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SUSTAINABLE ADVERTISING OR ECOLABELS: WHICH IS THE BEST FOR YOUR BRAND AND FOR CONSUMERS' ENVIRONMENTAL CONSCIOUSNESS?

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ABSTRACT

With growing public attention to environmental problems, brands have been increasing their spending on green communication to build sustainability associations and develop a pro-environmental brand image. The purpose of this research is to evaluate the impact of two different communication tools on sustainable brands loyalty. Using a survey, we assess the impact of perceived advertising spending and ecolabels, on both brand image and consumers' environmental consciousness and their subsequent impact on sustainable brands loyalty. Based on a sample of 441 questionnaires to consumers, structural equation modeling was applied to test the hypothesized relationships. Results obtained demonstrate that perceived advertising spend does not contribute to create a sustainable brand image or to develop consumer environmental consciousness, whereas ecolabels do. We also conclude that loyalty to sustainable brands is influenced by consumers' environmental consciousness but not by sustainable brand image. Our results suggest that environmental consciousness is of paramount importance to develop sustainable brand loyalty, reinforcing the importance of consumers' environmental education. Therefore, fostering environmental consciousness besides being a public policy goal should also be of firms concern as it is a key driver to sustainable brand loyalty.

The current work provides evidence that ecolabels contribute both to develop a brand sustainable image and to increase consumers' environmental consciousness, which promotes loyalty to sustainable brands.

Keywords: Advertising, Ecolabel, Sustainability, Environmental Consciousness, Brand Image; Brand Loyalty.

HOUSEHOLD LEVEL PASTORAL FOOD SECURITY: SOMALI REGIONAL STATE OF ETHIOPIA; CASE OF AYSHIA DISTRICT

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ABSTRACT

Contemporarily food security issues have become the concern of national governments as well as the international communities and a topic of intense curiosity to policy makers, practitioners, and academics around the world in large than ever before because of the worsening global economic conditions and the cost of food insecurity affecting all aspect of human being everywhere generally and particularly developing and under developed countries (Benjamin and Joseph, 2012). Though, for the last 15 years, Ethiopia achieved an overall reduction in poverty levels as well as food insecurity (MoFED, 2017) still both remains as a big national challenge and prioritized area of intervention. Likewise, food security remains question of public concern in pastoral community (study target) of Somali Region in Ethiopia because of high scarcity of rainfall, grazing pastures and drinking water for livestock exacerbated by recurrent drought, conflict, livestock disease and environmental degradation (PSDP, 2015).

Thus, with the objectives to measure extent of food security or insecurity, examine associated determining livelihood assets and describe how rural pastoral community under study of Ayshia district in Somali Region perceive food security or insecurity, this paper is based on data gathered via scheduled survey questionnaire and key informant interview from 153 randomly selected households and 16 purposively selected key informants. Using consumption of 2200 Kcal per day per adult equivalence as food security line or threshold below which an adult is considered to be food insecure, FGT food security index is employed to measure the extent and severity of food insecurity. Consequently, the FGT index reveals that 62 (40.5%) of the sample pastoral households of Ayshia district to be food insecure or unable to get the recommended minimum calorie requirement of 2200 Kcal per day per adult equivalence with food insecurity gap and severity of 9.5% and 3.6% respectively. Furthermore, the result of the binary logistic regression model estimate indicates that out of the 13 explanatory variables, household livestock ownership measured in terms of TLU per adult equivalence, household members' health status and household monthly income per adult equivalence to have significant determining effect on household food security status at 5% level of significance. Moreover, the study population perceive food security and insecurity to be related with food availability, quantity, quality and ability to entitle or command via producing, purchasing and transfer (aid). Therefore, having the persisting food insecurity in the study population, the study implies adoption of public participatory interventions and policies focusing on household economic assets building and protection, expansion and effective delivery of social services and food availability and access.

CONSUMERS' WILLINGNESS TO PAY FOR GREEN HOSPITAL PRACTICES: THE CASE OF THAILAND

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ABSTRACT

This study aims to investigate consumers' willingness to pay a premium for green hospital practices. It also explores how income influences willingness to pay for green initiatives of the healthcare industry. A pretest survey in Thailand is used to empirically test the model. This research contributes to the literature by integrating the body of knowledge among consumer behavior and sustainability in healthcare context. It should be noted that interdisciplinary research in this area has been rarely examined. The findings could encourage hospitals to implement more environmentally friendly initiatives into their businesses and adapt their strategies in sustainable practices.

Keywords: Green Hospitals, Green Practices, Health Care, Income, Sustainability, Willingness to Pay.

EDUCATING THE ELDERLY ON THE USE OF INFORMATION AND COMMUNICATIONS TECHNOLOGIES IN THE FIELD OF E-HEALTH

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SUMMARY

People's everyday lives and activities are revolve around various social and economic processes. The efficient communication of information by the society is possible thanks to information and communications technologies (ICT) used to create, share, process and collect information. Due to the fact that it is expected that in 2050, at least 30% of people living in the EU will be over 65 years old, all citizens, particularly the elderly, should have easy access to ICT. The aim of the article is to draw attention to the development of ICT in the context of elderly people who wish to use medical applications to improve their quality of life, particularly their health.

Keywords: Information Society, Silver Economy, E-health.

1. Introduction

The functioning of society in the modern world revolves around the use of information. Discussions about the older people should largely focus on thinking in terms of the 'silver economy' and targeting supply to the ageing society, so that the elderly, irrespective of limitations resulting from their psychophysical fitness, can consciously influence the growth of the global economy and develop social wellbeing. Training older people in the use of ICT have an impact on improving their quality of life (including health), and will provide an opportunity for equal access to culture, science and the world of politics for all elderly citizens, regardless of their place of residence.

2. Outline of the Issue

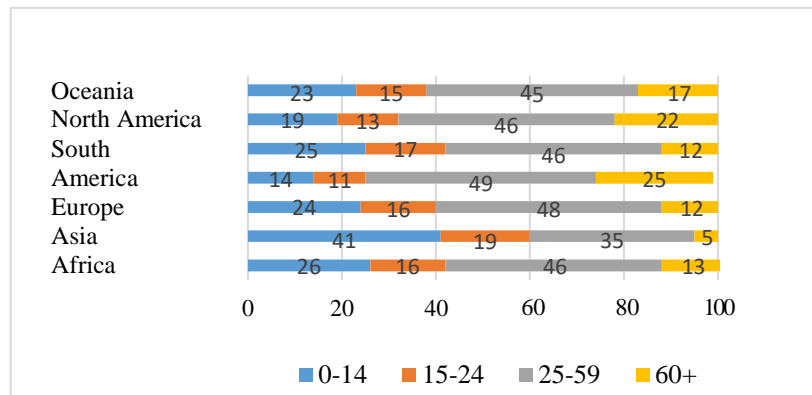
Problems resulting from the ageing of society are discussed in many different areas, and are considered to be one of the stronger trends affecting economic policy. This has consequences in the approach to thinking about the human ageing process, which still fails to clearly identify the beginning of old age, and thus fails to specify it. According to the World Health Organization (WHO), 60 years of age is considered the beginning of old age, and old age can be divided into three stages (Czerniawska 2002):

- 60-75 years old – young old (early old age),
- 75-90 years old – middle old (late old age),
- 90 years and above – old old (longevity).

On the other hand, the basic features of old age are considered to be a significant decline in human adaptive abilities in the biological and psychosocial context, and the progressive limitation of independence in life. When considering the challenges older adults face, it is paramount to note that the 50+ population is a heterogeneous group. In this group, many individuals are still in employment, and will continue to be for several years, while others are already retired. Research on the characteristics of elderly people's behaviours and way of life is clearly different to that from decades ago. Above all, the attitude of seniors towards themselves has changed. They are more likely to try new consumption habits, which determine a new lifestyle that is often targeted particularly at young people. Moving to retirement at a time when a senior is in good physical and intellectual fitness makes them more willing to spend their free time actively, travel or go on frequent cultural and entertainment outings. In addition, the feminisation of old age (women live longer than men) and the singularisation of old age (being single in old age) result in the need for the elderly to have more access to information thanks to the spread of ICT.

Recently, decisions regarding starting a family and having children have also been postponed. Technological progress is clearly influencing these changes. Thanks to social media, communication means have changed, as has the manner in which people invest in their own development. Along with globalisation, cultural changes have come about that modify previously esteemed values. Demographic changes characterised by a decrease in fertility and a longer life expectancy entail new purchasing behaviours on the world's economic markets. The graph below shows the percentage share of people representing four age groups on specific continents in 2017.

Graph 1. Percentage of the population from different age groups in specific regions of the world in 2017



Source: Own study based on: (*World Population Prospects ...*, accessed on 17 January 2019).

Studies by the Department of Economic and Social Affairs of the United Nations show that in 2017, there were 962 million people in the world aged 60 and over. It was calculated that the population of people aged 60 and 60+ is growing at a rate of approximately 3% per annum. As the graph shows, in 2017, inhabitants of Europe reached the highest percentage of people aged 60 or more (25%). It is expected that the number of elderly people in the world will reach 1.4 billion in 2030, and 2.1 billion in 2050, and may even rise to 3.1 billion in 2100 (*World Population Prospects...*). Therefore, it can be concluded that over the next few decades, a further increase in the number of elderly is inevitable. This phenomenon confirms the changing demographic proportions (lower rate of natural increase, extended life expectancy) that modern economies need to face. For this purpose, it is necessary to analyse the views on the behaviour of elderly people in the modern world. The progress of civilisation; the development of medicine, health-related prevention and hygiene; as well as the factors mentioned above are shaping a societal generation system that has thus far not been known to humanity – there are increasingly fewer children and the cohort of people who are elderly and advanced in age is growing (Szukalski 2012).

Due to the increase in the rate of the number of seniors in Europe, where the demographic changes are most visible, the ageing of the population has been recognised as one of the most-important challenges of the 21st century for the European Union. The importance of the challenge has been confirmed by the publication of the Green Paper in 2005: *Confronting demographic change: a new solidarity between the generations* (Commission of the European Communities 2005). Another document that the Commission of the European Union published on this matter is the 2006 paper entitled *The demographic future of Europe from challenge to opportunity*, which emphasises that older people want to live longer while being professionally and socially active, that they are in better physical health, and want to travel and spend their savings. It was also recognised that an ageing population could be an opportunity to increase the competitiveness of the European economy with the assumption that the needs of older buyers should be met, including through the production of goods and the provision of services targeted at the elderly (Commission of the European Communities 2006). It can be assumed that this document changed the European profile of the silver economy, thus changing the approach to the idea of an ageing population. In later years, the European Commission recognised the ageing of the population as an opportunity, not just a threat. New opportunities for the development of innovative enterprises were identified through the demand for services and goods adapted to the needs of the elderly and, moreover, solutions were developed to export goods to third countries, thus exploring new markets (Commission of the European Communities 2009).

The silver economy is about correctly directing supply to the changing needs of older people in such a way that they become a source of professional activation (Golinowska 2014). The proper understanding of the silver economy should take into account the regional diversification of the market, which translates into the scale and structure of the needs of the elderly. However, it is possible to single out several segments of the silver economy whose development depends on the dynamics of an ageing population:

- information and communications technologies (ICT) regarding e-health in both inpatient and laboratory healthcare,
- promotion of an independent lifestyle based on the use of new technologies supporting eyesight, hearing or chronic diseases,

- education and culture as a desire to acquire new knowledge and effectively use free time,
- mobility and promotion of elements such as car traffic safety, leisure, travel, public transport and entertainment,
- beauty salons and fitness as a response to the healthy lifestyle cult,
- insurance and financial services relating to the protection of capital and the prevention of loss of savings (Enste et al. 2008).

Older people being familiar with and using ICT is essential for the implementation of further innovative technologies in the healthcare sector. The level of proficiency in the use of, understanding of and confidence in ICT among seniors and medical staff varies, and must be improved.

As a result of the process of societal ageing, a large majority of citizens suffer from chronic diseases. This is why there is much to be done in terms of preventing and treating chronic disease. The use of ICT in healthcare will enable mutually beneficial cooperation between patients and medical professional in solving these issues. Thanks to medical applications, patients can be more responsible for their health and comfort of life, and the provision of health services itself will become more efficient. E-health comprises tools and services that use ICT for prevention, diagnosis, treatment, monitoring and management. E-health includes:

- access to healthcare services, exchange of information and data between patients and healthcare providers, hospitals, healthcare professionals and entities responsible for information networks;
- electronic medical records;
- telemedicine services;
- portable devices for patient monitoring, mobile devices, scheduling software, robots used in surgery, and basic research in the field of the virtual human physiology model.

This patient-centred approach effectively allows older people who suffer from cardiovascular disease to self-monitor data on their health (without leaving their home) and participate in training via various medical applications. (https://ec.europa.eu/regional_policy/pl accessed on 20 January 2019).

3. Conclusion

Information and communications technologies meet various human needs, and are a strategic element in the life of the modern world. A lack of adequate skills in using computers and other mobile devices may result in a feeling of social exclusion in the elderly. In this regard, it is important to strengthen skills related to practical living in an environment of modern technologies, thus improving social integration. The ability to use new technological solutions eliminates social exclusion and strengthens the position of the individual in the online world, in which one can have a real impact on health, as well as on political, social and economic life. Therefore, it is necessary to educate the elderly and change the attitude of seniors to information and communications technologies, particularly those in the area of e-health.

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THE FUTURISTIC ECONOMY: AI, HUMAN RESOURCE EXTINCTION AND WEALTH CREATION

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ABSTRACT

The future, they say; belongs to people who believe in the beauty of their dreams. The imagination of this beauty may only be an inspiration mirage if the future speeds faster than our thought. If you have ever used a navigation system app, a music streaming service or social platforms such as Facebook, WhatsApp and Wechat, you have been artificially intelligence. The evolution of Information Technology and Computer Engineering has travelled faster in the past few decades than we may have thought. Our daily life activities have been occupied with the exploration of AI yet we have not recognized the opportunities surrounding such evolutions. In as much as humanly strategic, creative and rational thinking will outperform machines, it is as well an established fact that Machines can perform certain task easier, faster and efficient than human. The internet today has created the largest database in the world. McKinsey Global Institute suggests that by 2030, intelligent agents and robots could eliminate as much as 30 percent of the world's human labor. According to the report, automation will displace between 400 and 800 million jobs by 2030, requiring as many as 375 million people to switch job categories entirely. Practically, AI is taking over in every industry; banking, accounting, medical diagnosis, automobile, education and all aspects of engineering. The question is, how relevant will your educational certificate be in the next 10, 20 and 30years? Are we thinking of other alternatives to outperform AIs to create wealth in the next generation. It is no doubt that Artificial Intelligence (AI) will transform our world.

Keywords: Accounting, Artificial Intelligence, Human Resource, Extinction, Wealth Creation.

ANALYSIS OF THE DETERMINANTS OF HUMAN CAPITAL DEVELOPMENT AMONG COMMERCIAL BANKS IN NIGERIA

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ABSTRACT

The study investigates the determinants of human capital development among some selected banks in Nigeria. The prevalence of labour-turnover among banks in Nigeria recently without noticeable effect on the performance of the banks prompted this research work. The Big-Five banks in Nigeria namely; First bank, Zenith Bank, Access bank, Guarantee Trust Bank and United bank for Africa UBA are referred to as the first-tier lenders and are included in the survey. In addition, three-second tier lenders namely First City Monument Bank, Union Bank and Diamond Bank completes the eight banks used in the study. Expenditures on training, development and total personnel cost are used to proxy human capital development while variables such as total asset, profit after tax, total number of workers and interest rate are used as factors influencing human capital. Panel data analysis is used to estimate the model and the results show that physical capital accumulation (total asset), profit after tax and labour have the most significant impacts on human capital development among the Nigerian banks. Findings of the study further underscore the importance of capital accumulation and profit of the banks as very germane to human capital development among the Nigerian Banks. Hence, banks in Nigeria need to prioritize these variables in order to improve their human capital development.

Keywords: Human Capital Development, Total Asset, Profit After Tax.

Introduction

To achieve improved performance organizations have been pre-occupied with how to continue to evolve services that can meet the desire and taste of their existing and potential customers. In addition, with the assurance that through the provision of qualitative service, customers can be satisfied and remain with the organisation. However, central to achieving the expectations of customers is the caliber of employees the organisation has been able to employ who implement policies, use technologies and take decisions critical to meeting and exceeding customers' expectations. The quality of these employees has been described as the stock of human capital comprising of knowledge, skills, experience and educational qualifications of the employees (Becker, 2014).

