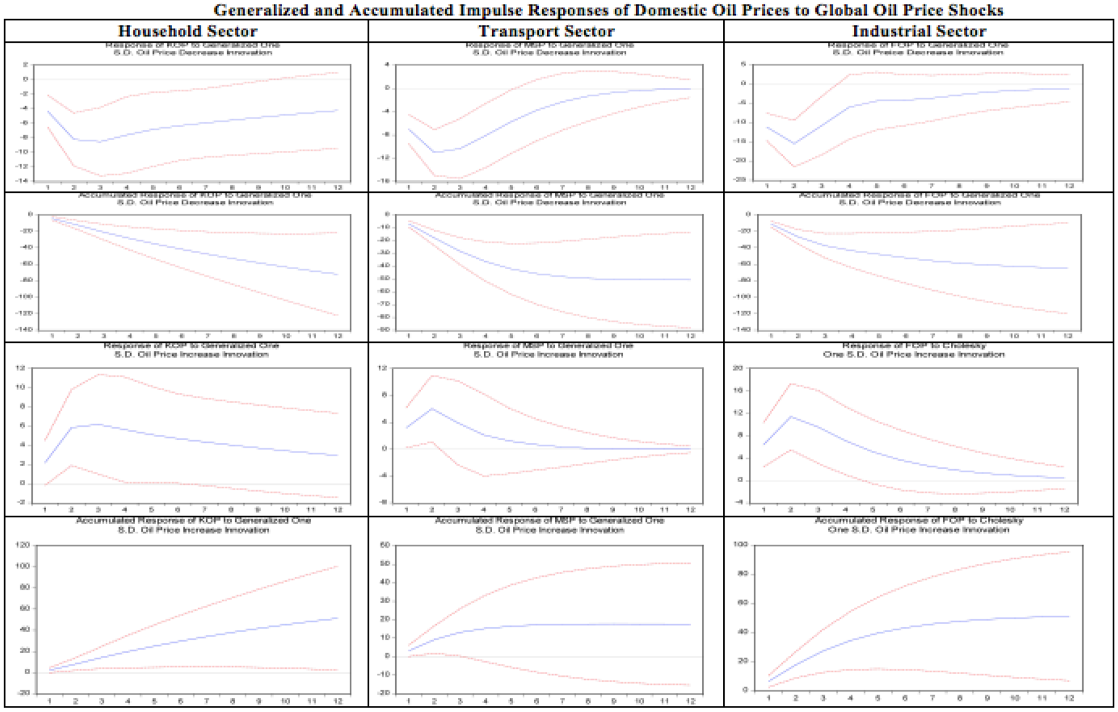
The impulse responses of domestic oil prices connotes the instantaneous response of domestic oil prices to the global oil price movements, however after the time span of 3rd quarter (moving into next year) the effect fades out due to government post-regulation reforms and fiscal measures. As discussed earlier, government increases the fuel tax on consumers to recover the loss in tax revenue due to oil price decrease which curtails the passing on benefits to the domestic sectors. Similarly, increase in subsidies tends to ease the momentous effect of global oil

Price increase on the domestic prices. Interestingly, the effect of such measures is stronger for household sector than the others.

This completes the comparative analysis of domestic and international oil prices.

Table 2

Generalized and Accumulated Impulse Responses of Domestic Oil Prices to Global Oil Price Shocks



5.Measuring the Oil Vulnerability of Pakistan

Table 3 displays the oil vulnerability and change in vulnerability as percentage of GDP in Pakistan from 1986-2011[6].

The vulnerability is defined as the ratio of net crude oil imports to GDP, measured in US Dollar. The oil price increase makes the oil imports expensive that not only increases the trade deficit but also depresses the GDP and increases the inflationary pressure. The vulnerability can be decomposed into number of factors that delineate the effect on vulnerability from each other. These include price effect, import dependence effect, oil share effect, energy intensity effect and the real exchange rate effect through an accounting identity. This enabled us to outline the direct oil price effect from other components of vulnerability. The Logarithmic Mean Divisia Index (LMDI) by Ang (2005) is employed to measure the vulnerability and is specified as below:

[6] The reason for selecting this period is data availability.

Where, OV refers to the oil vulnerability that is identical to the ratio of volume of net oil imports per barrel times annual crude oil price in U.S. dollars to the value of current GDP in dollars. The vulnerability is decomposed into **crude oil price, oil dependence ratio**: volume of net oil imports (ON) to domestic oil consumption (OC), **oil share**: ratio of domestic oil consumption to total domestic energy consumption (EC), **energy intensity**: ratio of total domestic energy consumption to real GDP in local currency, **inverse of price deflator**: ratio of GDP in constant to current prices and **exchange rate**: ratio of current GDP in local currency to current GDP value in dollars.