Although there are many organisations within the service industry, bank as a service organisation is faced with increasing demands for high quality service. This is the reason why over the years, bank customers have not been pleased with the level of bank performance in some countries. For instance, banking industry in Nigeria has come under severe criticisms due to the inability of the industry to have performed creditably well and hence have not delivered to the expectations of customers (Oladele, 2016).

The above scenario made human capital development a critical strategy of organizations who desire to deliver on customers' expectations. With the growth of customer expectations, employees of the bank require sufficient knowledge, skills and abilities to ensure cordial relationships between the bank and her customers. Knowledge refers to a body of information about the theoretical and practical understanding of a subject, acquired by a person through experience or education (Su-Chin, Jui-Shin & Hung-Chun, 2012). Within this context, employees knowledge of banking services in the areas of investment advice, savings, deposits, transfers of fund, loans and project financing, partnership funding, lending, client portfolio, among others is critical to service quality delivery. Studies have shown that knowledge gap of regulatory requirements cum standards among bank employees are among the factors responsible for inconsistent service delivery to customers.

However, service delivery, which is key to bank performances, is a function of human capital of the banks. In recent times, efforts of banks have been on how to improve on their human capital in order to raise their performances but giving priority to human capital is dependent of those factors that are very germane to its behavior. According to Widarni and Malang (2015) prioritizing a wrong factor in a bid to improve human capita especially among banks can lead to wastage and eventually be counterproductive. Therefore, efforts needs to be made to identify those factors or variables within or outside the banking sector that are very germane to human capital. Their weight on human capital will determine how each of them will be prioritized in a bid to improve human capital among the banks.

For instance, expenditures on research and development R & D as well as training and development are parts of important factors that determine human capital development and the survey shows that these classes of expenses have been on the rise in the banking sector but yet the labor-output ratio appears not to have been significantly and positively influenced. This was the major reason why both the CBN (2014) and World Bank (2015) called for assessment determinants of human capital development in the banking sector before the impact can be thoroughly assessed on the banking sector performance.

Following the work of Docquier (2017) which emanated from MRW theory of Mankiw, Romer and Weil (1992), human capital is made the subject of the formula and the evolving equation is given as follows:

$$\ln H_{it} = \ln A + \beta_1 \ln K_{it} - \beta_2 \ln Y_{it} + \beta_3 \ln H^e_{it} + \mu_i \dots \dots \dots (1)$$

Therefore:

$$\ln H_{it} = \ln A + \alpha_1 \ln K_{it} + \alpha_2 \ln Y_{it} + \alpha_3 \ln H^e_{it} + \mu_i \dots \dots \dots (2)$$

Where β_1 is α_1 , $-\beta_2$ is α_2 and β_3 is α_3 . All these represent the parameter estimates that are estimated in the panel models. Relating the variables in the model in 2 to the banking sector that is by operationalizing the model we have the following equation;

$$\ln H_{i,t} = \ln A + \alpha_1 \ln TA_{i,t} + \alpha_2 \ln PAT_{i,t} + \alpha_3 \ln L_{i,t} + \alpha_4 \ln intr_t + e_i \dots \dots \dots (3)$$

Where: $H_{i,t}$ is the human capital development of bank i at period t and proxy by expenditure on human capital which is summed up in the personnel cost of the banks that also include expenses on training and retraining of staff on the job. A is a constant in the model or the intercept. $TA_{i,t}$ is the total asset of bank i at period t (proxy for physical capital). $PAT_{i,t}$ is the profit after tax of bank i at period t . $L_{i,t}$ is number of employees in bank i at period t . $intr_t$ is the monetary policy rate which affects the banks performance and it is external to the banks since it is fixed by the CBN and e_i is the error term.

Estimation Techniques

The study adopts the panel data regression analysis to analyze the determinants of the impact of human capital development among bank performance in Nigeria.

There are four possibilities and options when it comes to panel data regression which is reviewed below:

The Fixed Effect Model

The term “fixed effect” is due to the fact that although the intercept may differ among firms, each firm’s does not vary overtime, that is time-variant. This is the major assumption under this model i.e. while the intercept are cross-sectional variant, they are time variant.

i. Within-Group Fixed Effects

In this version, the mean values of the variables in the observations on a given firm are calculated and subtracted from the data for the individual, that is;

$$Y_{it} - \bar{Y} = \sum_{j=1}^k \beta_j (X_{ijt} - \bar{X}_{ij}) + \partial(t - \bar{t}) + E_{it} - \bar{E} \dots \dots \dots (1)$$

And the unobserved effect disappears. This is known as the within groups regression model.

ii. First Difference Fixed Effect

In the first difference fixed effect approach, the first difference regression model, the unobserved effect is eliminated by subtracting the observation for the previous time period from the observation for the current time period, for all time periods. For individual i in time period t the model may be written:

$$Y_{it} = \beta_i + \sum_{j=1}^k \beta_j X_{ijt} + \partial t + \omega_i + E_{it} \dots \dots \dots (2)$$

For the previous time period, the relationship is

$$Y_{it} = \beta_i + \sum_{j=1}^k \beta_j X_{ijt} - 1 + \partial(t - 1) + \omega_i + E_{it-1} \dots \dots \dots (3)$$

Subtracting (2) from (3) one obtains.

$$\Delta Y_{it} = \beta_i + \sum_{j=1}^k \beta_j \Delta X_{ijt} + \partial t + E_{it} - E_{it-1} \dots \dots \dots (4)$$

and again unobserved heterogeneity has disappeared.

iii. Least Square Dummy Variable Fixed Effect

In this third approach known as the least squares dummy variable (LSDV) regression model, the unobserved effect is brought explicitly into the model. If we define a set of dummy variables A_i , where A_i is equal to 1 in the case of an observation relating to firm i and 0 otherwise, the model can be written

$$Y_{it} = \sum_{j=1}^k \beta_j X_{ijt} + \partial t + \sum_{i=1}^n \alpha_i A_i + E_{it} \dots\dots\dots(5)$$

Formally, the unobserved effect is now being treated as the co-efficient of the individual specific dummy variable.

Random Effect Model

Another alternative approach known as the random effects regression model subject to two conditions provide a solution to a problem in which a fixed effects regression is not an effective tool when the variables of interest are constant for each firm and such variables cannot be included.

The first condition is that it is possible to treat each of the first unobserved Z_p variables as being drawn randomly from a given distribution. This may well be the case if the individual observations constitute a random sample from a given population.

$$\text{If } Y_{it} = \beta_j + \sum_{j=1}^k \beta_j X_{ijt} + \partial t + \alpha_i + E_{it} = \beta_i + \sum_{j=1}^k \beta_j X_{ijt} + \partial t + \mu_{it} \dots\dots\dots(6)$$

$$\text{where: } \mu_{it} = \alpha_i + E_{it}$$

The unobserved effect has been dealt with by subsuming it into the disturbance term.

The second condition is that the Z_p variables are distributed independently of all the X_j variables. If this is not the case, α_i , and here μ , will not be uncorrelated with X_j variables and the random effects estimation will be biased and inconsistent.

Robustness Tests for panel data

In line with Ujunwa (2012); Sangosanya (2011), and in order to make our finding robust both fixed effect and random effect will be employed in estimating the data set and a Hausman-test conducted to determine the most appropriate for the study.

a) The Hausman Test

The significant problem for the fixed effects model(FEM) is that the estimator cannot accommodate time-invariant variables since it cannot recover the coefficients on time invariant attributes. If the assumption of no correlation between the individual error and independent variables holds, then Random Effects should be used. Auspiciously there is a way of testing which estimator is more suitable in any given circumstance. This is due to the fact that under the null hypothesis of random individual effects the estimators should give coefficients that are common. The Hausman test can be employed to compare the estimates from the two models. If the p-value is significant (for example <0.05) then use fixed effects, if not use random effects. (Green, 2008; Reyna, 2010)

b) Serial Correlation

Situation where residuals are correlated across time is referred to as serial correlation. Disregarding serial correlation where it actually existed causes consistent but inefficient estimates and biased standard errors. Significant inference of independent variables may be incorrect under conditions of serial correlation (Jager, 2008).

When using panel data it is always reasonable to suspect that the errors ϵ_{it} of a person i are correlated over time (*autocorrelation*). Therefore, the Durbin-Watson test is going to be performed to test for serial correlation. If serial correlation is present, Newey-West standard error adjustment will be used to correct for serial autocorrelation.

c) Heteroscedasticity

Equally important is the need to test whether errors have constant variance, i.e. the assumption of homoscedasticity, or else statistical inference becomes unreliable, even if the coefficients are unbiased. If Heteroscedasticity is found to be present, one could then use the Newey-West (1987) standard error adjustment.

Dynamic Panel Model

To improve the performance of the estimators, we explored the dynamic panel data approach popularized by Arellano and Bond (1991). According to Franz (2009), when a static specification of the fixed effects model is joined with autoregressive coefficients, which is the lagged value of the dependent variable, it allows feedback flowing from the past or current shocks to the current value of the dependent variable. This method of specification is known as the generalized method of moments (GMM). The dynamic specification takes away the temporal autocorrelation in the residuals and prevents running a spurious regression, which may lead to inconsistent estimators. The GMM model is specified thus:

$$y_{it} = \beta_1 + \rho y_{it-1} + \beta_2 x_{2it} + \beta_3 x_{3it} + \beta_4 x_{4it} + \mu_{it} \dots \dots \dots (7)$$

Equation (7) is the modified form of the fixed effects model in equation (6) with the addition of the lagged value of the dependent variable.

Taking the first difference of equation (7), we obtain equation (8) as follows:

$$\Delta y_{it} = \beta_1 + \rho \Delta y_{it-1} + \beta_2 \Delta x_{2it} + \beta_3 \Delta x_{3it} + \Delta \psi_{it} \dots \dots \dots (8)$$

Avoiding possible correlation between y_{it-1} and ψ_{it} necessitates the use of an instrumental variable that will not be correlated with both, and through matrix transposition of the explanatory variable, instrumental variable Z' is obtained. Equation (8) is multiplied in vector form by Z' leading to:

$$Z' \Delta y_{it} = Z' (\Delta y_{it-1}) \rho + Z' (x) \beta_{it} + Z' \Delta \psi_{it} \dots \dots \dots (9)$$

Estimating equation (9) using the generalized least square (GLS) yields one step consistent GMM estimators. However, additional input to the approach used by Arellano and Bond (1991) evolved over the years and was developed by Blundell and Bond (1998), and is referred to as system-GMM. There is not much difference between this approach and GMM except that system-GMM exercises more precaution in the usage of the instrumental variables. It was developed to tackle the problem of possible weak instrumental variables, which may occur in GMM. Therefore, the SYS-GMM is expected to yield more consistent and efficient parameter estimates. This will be explored in our dynamic panel data analysis.

RESULTS AND DISCUSSIONS

The static panel data approach is embraced here to reduce the problem of cross sectional dependence and to yield a more consistent parameter estimates. However, an important criterion for using static panel data is that all the variables to be included in the panel model must be stationary (Blundell and Bond, 1998). This guides against spurious results and also affirms the validity of the estimated parameter estimates from the estimated panel model. Consequently, analysis commenced with the panel unit root test.

Panel Unit Root Test

The order of integration of the variables included in the model is determined using both the Levin-Lin-Chu (LLC) and the Augmented Dickey-Fuller (ADF) panel unit root tests. The rationale for using the two is to confirm the levels of consistency in the panel unit root tests. This ensures that all the variables are made stationary before the static panel data estimation (Baltagi, 2013).

Table 1: ADF, IPS and LLC Panel Unit Root Tests

Variable	ADF Panel unit root test		LLC Panel unit root test		IPS unit root test	
	Chi squatter stat	Order of integration	Unadjusted stat	Order of integration	t-bar	Order of integration
TA	73.3110	I(1)	-6.9964	I(1)	-3.1793	I(1)
EPS	42.0136	I(0)	-4.3895	I(0)	-4.2855	I(1)

PAT	43.4102	I(0)	-8.9403	I(1)	-5.2218	I(1)
L	100.2843	I(1)	-8.2094	I(1)	-3.7075	I(1)
OPE	126.3127	I(1)	-7.1668	I(1)	-4.2108	I(1)
H	118.6752	I(1)	-6.5875	I(1)	-3.9979	I(1)
INTR	73.8065	I(1)	-4.2180	I(0)	-3.4318	I(0)

Source: Author's computation, 2017.

Form table 1 all the three methods of panel unit root tests namely; Im-Pesaran-Shin (IPS), ADF and LLC show that all the variables are stationary either at levels of first difference. The implication of the result is that all the variables are suitable for panel model estimation and the tendency of yielding spurious regression results is minimized. With this position, the panel models estimation can be analysed.

Panel Estimation for Determinants of Human Capital Development

The methods of static panel model estimation used in this study are both the fixed and random effects. The results of the two are presented in order to know the one that is more suitable for the study and in addition to this; it will ascertain the level of consistency in the empirical results. The results of the fixed and random effects model are presented in Tables 2 and 3 respectively.

Table 2: Fixed effect Results for the Determinants of Human Capital Development

Variables	Coefficient	Standard Error
Constant	9988243	9628494
TA	.0212696***	.0017045
PAT	-.1945743**	.0295984
L	.6189177	.6098883
INTR	-.4290884	.447967

$R^2 = 0.7535$ (within) $R^2 = 0.7473$ (overall) $F(4,116) = 88.66$ Prob > F = 0.0000

Source: Author's computation, 2017.

Table 3: Random effect Results for the Determinants of Human Capital Development

Variables	Coefficient	Standard Error
Constant	8047560	9510616
TA	.0212403***	.0016765
PAT	-.1944149**	.0292469
L	.8162187	.5289543
INTR	-.3660508	.438261

$R^2 = 0.7533$ (within) $R^2 = 0.7498$ (overall) Wald $\chi^2(4) = 374.04$ Prob > $\chi^2 = 0.0000$

Source: Author's computation, 2017.

The results of the static panel models show a kind of consistency in the two results. There is clear indication of similarities in both results of fixed and random effects. This revelation speaks volume of the strength of the static panel models because it shows minimum discrepancies between the two results though there is a slight difference.

Based on the parameter estimates in the models both profit after tax and total asset have significant impacts on the human capital development in the banks. Again these are the only two variables in the model that have significant impact on human capital development. Notwithstanding, their coefficients vary. For instance, the coefficient of total asset in the fixed and random estimated models are .0212696 and .0212403 respectively. The implication is that an increase in total asset will lead to about 2% rise in human capital development of the banks. Consequently, as banks try to expand their asset base it has the tendency of promoting human capital development of these banks.

On the contrary, the coefficient of profit after tax which is an indicator of financial performance of the banks exhibits an inverse relationship with human capital development. The coefficients of profit after tax in both fixed and random effects estimated models are -.1945743 and -.1944149 respectively. The implication of this result for instance is that profit after tax of the banks might rise if expenditure on human capital is reduced. However, other variable such as interest rate and labour that is number of staff fails to have significant impact on human capital development. Notwithstanding, there is a positive relationship which indicates that as labour increases human capital development expenditure also increases. But the coefficients of the two variables in both the fixed and random effects estimated models are not statistically significant.

Moreover, considering overall significant indicators of the strength of the two models, there is overwhelming evidence that all the variables used as determinants of human capital development have combined significant impact on human capital development. This is evidenced in both the R square and the F statistics. The overall R square for both the fixed and random effects model are 0.7473 and 0.7498 respectively. This implies that all the variables used as determinants of human capital development explain about 74.7% and 74.9% systemic variations in human capital developments of the banks. In addition, the F test shows that the two estimated models of fixed and random effects passed the overall tests of statistical significance. Thus, affirming the desirability of all the variables used as determinants human capital development in the models.

It should be noted from the fixed effects that the F statistics value is $F(4,116) = 88.66$ and the level of probability is 0.00. This indicates that the fixed effects model is significant hence all the variables included in the fixed effects model will jointly affect human capital development significantly. The result is further supported by the chi square value of the random effect model which is $\chi^2(4) = 374.04$ and it is significant at 0.00. It thus confirmed that all the determinants will jointly influence human capital development significantly.

However, since there is a slight difference between the fixed and random effects results, there is the need to also conduct the Hausman test for us to know which of the two results is more suitable for our analysis.

Hausman Test for the Determinants of Human Capital Development

In panel data that involves usage of static models, there is the need to determine the suitability of the two main methods of the static panel model namely fixed and random effect for the analysis in this study. Consequently, the coefficients of the fixed and random effects are used by the Hausman test to determine the one that is more suitable for the analysis. The results of the hausman test is presented in Table 4

Table 4: Hausman Test for Static Panel Models on the Determinants of Human Capital Development

Variables	Fixed Effects (b)	Random Effects (B)	Difference (b-B)	Standard Error $\sqrt{\text{diag}(V_b - V_B)}$
TA	.0212696	.0212403	.0000293	.0002516
PAT	-.1945743	-.1944149	-.0001593	.0033573
L	618.9177	816.2187	-197.301	296.9402
INTR	-429088.4	-366050.8	-63037.63	80281.32

Test: H_0 : difference in coefficients not systematic $\chi^2(11) = (b-B)'[(V_b - V_B)^{-1}](b-B) = 0.62$, $\text{Prob} > \chi^2 = 0.7341$, ($V_b - V_B$ is not positive definite).

Source: Author's computation, 2017.

The result of the Hausman test as shown in Table 4.6 is an indication that the chi square value of 0.62 has probability level of 0.7341. The implication is that the Null hypothesis of random effect is accepted and the alternative hypothesis of fixed effect is rejected. Consequently, the random effect panel estimated model is more suitable for the study analysis. Hence, all the results of the random effects estimated model discussed previously are valid.

Cross Sectional Dependence Test for the Determinants of Human Capital Development

Being mindful of the presence of common factors among the cross-sections, which may affect the parameter estimates of the pool OLS before the fixed and random effects models were estimated, the test for cross sectional dependence is conducted and the result is shown in Table 5.

Table 5: Breusch-Pagan/Pesaran Cross Sectional Dependence Test for the Determinants of Human Capital Development

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	101.1829	28	0.0000
Pesaran scaled LM	8.710431		0.0000
Pesaran CD	0.215735		0.8292

Source: Author's Computation, 2017.

The results on table 5 shows that the null hypothesis of no cross-sectional dependence is rejected hence we accept the alternate hypothesis that there is cross sectional dependence. This is because both the Breuch-Pagan statistics and Pesaran statistics are significant at 1%. Consequently, pooling of the data from the banks to estimate the determinants of human capital development yields cross-sectional dependence and the implication is that some of the banks possess some unique bank specific characteristics that distinguish them from others. This might affect the pooling of the banks together using pool OLS hence the estimation of panel data using both the random and the fixed effects. Notwithstanding, to ensure that there is consistency in the results the two estimated models further adjusted for cross sectional correlations and the results are presented in Table 6.

Table 6: Cross-Sectional Time-Series FGLS Regression for the Determinants of Human Capital Development

<i>Coefficients: Generalized least squares</i>		
<i>Panels: Homoscedastic</i>		
<i>Correlation: Common AR(1) coefficient for all panels (0.7914)</i>		
Variables	Coefficient	Standard Error
TA	.0149029***	.0020127
L	.1296361**	.006281017
PAT	-.2156155**	.0149068
INTR	-.8439464	.429113

Wald chi2(4) = 260.08, Prob> chi2 = 0.0000

Source: Author's Computation, 2017.

The results in Table 6 shows that after the static models have been corrected for cross sectional dependence, there appears to be consistency in the nature of the parameter estimates in terms of their signs and levels of statistical significance. The only difference is the fact that labour now has significant impact on human capital development. This appears more realistic since the number of employees in the banks is very germane to the volume of expenditure on human capital development. Aside from this, other variables retain their signs and level of significance.

Dynamic Panel Data as Robustness Check Determinants of Human Capital Development

The systemic generalized method of moments SYS-GMM dynamic panel model is used in this study. The systemic dynamic panel model is used as a robust check for the static panel model estimates. Apart from the fact that it is capable of yielding consistent parameter estimates, it is also capable of yielding efficient parameter estimates. It should be noted that the systemic dynamic panel data by Bondells and Bond (2000) is an improvement on the Arellano Bond dynamic panel data method (Arellano & Bond, 1991). The results of the systemic dynamic panel model are presented in Table 7

Table 7: The Systemic GMM Dynamic Panel Results Determinants of Human Capital Development

Variables	Coefficient	Standard Error
HL1	.4688674	.0467242
TA	.0127301***	.0011531
PAT	-.2536163**	.0184932
L	.8352357**	.03392371
INTR	-.7226261	.2634349
Constant	1.50e+07	5655364

Wald chi2(5) = 1183.79, Prob> chi2 = 0.0000

Source: Author's Computation, 2017.

Table 7 shows that there are similarities between the results of the estimated dynamic panel models and the static panel models. Again this further shows that there is consistency in the results. The beauty of the dynamic panel data is that while static panel data analysis might not be capable of yielding efficient parameter estimates, the estimates from the dynamic panel model are generally accepted as efficient parameter estimates (Hisiao, 2000). The results confirmed that the strength of the determinants is very germane to human capital development among the banks. The test of overall significance under the static models indicates that all the variables used as determinants of human capital development will jointly influence human capital development significantly. However, the dynamic panel data has further shown that individually, all the variables including labour and interest rate that are not significant in the static models will also individually influence human capital development significantly.

This results shows that total assets, profit after tax, labour (number of banking staff) and interest rate are important determinants of human capital among the commercial banks in Nigeria. Again, it should be noted that the signs of the parameter estimates remain the same with the static panel models. For instance, PAT retains its negative relationship while TA also retains its positive relationship among others. The strength of the estimated dynamic panel model is also assessed by subjecting it to some robustness checks as follows

Dynamic Panel Model Diagnostic Tests for the Determinants of Human Capital Development

The estimated dynamic panel model is subjected to some diagnostic tests. This is to enable us determine further the strength and the validity of the parameter estimates. Firstly, the study considers the F test for the overall significance of the model.

Table 8: Test for Overall Significance of the Dynamic Panel Model for the Determinants of Human Capital Development

Wald chi2(13)	1183.79
Prob> chi2	0.0000

Source: Author's Computation, 2017.

From Table 8, the wald chi square value of 1183.79 is significant at 1% level. Thus, indicating that the estimated dynamic panel data model is significant at 1% level. Therefore all the variables in the estimated model are desirable and they can significantly influence human capital development among the banks. Another test conducted is the over identification test. This is very important to test the strength of the instruments used in the dynamic panel model the result is presented in Table 9.

Table 9: Sargan Test of Over-identification for the Determinants of Human Capital Development

chi2(103)	13.9941
Prob> chi2	0.0637

Source: Author's Computation, 2017.

The hypothesis that the over identifying restrictions are not valid is rejected at 5% level and we accept the hypothesis that the null hypothesis that the over identifying restrictions are valid. Hence, the study concludes that the instruments used in the dynamic panel model are valid and suitable for the analysis. The result further gives credibility to the dynamic panel data results and the test for the serial correlation in the dynamic panel model.

Table 10: Test for Autocorrelation for Determinants of Human Capital Development

Order	Z	Prob>z
AR1	-3.15	0.002
AR2	1.21	0.225

Source: Author's Computation, 2017.

The null hypothesis that no autocorrelation is accepted at AR2 and this is suitable for the result. The implication of the result is that the estimated dynamic panel model does not have the problem of autocorrelation. The result is also good for the parameter estimates as they are free from the problem of serial correlation that can render them inefficient.

Conclusions

On the determinants of human capital development in the banking sector, the results further corroborate some of the findings obtained under the trend analysis. Outcomes of the analysis of the panel data indicate that human capital development is strongly linked with total asset (bank size), profit after tax and number of staff (labour). The size of the banks represents the extent of capital accumulation in the banking sector and the results from the analysis have shown this as very germane to human capital development among the banks. According to Gidado, Kusairi and Muhamad (2014), the advent of Information and Communication Technology ICT in the banking sector has brought revolution to the nature and the volume of capital accumulation in the Nigerian banking sector. They further concluded that new banking products that are ICT driven require specialized skills as well as gadgets and equipment that the banks must possess before these banking products can be operational. Therefore, findings from this study is in support of the position as well

The ability of the banks to finance human capital development programs rest on their volume of profit. This assertion is credited to the Central Bank of Nigeria in its 2015 annual financial sector appraisal report. Findings from this research work is in line with this CBN position since profit after tax of the banks has been shown by the study as an important determinants of human capital developments of the banks.

However, just as we noticed under the trend analysis result, findings on determinants of human capital development have supported the fact that the number of staff in the banks is an important factor determining human capital development in the banks. The conclusion of Ogbo, Ezeobi and Ituma (2013) from their studies is that banking sector in Nigeria usually reduces their number of staff in order to reduce the expenses on training and workshop.

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INVESTIGATING THE LACK OF VOLUNTEER ENGAGEMENT AND HOW THIS COULD BE IMPROVED THROUGH RECRUITMENT MARKETING AND MANAGEMENT STRATEGY

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ABSTRACT

The purpose of this paper is twofold; to better understand engagement and motivation factors of volunteers, with a focus on those working with young people, and to use this improved understanding to make informed recommendations on recruitment marketing and management techniques. This is with the aim of improving the retention rate of volunteers, to ensure the continued viability and longevity of third sector organisations that rely on volunteering.

The current literature is largely lacking regarding engagement, recruitment and management within volunteer roles. There is some literature surrounding recruitment strategies for workers within the third sector, with a focus on incentives that stretch beyond remuneration and the impact of the “warm glow feeling” (Andreoni, 1989), discussed further on. However, when considering the total lack of remuneration for volunteers, as well as the small budget for recruitment within many organisations it can be hard to develop and maintain a high retention rate. Retention here is the overall end goal, the “north star” as it were, as this leads to greater skill sharing and fewer knowledge gaps and training requirements (all of which have associated costs). The research laid out here had a focus on the Scout Association UK, although the findings and resulting recommendations are applicable throughout the third sector, especially for organisations with a focus on young people.

The lack of literature presents a gap that this paper aims to bridge through primary research and by developing standard primary sector recruitment marketing strategies and methodologies. Whilst these present a grounding upon which to formulate recommendations for strategy, there remain large gaps that arise as a result of the lack in incentives for engagement and retention.

The conclusion revolves around a need for smart marketing and a strong culture of support networks and training materials to improve engagement. An increase in awareness, driven through a digital marketing strategy and traditional methods should, ideally, lead to increased numbers of volunteers. Additionally, with an understanding of motivating factors and a focus on the perception of altruism (and its place in volunteer recruitment), more effective recruitment campaigns can be built.

Keywords: Third Sector, Volunteer Recruitment and Retention.

Problem

The problems that exist within the charity sector, although more predominantly in many human-helping charities, are unchanged and unwavering, and tend to fall under two key categories: recruitment and retention. Both of these must be solved in order to improve the quality of care that can be provided, as well as to ensure the ongoing longevity and viability of these charities.

As of the last census of the Scout Association, there was a clear increase in the number of young people attending regular (weekly) meetings. This growth varied from group to group, due to a variety of factors including proximity to higher intake schools and the level of affluence in the area. This growth has not been matched by volunteer growth, resulting in many leaders needing to give up more than one evening a week in order to prevent turning some young people away. This report will look at the reasons that people, especially parents, give for being unable to volunteer, even for short term or occasional support. The focus will then turn to research into the best digital marketing techniques and use of incentives in order to increase engagement, to prevent young people from getting turned away and to ensure the viability of the local Scout group.

Tilly and Tilly (1994) summarised volunteering to be ‘unpaid work provided to parties to whom the worker owes no contractual, familial, or friendship obligations’ (Tilly and Tilly, 1994:291). Distinguishing between formal volunteering and informal helping as some academics do (see Wilson and Musick, 1997), may not prove to be essential, or even useful in this context, as there is a genuine need for both within charities. Also, in the realm of marketing for the segment which would be targeted, using messages that avoid the word “volunteering” altogether may prove useful, although there is currently little data on the actual use of this word.

Altruism has been summarised as ‘behaviour that benefits others at a personal cost to the behaving individual’ (Kerr et al, 2004:135) and has been debated throughout the centuries by philosophers, scientists and scholars to determine if such a thing can be relied upon as the future of charitable giving, and if it can truly exist in its purest form. It is worth here developing a greater understanding of altruism, as it is a key factor in the engagement of volunteers due to the proposed “warm glow” (Andreoni, 1989) feeling that stems from the belief that good has been done. This is a crucial difference (advantage) when compared to working for a large corporate entity.

As time has moved on, people within the UK and Western world, on average, have more disposable income and often more free time. This has led to the development of the third sector (NPOs/charities), with more charitable entities being started every day. People are more aware of the needs of the world and the troubles that many people face due to the internet and the speed with which information gets transmitted globally. With so many different marketing tactics being used by charities, such as guilt advertisements and emotional appeals, it can become hard for people to decide where to donate their time/money to ensure it has the maximum impact. People often give most to the charities they connect with, perhaps because of a family member or personal issues. With over 460,000 Scouts across the UK (Scout Association, 2017) and a growth rate of approximately 1.5% per annum, it leads us to question why there is so little parental, as well as external, engagement in the Scout Association, a charity that relies on volunteers to survive.

It has been estimated that in 2015/16 14.2 million people volunteered at least once a month (NCVO, 2016), thus suggesting there is a clear desire or compulsion felt by many to give up time for a cause. It is likely that this number has risen since 2016, given the usual growth trend seen in volunteering numbers. In the case of the Scout Association, there are some fundamental issues surrounding volunteer recruitment, including a lack of understanding regarding what the group does and what their aims are, as well as a question of what is expected from individual volunteers. Many adults, especially parents of current Scouts would likely see the volunteers to be very busy and involved, although it is entirely acceptable for people to volunteer on a less frequent basis, in order to cover gaps or to teach a particular skill. The issue that arises revolves around a lack of communications strategy from the head office for volunteers with less marketing knowledge to share. There are issues surrounding the need for better social media reach and engagement to showcase the different aspects that may appeal to a wider target audience.

There is minimal advertising for new volunteers and this advertising could be seen by many as being ineffective. Local groups are not made aware of the strategies being utilised by the organisation and so the lack of communication leads to a complete lack of coordination of marketing activities. Although it could be argued that this is the result of a lack of resources, there are many marketing channels that can be utilised for free and could prove to be very effective marketing channels for recruiting new volunteers. In 2010, it was reported that 45% of marketing executives placed social media as their highest priority (Omwang et al, 2010). It is likely that number is now far higher, as social media usage has grown since 2010. When examining current statistics on Facebook users (e.g. In 2016 in the US, 84% of adults aged between 30-49 use Facebook (Greenwood et al, 2016)) it makes clear that the target audience for volunteer recruitment in this instance have a strong presence. Despite millennials and Gen Y being considered as the biggest users of social media, they are often not targeted as heavily as older age groups on social media (Pradiptarini, 2011), likely due to a lower amount of disposable income. In this situation, the potential target market could be considered to be incredibly broad, as there are strong arguments for trying to recruit from all ages between 18-75, from different socio-economic and cultural backgrounds. At present this large age range appears to be the 'segment' that the Scout Association are targeting, perhaps answering the question as to why their efforts are fairly unsuccessful. Following from research, both primary and secondary, it will be easier to determine segments that needs to be targeted through different media and with a different core message.

The current marketing focuses on the opportunity for adventure that is presented to Scouts and the leaders, which could be considered as too exclusive and vague, as many people may view this message as the demand for a particular set of skills, or youth, which is definitely not the case. By implying that certain skills or knowledge are required, people will immediately be less likely to enquire, as they may think themselves as unqualified. However, there are so few occasions where this knowledge is necessary, and leaders do not need to feel a burning desire for constant adventure in order to be a valuable asset to the team, that this theme within the materials is not only ineffective, but likely detrimental to any recruitment efforts made by individual groups.

Some recommendations will be coming from studies conducted with individuals that currently volunteer for children's charities, with conclusions drawn from their real-life experience and their own recruitment efforts.

The recommendations will stem from research that has been compiled from corporate strategy (specifically Shell, as an organisation with a strong brand and a fair budget to set aside for both recruitment and retention) to see how this can be adjusted and implemented in a charitable organisation. Incentivising and understanding employee's needs and desires from a role is essential for developing the loyalty that leads to better retention rates. Incentivising without money or some form of financial remuneration (e.g. pensions, tax breaks, healthcare) can prove difficult, as is evident in the definition of "volunteering", therefore further investigation into needs and expectations must be undertaken. Perhaps there are different internal needs and desires that must be met in order for someone to remain engaged in a volunteer role as opposed to a paid role, although perhaps it is just through different methods that these needs must be met. Here it will prove interesting to examine the learnings that can be drawn from Maslow's hierarchy of needs and how this theory can be utilised to develop engagement strategy.