Further, the change in vulnerability (ΔV) is decomposed into the sum of oil price effect, import dependence effect, oil share effect, energy intensity effect, the inverse of price deflator effect and the exchange rate effect. The sum of last two effects can yield the real exchange rate effect. The identity for change in vulnerability is given as:

$$\Delta V = Vt - Vt-1 = Peef + Ieff + Oeff + Eeff + Reff$$

The effects are computed through log mean Divisia index as:

$$Peff = Vt - Vt-1 * log Pt/Pt-1 / ln Vt/Vt-1$$

The other effects are calculated analogously.

The oil vulnerability and decomposition of change in vulnerability as % of GDP presented in Table 3 highlights the factors contributing into vulnerability remain highly volatile after year 1995. Most of the changes in vulnerability are administered by the oil price effect and import dependence effect. Overall, the oil price decline triggers the lower oil vulnerability that implies the direct transmission of oil price change into less vulnerability.

Second most influential factor is import dependence, measured as volume of net oil imports to domestic oil consumption. This factor also serves to measure the oil efficiency; greater the import (use) of oil, lower will be the efficiency. The real exchange rate offset the impact of oil price increase in year 1990, 1992, 2002 and 2010 to decrease the oil vulnerability. The vulnerability also tends to decline these years due to low import dependence. The peak year oil price of year 2000 leads towards a jump in vulnerability to 9.91% from 1.33 % in the previous year. This is mainly determined by significant price effect, drastic increase in oil import dependence and real exchange rate effect. The subsequent decline in vulnerability (-2.78% from 9.91 % in 2000) relies on the decline in energy intensity and price effect, although oil share tend to increase due to lower oil price in the same period.

Another round of sharp increase in oil price after the year 2008 of financial crises led dramatically towards accentuating vulnerability. Although oil share and import dependence increased in that time period but the energy intensity declined marginally. The decline in oil share in 2003-2006 was due to lower demand for furnace oil by power sector that switched from oil to gas and accessibility of hydro power however oil share increased in year 2007 again. Relatively, the oil vulnerability remained lower in the 1990s decade as compared with 2000s as the change in oil price was sharper and higher in later decade along with rising oil dependence. Although the exchange rate adjustments were substantial in this decade but vulnerability remained persistently high till the end of year 2008. The most striking change (decline) in vulnerability is observed in year 2009 where major contribution is coming from the direct oil price effect while all other effects also carry negative values.

Overall, the vulnerability picture shows persistent oil dependence effect with lowering oil share effect in explaining oil vulnerability in Pakistan with partial role of exchange rate adjustments and overwhelmingly rising effect of direct oil price change.

This ends the discussion of the last section.

Table 3 Decomposition of Changes in Oil Vulnerability in Pakistan (Percentage of Current GDP in U.S $)