There are an extensive number of studies that have examined the effects of volunteering and suggest that volunteering is valuable for the local community and the people who are personally giving their time (Thoits and Hewitt, 2001). Many studies have proven the positive effects on mental wellbeing, physical health and life span when people volunteer post-retirement (Tang et al, 2010). Studies have shown a plethora of benefits to an individual who regularly volunteers, such as higher self-esteem and 'increased sense of purpose' (Miller et al, 2002:247). With the abundance of personal benefits as well as the altruistic knowledge that the wider community has benefitted (contributing to the 'warm glow' feeling), it would appear as though there is little to lose by volunteering. One would expect that the clear advantages and potential opportunities to grow would make recruiting occasional volunteers a simple task, yet the lack of understanding surrounding the role's requirements and the worry about time commitments make for a difficult task that requires thoughtful marketing. In this instance, the benefits may not be perceived to outweigh the costs, so this ought to be a focus for the marketing strategy.

With a growing number of brands and a staggering amount of marketing messages people come across daily, it can be hard for a brand to be heard above the noise. With the growth of the charity sector this problem will only persist, so it is essential for survival that each organisation creates a clear brand identity with thoughtfully communicated

values and vision. This can be an impossible task with little budget, but there are strategies that can be considered that will help to solve this problem.

It may also prove worthy to note that with strong engagement comes better recruitment. Without the engagement/retention strategy truly ingrained in the organisation at every level, there would be little point in making recommendations around recruitment, as if people are regularly being recruited but are not staying in the organisation, knowledge gaps are created and costs rise (financial costs as well as other varying psychological and emotional costs, which then in turn can further reduce engagement and the belief in the organisation).

Research Aims and Objectives

Within this investigation it is essential to identify a research aim and several objectives to guide the research, so that optimal questionnaires, surveys and interviews can be created which seek to find insight into the thoughts and opinions of the population regarding the Scout Association and volunteering as a whole.

Aim: An investigation into the reasons for the lack of volunteering and engagement of volunteers and how digital marketing combined with incentives can be used to encourage engagement.

Objectives:

1. Critically review the current literature surrounding views of engagement within the charity sector, specifically charities relating to children
2. Investigate the main reasons for a lack of engagement within parents/carers from their perspective (through primary research: a survey)
3. Investigate, through research (a survey and interviews), what incentives may work to encourage engagement on a short-term basis
4. Investigate how best to market towards possible volunteers using digital marketing and social media channels (from the literature and interviews)
5. Review the data analysis to make informed recommendations for the Scout Association, specifically, to encourage participation, thus ensuring the longevity and viability of the group

Although the final objective is incredibly specific, learnings can be drawn out for a large number of charities that work with and for children and are reliant on volunteers.

The research will seek to answer the objectives laid out, through primary and secondary research. In doing so, insight can be gained to better make well-informed recommendations.

Literature Review

There is a distinct lack of research into the Scout Association and other organisations where parental volunteers comprise the majority of the current volunteer base as well as the potential target market. Nichols and King (1998) performed research concerning Guide groups, in which they discovered that many were unwilling to give up family time to spend volunteering, especially when work commitments also exist. However, this was written before social media and digital marketing existed in the extensive forms that exist now, so whilst it provides insight into the average parent that could be a potential volunteer, it does not consider new marketing channels. Although some literature may be relevant when examining modern marketing such as email outreach, there must be a different approach within volunteering recruitment in this example, so there is a clear need for further research and investigation into this topic.

By gathering a complete understanding of possible motivations, it allows us to draw conclusions regarding the best ways to target marketing towards the segments and psychographic groups, which will be examined in further detail. In this section the motivations of volunteers will be explored as well as current recruitment and marketing tools, and engagement, as all are important elements to build a strong marketing strategy for the recruitment and retention of volunteer

4.1 Motivations of Volunteers

Understanding the motivations of current and potential volunteers is essential to determining the most effective marketing techniques. Six possible motives were laid out by Clary et al. (1998) and were defined as ‘values, understanding, social, career, protective, enhancement,’. To define it so simply may appear crude but Clary et al. are often referenced by other academics when discussing volunteer motivations. Much of the research on volunteer motivation by Clary et al. and other academics can be summarised as a combination of the two suggested ends of the spectrum of motivations; ‘altruism-egoism’ (Yeung, 2004:23), further supporting the theory that incentives may be the best option to appeal to the egoist part of a potential volunteer. Omoto et al (2000) determined that volunteer motivation can alter greatly depending on age, and summarised that older people are often motivated by the self-imposed expectation of service to the local community. This theory is supported by the notion that younger people are often seeking to broaden understanding and worldly knowledge when volunteering, whilst those that are closer to middle age consider the development of wellbeing as having more priority, thus leading to being more selective when considering which organisations to volunteer for (Okun and Schultz, 2003). By better understanding these motivations it could lead to a better starting point when examining potential marketing strategy, as appealing to the correct motivation within the correct psychographic would be pivotal to a successful long-term campaign.

It has been suggested that despite the teaching of service and altruism within the Boy Scouts in the USA, there is little to suggest that this leads to further volunteering as an adult (Carpenter and Myers, 2010). This suggests that despite learning the importance of giving as a child/young adult there may not be a direct correlation to then volunteering for a cause as an adult. This report goes on to suggest that the effect of altruism on the likelihood to volunteer is of a comparable size to that of ‘reputation, a desire to make friends, and religiosity’ (Carpenter and Myers, 2010:19), meaning that the selfish reasons people have for volunteering are often viewed as equally important, and so, should be utilised when creating marketing content.

Discussing why people give (both money and time) to charity could lead to better insight in discovering what can be done to encourage further giving to the Scout Group. People volunteer for various reasons, with arguments questioning whether true altruism can exist. Regardless, it is common for people to feel a ‘warm glow’, a term coined by Andreoni (1989), although if this is the sole reason for performing a good act, this is considered purely egoistic. Research points to the conclusion that most people are “impure altruists,” whereby volunteers are motivated by the warm glow element as well as some amount of altruism and belief in the cause (Crumpler and Grossman, 2008). When examining a group such as the Scout Association, the close connection to many potential volunteers (parents) through their children could be seen as either beneficial or detrimental to volunteer recruitment efforts depending on the individual, as some parents may be more or less inclined to be involved in their child’s extra-curricular activities. Also, for many that have no connection to a Scout group (via family members) it could be easier to attract talent by utilising the ‘warm glow’ element within the marketing materials.

4.2 Current Recruitment Methods and Marketing Tools

When examining the recruitment process, Wheeler (2009) suggested that volunteer recruitment relies on word of mouth by current volunteers. This may hold some truth, especially as people may be more likely to commit to something suggested to them by a friend rather than through an advert or marketing. However, the age of this paper suggests limited knowledge of social media and the marketing techniques that can be implemented through various channels. Perhaps by combining Wheeler’s (2009) proposal and social media recruitment can become more effective. Social media is a cheaper option than traditional recruitment practices (Broughton et al, 2013), and brings a plethora of other benefits, such as the ability to see reach and engagement of individual posts through analytic programmes such as Hootsuite and Google Analytics. This would allow the team to begin to gather data to see what has more effect. Social media would allow for dialogue to flow and help to form a relationship between the brand and potential volunteers (Laroche et al, 2013).

On the other hand, Fu (2011) proposed a method of using gamification to attract and retain volunteers. Gamification can here be defined as ‘using game design elements in non-game contexts to motivate and increase user activity and retention’ (Deterding et al, 2011:10). Given that gamification is being utilised more often in a variety of sectors, it may be an interesting incentive as opposed to a traditional discount method. Understanding the background would be vital as gamification can only prove to be effective when the game understands a user’s inherent needs and desires (Bowser et al, 2013). Bowser et al (2013) also concluded that gamification could be a useful method if focusing on

attracting Millennials to volunteer, partially because of their better understanding and more ingrained use of technology in daily life (Bull, 2010).

Another marketing tool to consider includes social marketing, defined as using known marketing tools to 'influence the behavior of target audiences to improve their welfare' (Nichols et al, 2004:1), is predominantly utilised when recruiting people into positions that will benefit individuals and society as a whole. In the research, Nichols et al (2004) made use of the six Ps, although common practice would make use of either four or seven Ps (Rafiq and Ahmed, 1995). Utilising the four Ps (first twelve elements as defined by Borden (1986), which was developed into four Ps by McCarthy (1964)) could be a useful tool for marketing beginners within the Scout group to implement a recruitment strategy. The four Ps are defined as product, price, promotion and place. This should be examined in further detail to make it closer fit the context of volunteer recruitment. It has been argued that social marketing must behave differently to traditional marketing as it must resonate with people's core beliefs (Kotler and Zaltman, 1971). Therefore, using traditional marketing methods could work, but there must be more focus into the values of the organisation as opposed to merely meeting surface level benefits of the average consumer.

There is much discussion on the use of guilt within advertising (Coulter and Pinto, 1995), mostly due to the increase in usage over time (Murphy, 1994; Samalin & Hogarty, 1994). Inspiring an emotional response in the consumer is crucial to an effective marketing campaign, as it forms a connection from the brand to the consumer, although inspiring too strong a negative emotion towards an advert through guilt can cause negative connotations to form (Hill, 1989; Merritt, 1984), thus resulting in an ineffective advert and potential poor media coverage. Although, it ought to be mentioned that Hill and Merritt's work was predominantly concerning political campaigns, so it could be argued that it is not directly transferable to the work of charity, as people have a tendency to have some distrust for politicians and government (Hetherington, 1998).

4.3 Investigating Engagement

Employee engagement has been defined as 'an energetic experience of involvement with personally fulfilling activities that enhance a staff member's sense of professional efficacy,' (Leiter and Maslach, 1998:351) and has been the subject of a large quantity of investigations over the last decade to gain insight into a variety of management related issues, including employee happiness and retention rates. There is some disagreement as to how engagement can be defined, although academics agree that it is desirable for an organisation to focus on (Kompaso and Sridevi, 2010). Kompaso and Sridevi (2010) go on to summarise engagement as requiring effort from both the employee and employer. Understanding engagement and the relationship this has with longer retention rates, higher productivity and higher rates of happiness are essential in this context as it is not enough to merely recruit, but to retain the best talent to ensure the longevity of the Scout group. Burnout is seen as the opposite end of the spectrum to engagement (Schaufeli and Bakker, 2004) and occurs when an employee has become detached from their role (Leiter and Maslach, 2003). It is undesirable due to the personal impacts it can have as well as the lack of productivity and interest within the actual job. Within the Scout group it would be essential to consider the engagement of all involved to ensure job satisfaction, which in turn prevents burnout and leads to better results.

Engaged volunteers are more likely to remain with the organisation, and are less likely to burnout, thus reducing turnover rates, which in turn would ensure skills and knowledge are retained within the team (Skogland, 2006). Engaged volunteers would likely have more energy and enthusiasm and so, would be more likely to encourage others to get involved, and as previously discussed, word-of-mouth is an essential recruitment tool in the third sector (Wheeler, 2009). It has been suggested that making use of contingent rewards (rewarding people once they have achieved predefined targets, a form of positive reinforcement) can lead to improved engagement (Breevaart et al, 2014), so this could be established by more senior leaders to ensure job satisfaction remains high. Simply put, if a volunteer has a positive experience, they will remain engaged as a volunteer (McCurley and Lynch, 1996). Therefore, it is essential to make clear to new volunteers that there is a welcoming environment to discuss issues and concerns that an individual may face, as it is often true that another leader may have already experienced this problem. Kahn (1990) concluded that meaningfulness, safety and availability are crucial to an individual's engagement. These requirements can be defined as feeling as though an individual's input is beneficial, feeling as though one can truly be themselves without judgement, and feeling as though one possesses the requirements to complete tasks set. It has been recommended that these concepts could be used to assess current engagement and to discover what acts by management lead to better engagement amongst others (Shuck and Wollard, 2010).

The need for further research presents itself within the realm of volunteer recruitment, although mostly within charities that operate for the benefit of young people, as the aspect of parent volunteering is essential to the organisation. By further investigating how and why parents/carers do or do not get involved within these organisations it could present solutions for how to encourage involvement from parents/carers as well as unrelated adults. This would ideally lead to a broader knowledge base within the volunteer group, reduced likelihood of burnout through increased engagement and a stronger team that can keep the group growing and viable in the long-term.

Methodology

Whilst Ethnography may have proven useful to discover more insight into the fundamental opinions and behaviours of parents of Scouts, in this instance it would likely have proven to be too difficult to truly gain an understanding without more time, as many ethnographies take a minimum of 6 months (Hoholm and Araujo, 2011).

For the project, surveys and interviews were the main data collection due to the ease of collecting a large quantity of data in a short amount of time. A longitudinal survey would have been ideal, however with time restrictions this would have proven difficult in this scenario, so a cross-sectional survey has been utilised. These are the best methods in this situation as people are spread over a large area, and all parents/carers have access to either emails or social media, so a large enough sample size was examined.

A questionnaire created using Typeform was sent out via social media channels (Facebook, Twitter and LinkedIn) to examine the reasoning behind why people give to charities in any way. This was to identify how people's values, careers and age group may affect how people give to charity. The data from the questionnaire uses a combination of quantitative and qualitative so that several aspects can be considered. This survey was completed by 92 people, who accessed it via social media. There may be some skew in the results due to various Scout groups in the area sharing it, so many of those that completed the survey are parents or current volunteers, meaning that whilst their insight into potential engagement and recruitment methods are helpful, they may lack understanding into why people are not currently volunteering or what their beliefs are that prevent them from getting involved more. Full results from the survey can be viewed in the appendix.

Interviews have been carried out with current volunteers and featured identical questions for better comparison. This data was collected through a recording device and typed up, with key quotes being used in the final report, as there was some unrelated discussion and other points that may not be entirely relevant to the topic.

The questionnaires and interviews seek to answer the 3rd and 4th objectives listed, whilst the literature review and research will answer the remaining objectives.

By utilising research that examines opinions from varying age groups, it may be easier to identify the perceived pain points that people associate with volunteering and volunteering for a local Scout group. The research should provide an overview of the reasons people give for being unable to volunteer and the current attitudes towards the Scout Association, as there may be some connotations or preconceived misconceptions that the marketing materials should seek to dissipate in order to encourage people to give.

The research methodology follows an inductive form as the focus is on gaining an understanding of why something is happening, as opposed to any form of theory testing or highly scientific experimentation. Through inductive research, qualitative data can be collected and analysed, so provides a more personal understanding of the problem. In some academic literature, inductive research is disregarded when compared to deductive research, claiming it lacks 'academic rigour' (Gioia et al, 2013:16), however, for this study it would prove the most effective and realistic type of data collection.

The research can be self-criticised as being too simplistic, with too small a sample size and with too little qualitative data. For example, of the 92 people that completed the survey, 48% said they are current/previous Scout Leaders/occasional volunteers, so this could potentially have skewed the results. Ideally, it would have been better to have a separate survey for current volunteers, as their belief of what is involved in the role may vary to that of someone who has never associated with a Scout group in any capacity. If repeating the research collection, a larger sample size would lead to more reliable data and would provide greater insight of the current attitudes. The questions may need

to be altered depending on the group of people that are being surveyed, as there may be different issues in different regions. Also, the research collection could be scaled up to gain a broad understanding of the wider environment, although this would take more time and would need to be conducted through a more rigorous process.

The people chosen to complete the interviews were chosen due to the nature of their roles within childrens charities. They have been in this position for over a decade. Interviewee 2 was a Scout when growing up so can see the problems that are presented to the group from a wider variety of perspectives, whereas interviewee 1 only got involved in the Scout Association more recently, so has a different perspective of the key issues currently faced. This difference in background led to some variety in opinions. If this research were to be repeated, a larger number of people should be interviewed for greater understanding, as it may be that if a large age range were to be interviewed, some very different data may present itself.

The other two people interviewed work in leadership roles for a large organisation, one within recruitment marketing and one within brand and external relations. The intention behind the interview with the leader from brand was to discover the importance of leveraging brand, and the importance this holds to employees and future employees (so for recruitment and engagement). This interview came about as a result of the initial discussion with the employee from recruitment marketing, who discussed various strategies but with a clear viewpoint that brand is one of the most crucial aspects of recruitment and retention. When considering the initial research with a sole focus on charity volunteers it became clear that some better insight in potential strategies, from those that have worked on successful campaigns, could be gained. The learnings taken from this one organisation may not be directly transferrable due to the difference in budgets, but it is worth considering the basic thought processes that underpin brand and campaign planning.

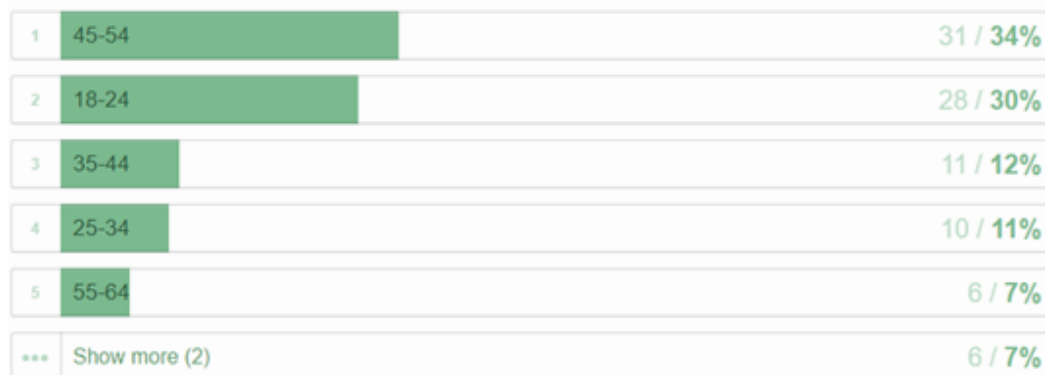
Findings

6.1 Survey

The findings of the survey are laid out below. 92 people completed the survey over a period of 4 weeks.

Which age range do you fall into?

92 out of 92 people answered this question



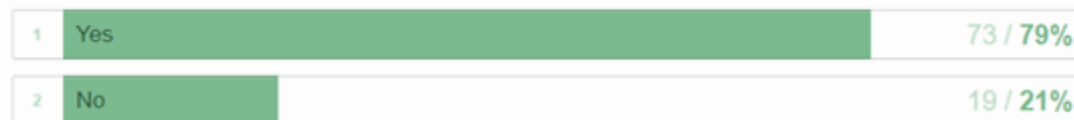
Which gender do you identify as?

92 out of 92 people answered this question



Have you volunteered at all in the last year? (No matter how long for)

92 out of 92 people answered this question



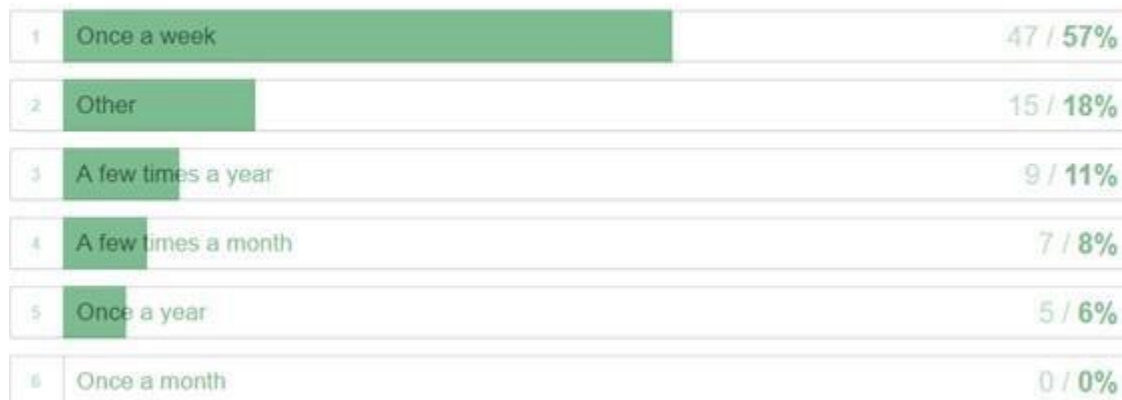
Do you volunteer on a regular basis? (E.g. more than once a year)

92 out of 92 people answered this question



If yes, how regularly do you volunteer?

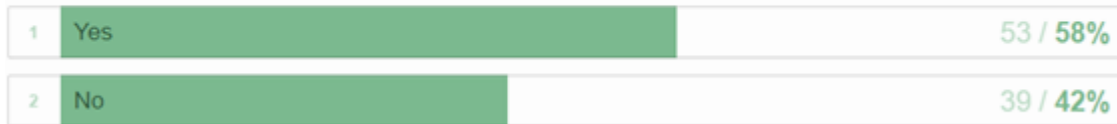
83 out of 92 people answered this question



Above, 'other' included "at least twice a week" from several people, as well as "once every so often" or similar.

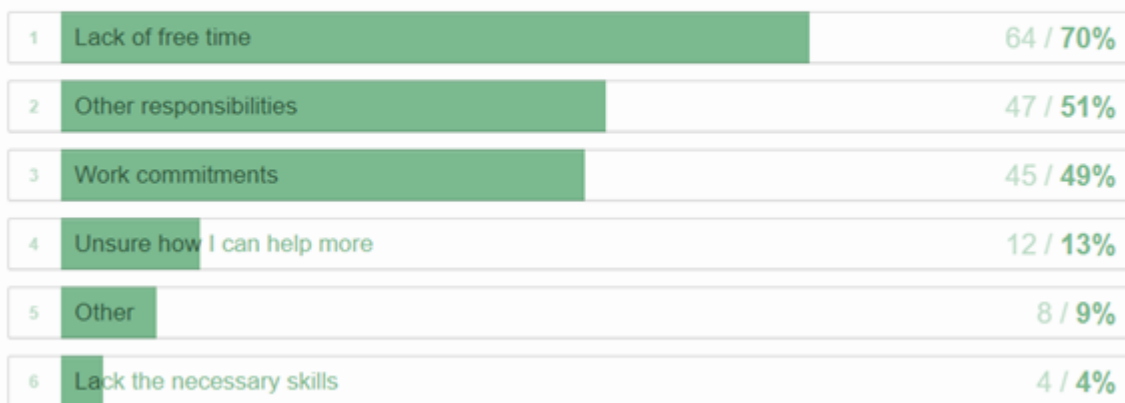
Would you like to volunteer more often?

92 out of 92 people answered this question



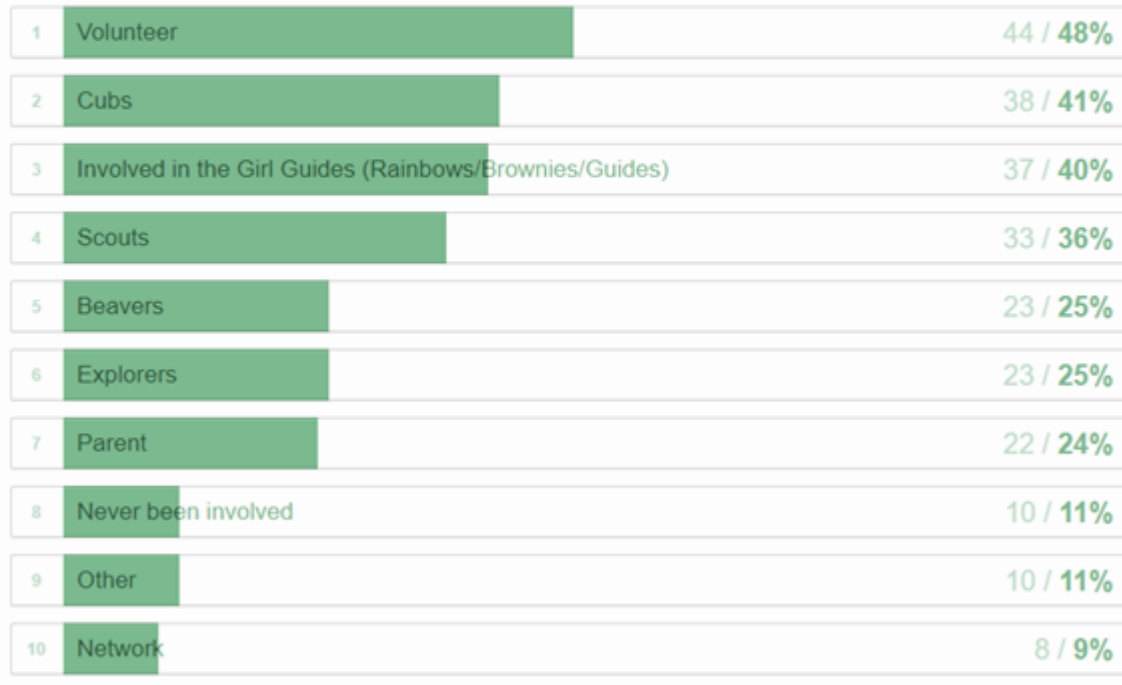
If you answered yes to the above question, please select all of the reasons that you currently cannot volunteer more

92 out of 92 people answered this question



Have you ever been part of the Scout Organisation in any of the following capacities?

92 out of 92 people answered this question



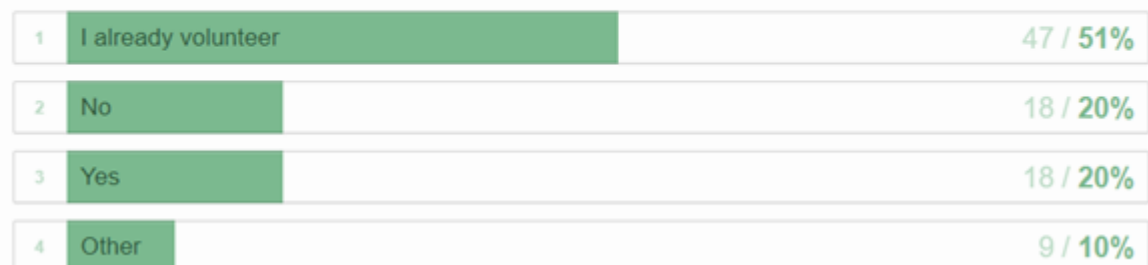
Are you aware that there are currently approx. 51,000 children/young people on the waiting list for a Scout group due to a lack of volunteers?

92 out of 92 people answered this question



Would you consider volunteering for the Scout organisation if you were more aware of the responsibilities and activities involved?

92 out of 92 people answered this question



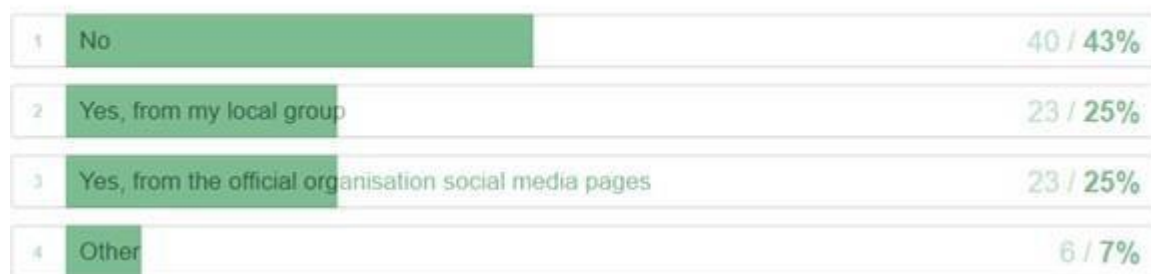
What would encourage you to volunteer on a frequent basis with the Scout organisation?

92 out of 92 people answered this question



Have you ever seen any advertisements to volunteer with the Scout Organisation?

92 out of 92 people answered this question



The graphs above only visualise the quantitative data gathered. Some qualitative-based questions were asked to gain greater understanding of the current issues surrounding volunteering within the Scout Association. Some of the most relevant answers to the open, qualitative questions are set out below.

“Why do you volunteer?”

In this question, enjoyment, giving back to the community, making a difference and ‘for the young people’ were common themes that were referenced regularly by a variety of people. Some interesting points raised were:

“So my son had a cub pack to go to! Now we’re there I enjoy it for its own sake”, “it gets me out the house”, “takes my mind off a really stressful job”, “seeing young people achieve things they don’t think they can”

“What would you do to encourage more volunteers?”

Answers ranged from asking adults to share their knowledge and experiences, holding open days for people to join in with minimal requirements or commitments. Many people suggested that it needs to be clearer that there are no prerequisites or requirements regarding skills and knowledge. There were some comments regarding dispelling the

myths surrounding the necessary DBS checks. It was recommended to advertise the role as a way to boost a CV or develop skills. People also suggested that there is clear, structured training to encourage confidence in those that may be inclined to volunteer but have not got involved due to a lack of confidence. Other points surround making clear that uniform is non-compulsory and other surface-level issues.

“What would you do to encourage parents to volunteer?”

Comments to this were similar to the previous question. People suggested requesting adults to teach one skill or activity on an evening, to get an idea of how sessions are run and what would really be required of an individual. Other suggestions included “parent-helper” rotas that parents sign up to as a way of gaining occasional help, with no title so that it will not be seen by parents as requiring commitment or certain skills. Interestingly, several people suggested directly asking individuals as a way to show they are truly wanted/needed, which would likely lead to higher response rates when compared to putting out a general request for more help. By giving people a set task, they often feel more confident in their ability to complete this task, and feel that they are truly helping, whereas otherwise they may feel that others would be more helpful or knowledgeable.

Recurring themes within both the above questions included more general participation, such as through evenings and camp weekends where parents are more than welcomed but invited to actively be more involved by running a task or activity.

“What would you do to encourage more volunteers?”: share experience, open days to try, word of mouth (everyone is welcome regardless of skills/commitment/availability), dispel myths of DBS, ‘rope them in for straightforward helping activities’ to start with, awareness, training, no uniform requirement, for young people as a CV helper, social media presence

“What would you do to encourage parents to volunteer?”: skill borrow, invite for one off (stay for one evening), if they have a particular skill ask for ‘masterclass’, have a clear list of opportunities/desirable requirements, show they are transferable skills, parent helper rotas, “don’t ask for much”, parkrun points system, info, red tape, directly ask, maybe ask for help in different section to the one their child is in, family games evening, family camp

6.2 Interviews

The first set of interviews were performed in person with current Scout leaders, and the key information and discussion points are as follows.

1. *How have you seen volunteering change over the last five years within the Scout group?*
2. *How have you seen attitudes towards becoming a leader change over the last five years?*
3. *In your experience, is there anything that has worked well, or definitely not worked, when trying to request help from new volunteers?*
4. *What do you think of the current marketing strategy coming from Head Office?*
5. *Do you have any recommendations for ways to increase volunteer numbers?*
6. *Any other points for discussion?*

Both interviewees are current leaders of a local Scout group. Interesting points were raised within each question. The first two questions allow for a more thorough understanding of the environment that exists. Interviewee 1 and interviewee 2 will be referred to as A and B, respectively.

A and B both considered there to have been a decline in parental support, despite the growth in young people numbers. A suggestion is made that the attitudes have changed, and that the group is viewed more as a cheap after-school club that requires no further involvement and gives the parents a larger amount of free time. A and B also noted the high requirements of those seeking to become full leaders, with so much “red tape” and “hoop jumping” that it discourages people from volunteering in any form. This was also referred to in the survey, so the recurring theme suggests that this could continue to cause issues for the recruitment of volunteers in the future.

A suggested more honesty in what is required of volunteers, and B made clear that incentives have not worked in the past, so going forward this may not be the best recommendation (contrary to prior belief).

A and B both believe that the current marketing strategy laid out by Head office is “poor”, supporting earlier statements that suggest the same. It would be interesting to carry out further research of volunteers across the country to see if this is true Nationwide.

To increase volunteer numbers, A suggested changing the training system currently in place and B said, “cut the red tape”, so the similarly presented ideas show that there is demand for change and that the current system is ineffective.

Interestingly, B said there is “no current adult recruitment strategy” that they were aware of, which is a worrying notion at a time when volunteers are needed more than ever yet so many leaders of local groups lack the social media/marketing expertise that could allow their groups to flourish, or for some, would just allow their groups to survive.

A suggested that leaders feel “undervalued and unappreciated,” which prompts reference back to research laid out in the literature review regarding burnout and engagement levels. Feeling valued is essential for engagement (Kahn, 1990). A went on to suggest that older leaders have greater experience but feel alienated by the focus put onto under 25 volunteers by the Scout Association.