Year	Oil Price	Oil-Depen.	Oil Share	Energy Intensity	GDPL	GDP$	Oil Vuln.	Oil Price Effect	Import Depend. Effect	Oil Share Effect	Energy Intensity Effect	Real XR Effect	Ch.Vul (% of GDP)
1986	13.93	0.447	0.001033	4.59E-08	6.100257	17.165	3.1E-08	-	-	-	-	-	-
1987	18.13	0.412	0.001042	4.61E-08	5.565036	17.555	3.51E-08	1.455	-0.448	0.0481	0.0145	-0.3828	0.68
1988	14.60	0.377	0.001047	4.7E-08	5.125048	19.1617	2.66E-08	-1.161	-0.481	0.0245	0.1102	0.0279	-1.48
1989	18.07	0.353	0.001054	4.73E-08	4.814422	21.393	3.28E-08	1.097	-0.343	0.0336	0.0362	0.2450	1.07
1990	21.73	0.287	0.001087	4.67E-08	4.258237	22.3692	3.02E-08	1.147	-1.285	0.1943	-0.0801	-0.4856	-0.51
1991	18.72	0.340	0.001029	4.61E-08	3.869116	24.7805	2.9E-08	-0.930	1.0625	-0.3431	-0.0921	0.0409	-0.26
1992	18.20	0.316	0.001008	4.75E-08	3.55956	25.8952	2.55E-08	-0.170	-0.433	-0.1243	0.1852	-0.2393	-0.78
1993	16.13	0.276	0.001098	4.74E-08	3.153141	30.0821	2.2E-08	-0.646	-0.728	0.4549	-0.0047	0.1530	-0.77
1994	15.53	0.276	0.00107	5.1E-08	2.768958	30.7725	2E-08	-0.208	-0.005	-0.1425	0.4036	-0.5927	-0.54
1995	17.14	0.238	0.001096	5.02E-08	2.555011	33.4834	1.92E-08	0.529	-0.793	0.1290	-0.088	0.0216	-0.20
1996	20.61	0.240	0.001139	5.25E-08	2.253424	38.8945	2.59E-08	1.122	0.043	0.2330	0.2661	0.1470	1.81
1997	18.48	0.246	0.001144	5.19E-08	2.095701	43.0547	2.44E-08	-0.740	0.175	0.0331	-0.078	0.1973	-0.41
1998	12.06	0.221	0.001173	5.08E-08	1.979648	46.6603	1.47E-08	-2.231	-0.570	0.1300	-0.1057	0.1227	-2.65
1999	17.27	0.218	0.001188	5.12E-08	1.585099	51.7375	1.88E-08	1.919	-0.052	0.0656	0.0364	-0.6368	1.33
2000	27.72	0.360	0.00115	5.13E-08	1.469165	58.22	5.04E-08	4.764	5.023	-0.3291	0.0338	0.4238	9.91
2001	21.99	0.379	0.001164	4.85E-08	1.433848	61.58	4.15E-08	-3.331	0.745	0.1756	-0.8265	0.4573	-2.78
2002	23.71	0.402	0.001141	4.66E-08	1.372913	58.57	4.07E-08	1.119	0.850	-0.2917	-0.5876	-1.3908	-0.30
2003	27.72	0.474	0.001025	4.57E-08	1.274174	57.57	4.51E-08	2.854	3.012	-1.9555	-0.3588	-1.676	1.87
2004	35.89	0.502	0.000966	4.37E-08	1.190522	59.3576	5.38E-08	6.058	1.387	-1.3860	-1.0379	-0.8761	4.14
2005	48.89	0.509	0.000914	4.48E-08	1	59.8566	6.09E-08	10.557	0.438	-1.9185	0.8331	-5.6727	4.24
2006	59.05	0.468	0.000871	4.76E-08	0.93219	60.6342	6.48E-08	7.852	-3.490	-2.0042	2.5485	-2.3832	2.52
2007	67.18	0.442	0.000895	4.87E-08	0.82346	62.5465	6.68E-08	6.270	-2.766	1.3654	1.1250	-4.5154	1.48
2008	92.57	0.454	0.000918	4.71E-08	0.682426	78.4983	9.74E-08	18.993	1.5904	1.4605	-1.9649	2.3290	22.4
2009	59.04	0.386	0.000907	4.71E-08	0.615629	83.8017	5.03E-08	-24.709	-8.835	-0.6456	-0.0634	-2.0672	-36.32
2010	75.82	0.320	0.000927	4.77E-08	0.514548	85.5017	4.72E-08	11.327	-8.542	0.9727	0.6041	-7.2085	-2.84
2011	102.58	0.296	0.000947	4.48E-08	0.485566	89.2359	5.58E-08	15.158	-3.968	1.0888	-3.1328	-0.7637	8.38
2012	101.09	0.348	0.000934	4.48E-08	0.453953	96.816	6.47E-08	-0.886	9.9398	-0.8665	-0.0976	0.8582	8.95

6.Conclusions

This study embarks the harmony between crude oil price changes and domestic prices in Pakistan over the time period of 1970-2016 that encompasses all major oil price shocks. The evidence shows an asymmetric effect of oil price increase and decrease on the domestic prices allowing for the institutional factors to play its mitigating role in the said channel. The oil prices have contributed largely in prompting the world economic activities and have raised the policy concerns specifically in oil-importing countries. Pakistan, being a major oil dependent country has to rely mostly on the imported oil. Its economy is growing at a steady rate and is in high demand of energy sources that pushes pressure on existing limited resources. The country's oil extracting capacity has remained nominal over the time due to lack of financial resources and increasing demand for infrastructure development. According to Economic Survey (2016-17), the low exploitation of indigenous coal and hydel resources lead to high dependence on oil and gas in the power generation where domestic production of crude oil remained 24.2 million barrels in year 2017. On the other hand, imported oil remained 5.9 million tons worth of US $ 183 billion in 2017. This assumes a huge budget deficit and heavy reliance of the country on foreign borrowing due to lack of alternate energy sources. The major user of oil, transport and power sector hold 57% and 33% of oil consumption in year 2017, respectively. Although, the government has long been trying on its energy-mix by attracting companies for undertaking new exploration and production activities but still the hope for a dramatic change in energy-mix is bleak. Our ongoing power projects heavily rely on the crude oil import and the consumption has never been observed to be following a declining trend. This makes the country more vulnerable per crude oil price changes and ensue a significant inflationary pressure in the economy. The falling oil prices can benefit the economy by lowering the cost of production and resultantly cheaper prices of domestic goods but it overwhelmingly relies on the extent of pass-on of oil price decline to the consumers. Moreover, unlike developed countries where oil price and inflation relationship has weakened after 1980, Pakistan has not been able to consistently reduce its oil intensity and the role of monetary policy has also remained fragile in curtailing inflationary pressure. The increase in oil efficiency can produce considerable improvement in its energy-mix strategy and can lower the imported-oil reliance of the country. According to Khan and Ahmed (2014), the oil market deregulation plans can help improving the economy's resilience to cope with exogenous oil price shocks. The fiscal consolidation plan, flexible exchange rate regimes, energy prices and taxation reforms can be some medium-term measures to reap the potential benefits from lower oil prices. Instead of levying heavy taxes on petroleum products to compensate the loss in tax collection government should focus on supply-side measures to improve the productive capacity of the economy and by raising the export competitiveness.

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