If the research were to be carried out again, it would be advisable to create different surveys, one for the average social media user and one for current/previous Scout leaders, as their opinions will differ and would provide a different angle to that of someone who has never had any association with the group. It would also be interesting to investigate those that were involved in the Scout Association in some way as a young person but has never volunteered, as there could be an unknown cause that may be the reason many people do not give their time to the Scouts. Ideally, more interviews with a wider array of Scout leaders would be helpful, as those who have volunteered for longer may have a hugely differing insight into the volunteer problem that is being witnessed today.

This research focused on one Scout group in one region, so it may differ slightly from other cases, especially those with a different demographic (in terms of socio-economic attitudes/behaviours, as well as other key factors). By performing the research individually for separate groups, new information that is more specific to each group may present itself, and some repeating themes may be spotted, which could be used to create a stronger marketing strategy, both in a broad sense and for local groups.

When considering how the results compare to the literature, the lack of literature surrounding this topic makes itself evident. One point that can be made, however, is that the literature that suggests the use of incentives may not be too relevant, as so few people stated that the use of incentives would work in increasing volunteer numbers. Also, the interviewees stated that incentives rarely work, especially in the long-run. This was unexpected when embarking on the research, as the initial prediction was that certain incentives would be key to improving volunteer numbers and retention rates.

The other two interviews conducted were with people that work for a large (80,000+ employees) for-profit organisation, within the oil and gas industry, where the average retention is approximately 11 years. Whilst it could be argued that this is too low a turnover rate for a developing organisation, this type of retention rate could prove incredibly beneficial in charities due to there being fewer knowledge gaps. There is much discussion to be had around the advantages and disadvantages of a high retention rate.

The purpose of the data collection was to discover more about recruitment marketing strategies as well as how brand and other elements of culture can be utilised to cultivate brand awareness, with the aim to improve recruitment.

The discussion with the leader in brand revolved around the importance of understanding how a brand must first be built, with a mission, vision and value proposition that are carried through in all content and communications, and is clearly the foundation for all decision making, thus creating the company culture. Once this is established, it can be leveraged for greater communications and content. From the interview, it was apparent that the brand must work to own a share of people’s hearts in order to really be memorable and understood in a way that brings connection, and ultimately (ideally) recruitment. When someone connects with a brand and its purpose, that is when loyalty is developed. With so many competitors in the market working for this share of heart, it means that the value proposition

and brand mission must be unique and made abundantly clear, with no room for a brand to try to be coy or subtle, which supports the writings of Ogilvy (Ogilvy, 1963).

From the recruitment marketing leader, the themes that stood out were brand and purpose. The discussion began by talking about data and how this is used to identify themes that prove most successful for recruitment campaigns. It was clear that for strong retention rates, recruitment must make very clear the exact roles, responsibilities and requirements so that there is no disconnect or shock when the successful candidate enters the role. This can be carried across into volunteer recruitment, as if expectations are not aligned, disconnection comes quickly and engagement falters, as it can then be hard to trust the leadership going forward. The use of the correct language is also essential, with succinct job descriptions that make the role seem attractive being vital. One thing that stood out from the interview that was perhaps glaringly obvious but slightly overlooked initially was “tell people what they get from it, why should they want to join your organisation when there are so many roles out there”.

Developing this language theme, the articulation of the role and the voice used is also important. By using current volunteers a stronger connection with the target audience can be created. “People want to hear from people like themselves,” meaning potential volunteers should hear from current volunteers that have similar lives and situations, rather than hearing from the faceless brand. The research showed that by treating the potential candidate as a customer, the thought process and considerations around campaigns changes. This would suggest that a slight shift towards treating the recruitment process like a sale could prove successful, but this must be a very carefully considered move for charities, as it should not feel like a transaction in the same way.

The final takeaway from the recruitment marketing interview was the importance of individuals. Volunteers must understand the purpose and vision so that it underpins all decision-making and is conveyed whenever discussing the role. Word of mouth is still an essential tool in recruitment and by having a good working culture with strong support mechanisms and a clearly defined purpose, people will share this, whether consciously or not, and this is a great method of evangelism that will contribute to the recruitment practice with no cost to the charity/business. With this, it can be inferred that if the purpose isn’t strong enough or if volunteers/employees (or even children that form part of the charity) choose to ignore this, it will be seen by the wider community and will have an impact on perspective and thus, recruitment efforts.

Both interviews made clear the weight that the brand carries, and the pivotal role this has in both recruitment and retention. Not only is it vital to develop a brand with the vision underpinning all communications materials, it is essential that this vision/mission are felt and lived within the work culture, thus resulting in a sense of pride in working for the brand, leading to better retention. Once a strong brand is developed, where people understand exactly what they are representing and what core values should underpin all actions, it is easier to leverage this brand in recruitment materials.

Discussion and Recommendations

It is worth returning to the original problems discussed that came down into two categories: recruitment and retention. From the research and through greater understanding of the literature it is clear that behind these key themes sits a plethora of underlying issues.

Some of the issues surrounding recruitment can be categorised under the following:

- Ineffective campaign strategy and planning (there was no real call to action or a purpose). Most recruitment marketing content gets published when there is demand, with little thought to the wider piece and how this impacts reputation. This means there is little awareness surrounding the brand and its values.
- There is a clear oversight in the digital and social media realms. There are real opportunities here that have been overlooked.
- There is a lack of communications surrounding vision, mission and brand values
- There is no defined target audience. The communications seem to be conducted through a “spray and pray” attempt to get as much reach as possible, without paying attention to the people who might really be interested.

For retention:

- Expectations and reality are not aligned. Volunteers have no clear picture of what to expect in terms of requirements and support.
- There is minimal ongoing support for volunteers. There is nowhere to go to ask for help and it can be fairly daunting when placed in a role of such vast responsibility to ask for help. The requirement for vulnerability and openness whilst showing pure strength in front of children is a hard balancing act. This leads to a lack of feeling any form of psychological safety within the organisation
- There are few training opportunities and those that do exist are poorly communicated.
- There is a steady loss of motivation over time as novelty and warm glow wear off, as volunteers begin to feel undervalued and go without feeling any sense of the “rewarding” feeling they may have expected from the role.
- Lack of brand pride. Strong loyalty/pride around the brand is uncommon, which poses a problem in a sector that heavily relies on word of mouth for recruitment of volunteers.

Without understanding of a charity, its vision and values and the requirements, there is unlikely to be much uptake in volunteers.

As a result of the findings from the survey and interviews, it is clear that there is some ambiguity as to how best to encourage parents and other volunteers to volunteer.

7.1 Research Aim

The initial aim of this report was to consider the reasons people give for not currently volunteering, either at all, or more often than at present, and the potential digital marketing strategies and incentives that could be utilised to encourage engagement. The objectives listed were chosen to break down the aim into several parts that could be individually assessed. It can be concluded that the initial aim has been met and the following objectives further explain the summary of all findings.

Critically reviewing the literature presented a good foundation from which to conduct research, as there was so little research to be found regarding charities for young people. The primary research made clear the need for this report and further research, as there was a clear lack of awareness regarding the Scout Association, what they do and their desperate need for volunteers.

7.2 Objective 2

The second objective stated in this paper was to gain a better understanding into why people do not volunteer more for the Scout Association. The main reasons given for a lack of participation at present include a ‘lack of understanding’ of what the Scout Association does as well as a general lack of awareness as to its needs. This has come as a result of weak marketing that does not clearly advertise to a variety of potential volunteers who could otherwise be interested in volunteering, however are unlikely to even be aware that there is a need for volunteers, how large local groups can be and what is expected from an individual. Also, when parents were surveyed the key theme that came through was a lack of time, with current work and family commitments. From the survey, 69.6% cited a lack of free time, 51.1% other responsibilities, 48.9% work commitments, 13% are unsure how they can help, 4.3% believe they lack the skills when asked why they do not volunteer more. To overcome the time-commitment issues, a rota-based system could be implemented whereby parents and other willing adults only volunteer for one evening a term, so that there is minimal commitment. Of the 43 people surveyed that said they did not currently volunteer, 46.5% said that they would be more likely to volunteer if it was on an occasional basis.

It would be easier to encourage an occasional volunteer system, and some new volunteers may decide from this that they want to help on a more regular basis and may give up time for camps or weekend maintenance days for the Scout

properties. This 'occasional help' could be marketed as a way to gain insight into what parents' children do when they are at the Scout group.

Making use of a rota system may also allow for a large opportunity for skill-sharing, as various adults may have a particular skill or knowledge that would make for a more varied programme for the young people.

7.3 Objective 3

The third objective this paper searched to understand better were the incentives that may work to better encourage people to become active volunteers, whether on a frequent or occasional basis, as both would prove to be valuable in the long and short-term of any Scout group. Through research of the current academic literature and from the surveys carried out, incentives by way of discount on camps/activities for young people would not work as well as offering opportunities for further training, such as first aid. Of those surveyed, 11.11% said that opportunities for self-development would make them more likely to volunteer for the Scout group. Using the opportunity for development within the marketing materials would be ideal as it provides another element to the advertisement campaigns for people to respond to. One interviewee stated that some incentives have been trialled but tend not to have a lasting effect on volunteer numbers, so this may need to be evaluated to identify if there are particular incentives that may work better than others. It would appear that incentives may not prove to be as effective a recruitment tool as was first anticipated.

7.4 Objective 4

For the fourth objective, which was to investigate how best to market towards potential volunteers using digital marketing and social media channels, studying literature and current documents proved helpful. There is a clear need for better marketing materials, including well curated content that appeals to the right target audience depending on the platform. As there are multiple segments that can be targeted, it is essential that the messages used are clear and concise but do not necessarily exclude people, depending on the platform being used. If we look at the number of people interviewed who said they might consider volunteering for the Scout Association, the ages ranged from 18-65+ (all age ranges that completed the survey). 11% of those surveyed said further information would make them more inclined to volunteer.

With 43.5% of those surveyed stating that they have not seen any recent advertising from the Scout Association in any form make clear that this is an area that needs addressing. For optimum effectiveness within the marketing campaign, it is essential to consider parents/carers of Scouts as a separate behavioural demographic from other adults with the ability to volunteer and the potential to get involved. This separation of segments allows for more in-depth analysis to be undertaken to understand the desires, demands and benefits sought from the groups of individuals. To summon engagement from adults, who are not parents and have no strong ties to the Scout Association, the marketing methods would need to be more targeted on particular segments to ensure maximum effectiveness.

In this instance, it is vital to establish an emotional connection with individuals in all marketing efforts, however to use guilt, as some of those surveyed suggested, may prove ineffective and could even have detrimental effects. Kotler and Zaltman (1971) suggested that social marketing (charitable organisations) must work hard to not be viewed as 'manipulative' (Kotler and Zaltman, 1971:11) because of pushing a seemingly social agenda, as this could bring negative connotations to the brand. The language used must be carefully considered to ensure it will not cause anger or frustration, as many adults may already feel some guilt towards their lack of volunteering and may be made to feel worse as a result. Making use of CRM (customer relations management) strategies, that focus on the customer rather than the product/service to build relationships and loyalty (Rust and Verhoef, 2005) may prove effective in this case, although could be complicated, as a rigid strategy is required for all communications (Taylor, 2010).

Creating an emotional connection could be easier in a physical environment as opposed to via social media. To do this, following through on some of the advice given on the survey, such as holding open sessions where parents are openly asked to come and help or teach a particular skill to a very small group of young people, would prove useful as it helps to develop a rapport between parents and leaders, and also gives them an opportunity to experience what volunteering is like. This is an example of how the Scout group could utilise events marketing. Also, individual parents could be specifically asked to lead an activity or teach a skill, such as baking, knot-tying, campfire building

or another activity as this personal approach is more likely to receive a productive response. If people feel that they are needed, they are more likely to make the effort to volunteer, and by directly asking it could be a confidence boost for those who feel they may possess a helpful skill but are not sure how best to utilise this in a helpful manner.

Developing a narrative that dispels myths and perceived barriers, perhaps through policy, could be beneficial in the marketing efforts (Cookman, 2001). This could be a possible focus or underlying theme for some of the content uploaded onto social media, as the survey showed that 13% of surveyed candidates were unsure as to how they could help more and 4.3% believed they lacked the necessary skills. To become a volunteer, there is no prerequisite for specific skills or knowledge, so this would be simple to overcome through the marketing messages.

The strategic use of social media is essential, especially due to the limited marketing budget that comes with being a charitable entity. As social media channels are constantly growing and evolving, it is crucial for the marketing team to develop a strategy that recognises and utilises all the different functions and resources available to reach all possible targets and segments (Curtis et al, 2010). It is not simply enough to use social media channels, but the language and messages must all stem from one key strategic plan. Ideally, this strategy would come from the marketing team that work for the Scout Association, to ensure a coherent understanding by volunteer leaders of the values and messages that should be being conveyed at all times. However, in this instance it may prove useful to begin to utilise social media and email marketing individually (by each group or district) until such a time when a carefully planned strategy could be implemented.

It is commonly known amongst marketers that the quality of content and the way in which an organisation engages with social media is vital to having an effective campaign (Pradiptarini, 2011). Using interesting content and regular, thoughtful engagement would be the first step in developing brand loyalty and belief in the cause, as although brand loyalty development is the top priority for a traditional business' marketing campaign (Shen and Bissell, 2013), in this case it is essential to instil a greater sense of compassion for the cause of the charity, to encourage engagement through volunteering. This compassion would ideally be developed through a better understanding of the core values of the Scout Association as well as heightened awareness of the benefits that can be gained from volunteering. Whether it's the 'warm glow' feeling often described by academics (see Adreoni, 1990; Harbaugh, 1998) or by learning a practical skill, the benefits gained must be perceived as worthwhile for those involved, regardless of what they are or how 'altruistic' their reasoning for volunteering is. The skills that can be gained should be made clear in regular social media posts, ideally on Facebook, Twitter and possibly Instagram, although further research should be conducted to see how beneficial this would be to the individual group. In hindsight, this data could have been collected in the survey.

As has been stated, there is an evident plethora of benefits to be gained from volunteering, at any stage in life. Merely describing these benefits may not be enough to overcome the perceived 'pain points' that people believe they will experience in the process of volunteering. The Scout Association and the local group should become more transparent in their operations and the details of what is involved in a way that showcases the potential opportunities for personal development that come with volunteering.

7.5 Objective 5

Lastly, this research set out to understand and make informed recommendations for the Scout Association, as a whole organisation and for individual local Scout groups to encourage wider participation from new and current volunteers in order to ensure the longevity and viability of all groups, with a focus on the local group.

McCurley and Lynch (1996) determined that the first six months of participation are vital to the long-term retention of an individual volunteer. After this time, the initial positive expectations and beliefs may begin to fade, as a result of a greater understanding of the organisation and the pain points that come with volunteering (Skogland, 2006). Thus, it would be strongly recommended that volunteers have regular one-on-one follow up meetings with leaders to address any issues or ideas. It could also prove useful to implement a new policy of regular meetings with individuals as well as with the whole group to discuss issues and possible solutions and new ideas. By making the space more inclusive, whereby people feel heard, it develops engagement as it encourages the 'safety' aspect laid out by Kahn (1990) for improved employee engagement. This inclusion of a wider group of people to share knowledge and experiences could also lead to further development of the group, through new skills and training. Creating a form of community, such as an online platform to discuss ideas and problems across the country would be another push factor

to encourage people to volunteer. This support network could be used to encourage people to get involved and would help to maintain motivation.

To measure the effectiveness of the social media strategy, analytic tools that can track impressions, reach and engagement such as Hootsuite and Google Analytics would prove useful. Measuring email open rates, click through rates and A-B testing to identify the best timings and characteristics for emails could be very useful, although may be difficult to implement.

For further study, it could be interesting to investigate the retainment statistics and engagement levels within young people who volunteer with the group for their Duke of Edinburgh award, wherein a certain number of hours must be spent volunteering for a charitable organisation. It could prove useful for local Scout groups to form stronger attachments with local schools to promote volunteering, as this may lead to further volunteering in the Scout Association in the future, provided the young person experiences the ‘warm glow’ and other positive benefits of volunteering and does not feel as though their time has been wasted in any way. Additionally, building relationships with local job centres and other unemployment-related charities could provide a useful tool to gain more short-term help, which eases the burden for current volunteers, although it can carry some negative consequences, as high turnover rates can mean a loss of knowledge sharing. Putting into place a policy document and/or new starter document with vital information and helpful guides to the common issues faced could be a time-efficient way of handling short-term volunteers.

The lack of information available, as discussed in the research could be a key point that is easily combatted and could bring significant results for the recruitment of many forms of volunteers. Compiling a document for potential and new volunteers, which would have a simple layout with minimal text could be a useful tool to help in the recruitment process, as it would provide all the necessary information and would be available freely online, so that leaders would not have to discuss with individuals. It would also be more likely that people with less interest would read it, as this could be considered far easier than speaking to a local group.

From all the data, and from the learnings taken from a large organisation as well as charities, the recommendations for charities that work with children and rely on volunteers are as follows.

For recruitment:

- Create a clear strategy for digital communications, with a communications plan that spans an entire year and has a clear target audience.
- Understand the opportunities available on social channels, especially around costing and make use of everything that can be utilised for free (organic posting), but with an understanding that some budget should be set aside for this where possible. In a charity this must be planned with a firm strategy to ensure maximum impact from minimal spend.
- Dedicate some budget to learning about the best audience to target, and how best to reach them (learn which channels are most effective).
- Constantly learn from effective communications using analytics. Drawing insights from the best performing campaigns means that the most effective content format, and messaging can be reproduced.
- Draw on current ambassadors and potential micro-influencers. There is a clear drive towards influencer marketing in the present space, but ensure the focus is on niche influencers with a smaller following but with a clear vision, mission and understanding of the charity that is being represented.
- Use both influencers and current volunteers to explain what the benefits of the role are for the individual, and what can be gained by volunteering (such as mental health benefits, “warm glow”, sense of purpose, rewarding role, training opportunities and CV boosting experience).
- Decide on the brand vision and mission statement. These must be abundantly clear in every piece of messaging and content sent by all employees and volunteers (it may prove worthwhile to provide this information in “new starter” packs). If the brand is already well known for certain attributes, play on this. Leverage the brand that is already available and build it, rather than redefining it.

For retention:

- Develop, or make use of, a current platform for knowledge sharing (such as Slack or another forum style app). This should span across different ranges of volunteers (i.e. one group for those that directly work together, a group for broader questions etc). This way, questions and learnings can be shared and the knowledge gap is minimised. Volunteers will feel more supported and less like they are the only person facing a particular issue.
- Define a process that should be taken when volunteers face issues or problems, either with the children they are working with or with the other volunteers. By feeling supported, there is a feeling of connection that provides a clearer purpose for remaining with the charity.
- Ensure that the roles, requirements and responsibilities of volunteers at all levels are clearly defined from the beginning. Create a system of reporting so that if volunteers feel that too much is being asked of them they can discuss it, without having to go directly to a more senior volunteer (who could be the one causing the problem). It can be hard for volunteers to say no when they want to or need to for a better work-life balance. Volunteering must play a productive role that contributes to this balance, not neglects it.
- Create a new joiner pack with all of the aforementioned information, as well as details of available training, HR contacts and other resources that will make volunteers feel like they have a safety net.
- Within leadership training, ensure there are teachings surrounding how best to support new joiners. There is a need for psychological safety at all levels, so leaders also need to feel supported to feel safe (Edmondson, 1999).

In conclusion, it is clear that the recruitment and engagement of volunteers in many charities is something that is not only vital to the ongoing viability of entire organisations but for individual groups, or sections, of the charity. In Scouting, there is a clear requirement for better strategy from head office, however the current lack of strategy allows for some freedom in the marketing materials being created and delivered. Marketing for recruitment can be a daunting task for those that are on the ground, especially those with limited knowledge of social media and email campaigns, although it takes very little time to gain a thorough understanding with the wealth of resources that are available online.

The focus of the marketing efforts should be on the emotional attachment to the organisation, minimal requirements of individuals and the opportunities for personal development that come with volunteering. By maintaining a clear focus, that stems from the vision and mission statement, it creates a simple underlying theme that should align with all marketing materials, so that current volunteers creating the content have an easy basis and message to rely on when in doubt about certain posts, and it creates a clear message for any potential future volunteers so that they can gain a better understanding of what may be required. It is an essential time for the Scout Association to be carefully considering their branding and reputation, although there has been growth in the number of young people involved over the last few years, there is a larger threat from modern media whereby just a small number of complaints can quickly be turned into a scandal. The campaign should focus on social media and word-of-mouth, as these do not require funding.

It is time for each individual Scout group to focus on not just recruitment, but engagement, as this will lead to happier, more productive individuals who are more likely to give more time and create a better environment in which children can develop personal skills and learn practical ones.

Biographies

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SOCIAL GENDER PERCEPTIONS OF WOMEN WORKING IN THE HEALTHCARE SECTOR

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ABSTRACT

Gender concept; traditions and customs of society; The geographical region is determined by many factors, such as the type of administration, the value given to the individual, and different forms of individuals in every period of life. This discrimination can be discriminated against in terms of the use, separation and resource utilization of opportunities due to the gender of the individual in access to services, and this discrimination occurs in different areas such as education, health and legal processes, work and career. selection. The social position of women is defined by comparing with the position of the man. In other words, the status of the woman is basically determined in gender relations. However, other social relations also play a role in the reproduction and change of the structure of existing gender relations. The aim of this study is to evaluate the gender perceptions of women working in the health sector. The necessity of this study is the insufficiency of the studies on women in the literature. This study was designed with the idea that women's perspective is important in solving problems related to women. The study was conducted by face to face questionnaire method in private health institutions determined by researchers in Istanbul and Ankara. Determining the gender perception levels of women working in the health sector will also contribute to the development of individual awareness level. Since the study is the first study on this subject, it will make a great contribution to the literature. Demographic data were obtained by means of a questionnaire, t-Test and One-Way ANOVA tests were performed. As a result of the research, it was determined that the opinions of the women working in the health sector were not only in the decision of the men in the decisions taken in the family; There is no discrimination between men, girls and boys.

Keywords: Female, Gender, Healthcare Services.

Introduction

The concept of gender role has become very popular in the last fifteen years. The plays, scientific writings, pedagogical methods and political discourse that people play are based on the existence of this role. Before moving on to gender roles, it will be useful to briefly mention the distinction between Illich's gender role and gender. According to Illich, many people think the gender role is less variable. However, whether you like it, whether you have a gender role, whether you accept it or not, or whether you are offended or offended, is different from gender. Something to say you're a woman or a man. Whether you're a man, a woman, or a person, it's something completely different. Human beings are born and grown up in sex, something that has been won. Gender expresses integrity in the real world, and no matter how vague and fragile it is, it closes us to the world. Gender, by contrast, means a universe in which there is always more than unlimited openness. (Illich, I., 1996).

Health is important not only for itself, but also because it is a prerequisite for productive participation of women in all spheres of social life. Therefore, there is a close connection between a woman's working life and her health.

When women are examined in working life, it is seen that women still do not play an active role in paid production. The ability to adapt to changes in production and management has been replaced by the cheap workforce priority, which prevailed until yesterday. However, it is seen that the traditional perspective on female labor force expectations still continues. The priorities used by both society and women in self-definition are effective in this regard. To put it more clearly, it is inevitable to define it as cheap labor and auxiliary family workers, as long as the primary role of society and women is "spouse and mother ve and this has a natural consequence as a housewife (Minibaş, T., 1998).

While men make extensive use of social and economic resources, women benefit less from these opportunities. This leads to inequality between men and women. This inequality is evident in the distribution of income and wealth. About 70% of the poor people in the world are women. Feminisation of poverty was determined in both rich and poor countries. This shows women's unequal position in the labor market, less positive treatment in many social security systems, and low status in the family (WHO, 1998).

It is the basic element and driving force of development in terms of women's functions and responsibility area. It controls a large part of the non-monetary economy in its domestic and foreign activities and has an important share in the monetary economy. Unbalanced increasing population, high infant and child mortality, low economy, inefficient agricultural activity, deteriorating environment, double structure and widespread low quality of life affect women and children more. As a result, women have to deal with unequal opportunities, higher risks and a life determined by those who do not have their own preferences. However, investments in women will make them aware and choose among the new opportunities created. While it is not possible to find solutions to all kinds of problems by investing in women, it will provide a basis for better generations and opportunities for future generations by reducing the gender gap in the development of communities and accelerating structural change (Adak, N. Ö., 2015).

In a society, if a woman's education level is low, it is impossible to think that she is healthy in such a society, she has no job for wages.

Investigation Method

In this section, hypotheses, universe and sample, data collection tool, data collection method and analysis method are mentioned. Test results, findings and hypothesis results were evaluated.

Scope of Research and Hypotheses

The aim of this study is to evaluate gender perceptions of women working in health sector in terms of their characteristics such as age, education, income, occupation and sector experience. Within the scope of the study, demographic information of the women participating in the survey was evaluated with gender perception.

H₁= There is a significant difference between age and gender perception.

H₂= There is a significant difference between educational status and gender perception.

H₃= There is a significant difference between profession and gender perception.

H₄= There is a significant difference between income and gender perception.

H₅= There is a significant difference between the total working years and gender perception in the sector.

Population and Sample

The research was conducted on women working in private hospitals in Istanbul. The researchers identified four private hospitals with 250 or more staff. Required permissions have been received. A total of 874 women were employed. 387 questionnaires with valid and incomplete information were analyzed. In cases where the universe size is 750 or more, the sample size calculated for the sampling error $\alpha=0.05$ is 254 (Yazıcıoğlu ve Erdoğan, 2004, s.50). In this study, sample size is sufficient. The rate of reaching the universe is 44.27%. Data were collected in March-April 2019 because access to the entire universe is limited over time.

Data Collection Method

The questionnaire was used as a data collection tool. The first part of the questionnaire contains demographic characteristics prepared by the researchers. In the second part of the questionnaire, ova Gender Perception Scale lanmış which was adapted to Turkish in 2013 by Altınova and Duyan, was tested for validity and reliability. The scales were added to the questionnaire with demographic questions without any change. The Gender Perception Scale is scored in a 5-point Likert style (1 (completely disagree), 2 (disagree), 3 (undecided), 4 (agree), 5 (fully agree)).

Method of Analysis

SPSS 22 program was used in the analysis of the data obtained from the questionnaires. Number, percentage, mean and standard deviation, which are descriptive statistical methods, were used in the evaluation of the data. As a different sample group was used from the original scale development study, explanatory factor analysis and reliability analysis were performed to test the validity and reliability of the scale. ANOVA test was used to test the hypotheses.

Findings

All participants were women. When the education levels of the participants were examined, 25.8% of them were high school, 40.8% were associate degree and 33.3% were undergraduate. In addition, 57.9% of women are in the 19-24 age group, 19.6% are in the 25-30 age group, 14% are in the 31-36 age group, and 8.5% are over 37 years of age. 27.9% of the women are nurses, 26.6% are medical secretaries, 28.4% are patient consultants and 17.1% are administrative staff. Table 1 shows the distribution of income and total working years in the health sector.

Table 1. Demographic Features

Demographic Features		n	<u>Percentage (%)</u>
Age	19-24	224	57,9
	25-30	76	19,6
	31-36	54	14
	37 and above	33	8,5
Education	High school	100	25,8
	Associate Degree	158	40,8
	<u>Bachelor's Degree</u>	129	33,3
Profession	Nurse	108	27,9
	<u>Medical Secretaryship</u>	103	26,6
	Patient Advisor	110	28,4
	<u>Administrative Personel</u>	66	17,1
Health Sector Working Year	1 year and less	89	23
	1-3 year	116	30
	3-5 year	91	23,5
	5-7 year	36	9,3
	7 year and above	55	14,2
Income	2000-2500	73	18,9
	2501-3000	78	20,2
	3001-3500	113	29,2
	3501-4000	44	11,4
	4001-4500	60	15,5
	4501 and above	19	4,9

Despite the validity and reliability of the scale, Kaiser-Meyer-Olkin (KMO) and Bartlett faktörs Sphericity Test were used to determine whether the data set was suitable for factor analysis. KMO value is expected to take a value between 0 and 1 and exceed 0.60 (Büyüköztürk, 2018: 136). The scale consists of 25 questions. As a result of the tests, the KMO value of the scale was found to be 0.888 and the scale was found to be suitable for factor analysis. After determining the suitability for factor analysis, basic components analysis was performed with 25 items without defining dimensions. In addition, varimax vertical rotation factor structure was analyzed to obtain conceptual significance and increase conceptual significance. The factor analysis results of the 25-item scale revealed 59. 19% of the total variance and had an eigenvalue greater than 1.

Table 2. KMO ve Bartlett's Test

Kaiser-Meyer-Olkin Test (KMO)		0,888
Bartlett's Sphericity Test	Chi-square	4412,574
	Degrees of Freedom	300
	P*	,000

*p< .001

In the interpretation of alpha coefficients, Hair et al. (1998) reference ranges were used. Accordingly, Cronbach's Alpha value (α) 0.80 and above is highly reliable, and 0.60 to 0.80 is considered to be highly reliable. Table 3 shows the reliability coefficients of the scale. The scale was found to be quite reliable.

Table 3. Reliability Coefficients of the Scale (Cronbach's Alpha)

	Article Number	α
Gender Perception Scale	1-25	0,771

After testing the normality of the distribution, it was found that the requirements were met and the distributions were normal. ANOVA test was performed for variables with more than two options in normal distributions. In all groups, variance homogeneity test p values were higher than 0.05 and found to be suitable for ANOVA test. The hypotheses created within the scope of the research were tested and all hypotheses were accepted. Age, education, income, occupation and experience of working women were found to be statistically significant in gender perception. Information about the test is given in Table 4. Scheffe Post Hoc Test results were taken into consideration in determining the differences between the groups. There was a significant difference between women in the 19-24 age group and women in the 25-30 age group. A significant difference was found between high school graduates and associate and graduate graduates in terms of education level. There was a significant difference between nurses and medical secretaries in the chosen occupational group and patient counselors. There was no significant difference between administrative staff and profession.

Table 4. ANOVA Test Results

Variable	Variance Source	Sum of Squares	Degrees of Freedom	Average Squares	F	p
Age	Between groups	2,069	3	0,690	3,447	0,017
	Groups	76,625	383	0,200		
	Total	78,693	386			
Education	Between groups	1,607	2	0,803	4,003	0,019
	Groups	77,086	384	0,201		
	Total	78,693	386			
Health Sector Working Year	Between groups	2,611	4	0,653	3,278	0,012
	Groups	76,082	382	0,199		
	Total	78,693	386			
Profession	Between groups	3,087	3	1,029	5,212	0,002
	Groups	75,607	383	0,197		
	Total	78,693	386			
Income	Between groups	2,611	5	0,522	2,615	0,024
	Groups	76,083	381	0,200		
	Total	78,693	386			

p< .05

The mean scores of the participants' scores on the Gender Perception Scale items are shown in Table 5. According to this table, it is seen that the overall average scores of the scale expressions are above 3. The majority of women think that marriage does not prevent women from working, that women can be managers and that working women enjoy life more. In addition, the woman should not earn more money from her husband, the idea that the woman should give money to her husband and the family should be working only in cases of economic difficulties, such as the idea that women do not participate.

Table 5. Mean Scores of the Scale

Scale Items		Average	Standard Deviation
1	Marriage doesn't stop her from working.	3,82	1,15
2	A woman should only work if her family has economic difficulties.	2,58	1,20
3	Working women can also spare enough time for their children.	3,43	1,11
4	Women should not work after becoming a mother.	2,78	1,13
5	Women politicians can also be successful.	3,72	1,12
6	Women should not work after marriage.	2,46	1,25
7	Working life does not cause the woman to interrupt the housework.	3,25	1,15
8	A working woman enjoys life more.	3,62	0,96
9	Women should always be protected by men.	3,30	1,14
10	The woman should not work if her husband does not allow it.	2,71	1,12
11	Women can be managers.	3,84	1,02
12	A working woman should give her husband the income she earns.	2,51	1,04
13	A working woman becomes a better mother to her children.	3,34	1,04
14	Men should also do household chores like washing dishes.	3,78	1,04
15	A husbandless woman resembles a derelict house.	2,85	1,26
16	Men must earn a family's income.	2,85	1,18
17	Women should not open places such as commercial shops (cafes, markets, real estate agents) on their own.	2,63	1,31
18	The first task of women is to undertake household chores.	2,76	1,20
19	A woman shouldn't make more money than her husband.	2,44	1,17
20	Men should always be the head of the house.	2,67	1,17
21	The leadership of society is usually in the hands of men.	2,71	1,17
22	Girls should be given as much freedom as boys.	3,73	1,08
23	A woman should be able to oppose her husband if necessary to have her own rights.	3,47	1,11
24	The woman must be younger than her husband.	2,99	1,11
25	Men should make important decisions in the family.	2,81	1,22
General		3,08	0,45

Discussion and Conclusions

In traditional societies, women are expected to have regulatory roles and men to have decisive roles. In line with these expectations, women socialize towards the private sphere and men socialize towards the public sphere. Women's work as a determinant of socio-economic level affects their children's perception of gender roles (Ersoz, 2012; 1). This proves the idea that gender perception levels of men and women will be different.

It is stated that Turkish society is accepted as patriarchal as there are significant differences in gender role. Men are expected to control the dominant sex and house; the husband is culturally regarded as the ruler of the family and ultimately considered the official authority that women and children must ultimately respond to (Sakalli-Ugurlu, and Beydogan, 2002). However, as a result of the study, it was found that women do not agree with the idea that “men should always be the head of the house” and “men should make important decisions in the family”. The woman's husband is only allowed to enter a job or participate in a profession on an “express or implied leave ken, while her husband is allowed to de reasonably contribute to the family budget (Arat, 2003). As a result of the study, “a working woman should give the income she earns to her husband”, ler men should provide the income of a family ”, kadın a woman should not work if her husband does not allow”, “a woman should not earn more money than her husband” and respectively. These results do not match some of the results in the literature.

According to the results of the study conducted by Ersoz, (2012), 42.2% of the men who participated in the study stated that “women cannot be good managers”, 41.4% thought that “politics is not for women ve and 8% of the women defined traditionally as women's field. It is better to work in areas. These results do not match the results of our study. In addition, in a study conducted by Vefikuluçay et al., (2007), the majority of female students stated that politics is mostly the work of men. This result has similar results with the results of our study. Thus, it is seen that women and men have different opinions about management and politics. The same study concluded that “women have more egalitarian value than men”. This result is in line with the general result of our study.

One of the criticisms is that women concentrate mostly on work and that housework is mostly women. For example, the fact that men spend four times less time on unpaid care compared to women is interesting in that they show little change in traditional roles (Koray, 2011; 16). In this study, the fact that women do not participate in the idea that “the first task of women is to undertake household chores doğrudan is confirmed by the other results in the literature.

As a result of the study, it was found that women thought that a working woman would be a better mother for her children and that working woman could spend enough time for her children and that they should not work after she became a mother. This situation does not match some of the results found in the literature. For example; In the United Kingdom and Germany, 30 percent of women aged 40 are childless, and in the US, one-third of women who have not yet come to senior management do not want children, according to the National Parental Association estimates that women earn \$ 100,000 or more per year. 49 percent are said to have no children (Folbre, 2008; 380).

It is reported that the average monthly income of women is 17.5% less than men at the EU level and that women earn 20% less in seven members, including Greece, Germany, the Netherlands and the UK (EWL, 2010; 61). As a result of the study, women do not agree with the statement that a woman should not make more money than herhusband.

As stated in the National Action Plan on gender equality Although gds provides numerous improvements in women's rights in Turkey, in practice satisfying social life of gender equality it is seen that annoying way reflection (2008, 5). Therefore, broader researches should be conducted in which women are the main subject of cultural, political and economic roles. Otherwise, it will be very difficult to achieve the real solutions that are desired in social, private and professional lives for the real equality of women.

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THE IMPACT OF GOVERNANCE ON THE COMPETITIVENESS OF ALGERIAN COMPANIES

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ABSTRACT

The study aims to find out the availability of the corporate governance in Algerian companies, and the impact on their competitiveness, Through the analysis of 220 questionnaire was distributed to executives at 03 economic companies, and the hypotheses of the study were tested using multiple linear regression model, where we regarded competitiveness as a dependent variable for some governance mechanisms .

Among the most important results obtained having a positive impact for each of the Board of Directors, disclosure and transparency on the competitiveness of the Algerian companies. This study has recommended that companies should give more importance on the governance's mechanisms, by selecting the administration's board's members according to their competence and independence, with the necessity of carrying out tasks that leads to the positive impact on the competitiveness, With the need for disclosure of company's information to all stakeholders in a transparent manner .

Keywords: Governance Mechanisms, Competitive Companies.

Jel Classification Code: B41, C10.

I-Introduction

Since the two last decades, Algeria wanted to leave its closed economy's system, through the transformation to the market economy's system, by joining the world trade organization, this last was the factor that increased the competition between our economic companies, and some of these companies are no longer able to face this competition using its traditional administrative methods.

Therefore, the main subject of this study is the public economic enterprises that need to improve its governance, by organizing relations, and determining roles between the administration's board, the owners and executive administration of the enterprise, with taking into account the interests of the stakeholders, in a climate of transparency and disclosure, this what leads enterprise to take the best advantage from its available resources, thus achieving its strategic goals by improving its competitive ability.

For that, this study tries to analyze and discuss the main question: **“how can we take advantage from the governance's mechanisms in order to improve the competitiveness of the Algerian enterprises”**.

We can divide that main question into these sub-questions:

- (A)- What is the kind of the relationship between governance's mechanisms and enterprise's competitiveness?
- (B)- How far the Algerian enterprises commits the governance's principles and what is their view to the concept of competitiveness?
- (C)- Could the application of the governance's principles by the Algerian enterprises affect positively their competitiveness?

As pre-answers to these sub-questions, we can propose these hypotheses:

- (A)- There is a positive relationship between the enterprise's governance and its competitiveness.
- (B)- There is a low level of commitment in the Algerian enterprises regarding the governance's principles, due to the lack of motives for this concept in our environment; also, most of our partners' views agree that the competitiveness can be achieved by the increase of enterprise's market share.
- (C)- As what is known among researchers and professional organizations, the commitment of the governance's principles by the Algerian enterprises, can lead to a better competitiveness.

This study aims to achieve these goals:

- (A)- The identification of the reality of governance's principles regarding the organizing laws of the Algerian enterprises' business in one side, and regarding the opinions of the executive directors working in these enterprises, in the other side.
- (B)- Analyzing the concept of competitiveness, its measurement indicators, and the views of the Algerian enterprises concerning the achievement of the competitiveness.
- (C)- Modeling and evaluating the impact of the governance's mechanisms as independent variables on the competitiveness of the Algerian enterprises as a dependent variable.

To achieve the study's goals, and examining its hypotheses, we divided it into two axes, the first consist of the theoretical relationship between governance and competitiveness, by showing different studies in this field, the reality of governance's principles regarding the organizing laws of the Algerian enterprises' business, and analyzing the concept of competitiveness and determining the indicators of its achievement. The second axis consist of measuring the reality of the governance's mechanisms by analyzing the opinions of the executive directors working in a sample of Algerian enterprises, and their views to the methods of the achievement of competitiveness, also the estimation and the examination of a multiple linear regression model, that allows to determine the nature of the impact of two governance's mechanisms (administration's board, transparency and disclosure), on the level of competitiveness in the Algerian enterprises.

Governance & Enterprises' Competitiveness Literature Review

II-1- Previous Studies:

During our research, we found some studies having the same subject of research.

II-1-1- Study of (Yifan, and al, 2004) ⁽ⁱ⁾:

This study discussed the relationship between the ownership and governance, and its effect on the competitiveness of 736 Chinese enterprises, using the descriptive and the statistical approaches.

The most important finding of the study is that the increase of amount of the private ownership of capital, and the improvement of the governance's environment, are two necessary factors for the enhancement of productivity and competitiveness, in most of Chinese enterprises.

The most important recommendation of the study is to focus on the future reforms of the ownership and governance, because focusing on only one element will cause negative consequences on the competitiveness of the Chinese enterprises.

II-1-2- Study of (Ho, C . K . 2005) ⁽ⁱⁱ⁾:

This study aimed to determine the nature of the relationship between the commitments of the good governance's practices and the enterprise's competitiveness, by analyzing the executive directors' opinions, working in 104 global organization distributed as follows: 49 Anglo-Saxon enterprises (includes enterprises from USA, UK, Canada, Australia), 28 enterprises from the Europe continent and 27 enterprises from Japan and Hong-Kong; also the study relied on additional data about governance, and some financial indicators, that measures the enterprise's competitiveness, taken from annual reports.

The most important finding of the study is that whenever the enterprises' sample commits strongly governance, their competitiveness will be better; also the relationship between governance and enterprise's competitiveness will be strong when we evaluate governance using all its dimensions instead of using only one dimension, or one property.

II-1-3- Study of (Manoranjan, and al, 2008) ⁽ⁱⁱⁱ⁾:

This study tried to clarify the effects of governance's variables on the competitiveness of 1660 Indian companies, by using the descriptive and the statistical approaches.

The most important finding of the study is that there is a strong and positive interaction between the ownership and competitiveness's variables. In other way companies that have a big number of internal owners, will have a big productivity, in case of a strong competitiveness.

In this regard, the study recommends the necessity of decreasing on the financial companies' ownership about the companies' capital, this means avoiding the dependence on the long-term credits, in order to decrease the negative effects of the companies' productivity, and then its competitiveness.

From the above previous studies, we can see that they used different ways to study the impact of governance on the enterprise's competitiveness, but they all agreed with fact that governance has a positive impact on the competitiveness, and this is the hypothesis that we want to study in our Algerian enterprises' sample, this means driving the Algerian enterprises to a new idea that consist of : competitiveness can't be affected only by direct factors like market share, but by other indirect factors that will be studied in this article that are administration's board and the disclosure as two mechanisms of governance.

II-2- Enterprises' Governance in Algeria:

In Algeria, the meaning of governance and what it require in the company, was shown after the independence, whether about the control's methods on the company, or the relationship of the latter with the stakeholders, but the word governance was not known until the issuance of the charter of the good governance of small and medium companies in march 2009.

The Algerian business associations and unions have done initiatives to find the right ways to predispose the encouragement of the good governance in the business society, in order to attract the direct foreign investment. To lead that operation, stakeholders have created an enterprises' governance workgroup in 2007, that works side by side with the global companies' governance forum (GCGF), and the international finance corporation (IFC), in order to put a governance's framework of the Algerian companies, also a national conference was taken in place in 11 march 2009, the CARE association and the national commission of the companies' governance in Algeria have announced the issuance of the Algerian guide of the companies' governance. The creation of this guide was with the cooperation of the global companies' governance forum (GCGF), and the international finance corporation (IFC), the charter includes two parts and annexes as:

- The first part shows the motivations that leads to the necessity of governance in processing problems that face the Algerian company.
- The second part addresses the standards basics that builds governance in companies, because in one side it shows the relations between the organizing authorities of the company (the general assembly, the administrative board and the executive directorate), and in the other side the relations of the companies with the other partners like: banks, financial institutions, suppliers...etc, moreover, the distribution of the good informations, and the methods of the ownership's transfer.
- The charter concludes with annexes gathering tools and operational advices that institutions could refer to it in order to practice the self-evaluation of its administrations, and resolving problems resulting from the conflict of interests in the company...etc.

II-3- Companies' Competitivity:

(Porter, 1990) confirmed that if a company want to get a successful competitiveness, it must has an competitive advantages, whether in the form of lower costs than competitors, or distinctive products that worth additional prices, and these advantages must be developed with time, by providing a high quality products and high quality services, or producing more effectively, and that's what we can express as the raise of productivity.

In addition, (Macmillan, Mahan, 2010) expresses competitiveness as the ability of a company to defeat its competitors to buy products and services in a certain sector or a country.^(iv)

According to (Covin, 2010), competition means the advantage that belongs to a company and differs from the other competitors, resulting from giving a higher value to consumers, by lower costs, or offering more advantages that justifies the higher prices.^(v)

From the above, we can say, that the competitiveness reflects the ability of a company in selling its products and services in the markets, by giving a best qualitative and quantitative value to consumers, than the other competitors do, thus the increase of its profitability, and conserving its place and its continuation in markets.

There is different indicators that measures the level of competitiveness of a company including: profitability, cost-made, productivity, market's share, the use of a high-developed technology and the quality as follows:

- **Profitability:** usually, it could be calculated by using the “Tobin’s q” indicator, by estimating the ratio of : the market’s value of the company’s credit and capitals, on the change’s cost, if the result is under one, we say that the company do not have competitiveness. In addition, we can use other indicators like: benefits of one share, the ratio of the profit’s growth, and the marginal profit.

- **The Cost-Made:** the cost and the price efficiency is one of the principal standards of a company’s competitiveness, so whenever the costs of a company are low, it will have a high competitiveness.^(vi)

- **The Total Productivity Of The Factors:** it could be calculated by devising outcomes on the incomes. The work hours means the principal entrance in order to calculate productivity, in the presence of other multiple factors: technology, capital’s investments, used powers, administrative abilities...etc.

- **Market Share:** the company’s market share -comparing to the competitors- is one of the principal quantitative standards of the company’s competitiveness, but the company’s share must not be in the expense of the company’s profitability, and this means the acquisition of the market share, and in the same time trying to conserve profitability’s natural criterion in the industry at least.

- **Technology:** the company can improve its competitiveness using the modern technology, and applying the strategies of competitiveness, that leads to the development of products and new processes. This can decrease the cost of the company’s activity, and increasing its quality.

- **Quality:** competitiveness can be inferred properly using qualitative indicators in addition to the previous quantitative standards, because the quality of products and services represents a principal indicator of the company’s competitiveness.

II- Governance and Companies’ Competitiveness Empirical Study:

After showing previous studies about the relationship between governance and competitiveness, and making the literature review of both of them, it comes the step of the measurement of the impact of applying governance on the competitiveness in a sample of Algerian institutions, and this after presenting the empirical study’s methodology.

In order to achieve the study’s goals that are the clarification of the impact of applying governance on the company’s competitiveness in Algerian companies. The study was headed into the dealing with one population that represents the Algerian economic companies, and this in order to gather all the data about the extent of the application of governance on these companies, by checking the two mechanisms: board of directors and the disclosure, but for the competitiveness, it was measured by four indicators: profitability, cost-made, the productivity of the factors of production and the market share.

A random sample has been taken from the study’s population, reached three economic companies. The survey method was used, and in order to representing it and analyzing it, we used the statistical package for social science known as SPSS, the fourteenth version.

The survey consist of a first section that is about the personal data of the respondents (age, sex, experience), and a second section consist of expressions about governance (board of administration and disclosure), and others with the competitiveness measurement indicators, that the expressions includes specific answers : “Yes” or “No” or “Neutral”. 240 surveys were distributed, and 220 were analyzed, and this as introduction to the study’s model formulation that clarify the impact of the level of governance of the study’s sample, on the level of competitiveness, as next:N.

III-1- Study's Model:

In order to examine the study's hypotheses on the field, a linear regression model was formulated that has the sub-variables of governance (administration's board and disclosure) as independent variables, and the indicators of the measurement of competitiveness as dependent variables, and this by referring to the previous studies.

In order to know if there is a linear relationship between the model's variables, after the calculation of the estimated standard error that has a value of 1.55, we can conclude that the Multiple linear regression model will be appropriate for this relationship, it could take that form:

$$\hat{c} = f(\hat{G}) = f(\hat{A}, \hat{B}) = c_0 + \alpha \hat{A} + \beta \hat{B}$$

Where:

\hat{c} is the estimated value of competitiveness, and it's a dependent variable of the sub-variables of governance.

\hat{G} is governance.

(\hat{A}, \hat{B}) are independent variables, and represents: administration's board \hat{A} , and disclosure \hat{B} .

c_0 the level of competitiveness when administration's board and disclosure doesn't have the required specifications of governance.

α is the marginal propensity of the administration's board, and it means when its specifications are compatible with the governance's requirements by one property, the level of competitiveness will raise by a ratio of α .

β is the marginal propensity of disclosure, and it means when its specifications are compatible with the governance's requirements by one property, the level of competitiveness will raise by a ratio of β .

β

III-2- Estimating and examining the study's model:

From table (01) we can formulate the estimated model, in addition of offering more analysis and explications as next:

The estimated model of the relationship between the sub-values of the administration's board and the financial competitiveness, takes the next form:

$$\hat{c} = f(\hat{G}) = f(\hat{A}, \hat{B}) = 42,15 + 0,52\hat{A} + 0,41\hat{B}$$

The primary value of competitiveness (c_0) in case of board of administration and disclosure doesn't have the specification required by good governance in company equal to 42.15 points, from the total of 27, representing a ratio of 42.15 %, so the rest ratio of 100 % it's 57.85 %, it represents the ratio of impact of the sub-values of governance on competitiveness.

- $\alpha=0.52$, means when the compatibility between the board of administration's specifications and the governance's requirements increases by one property (like choosing members by their independence and competence), supposing the stability of the disclosure's value, the competitiveness of the Algerian companies increases with the value of 56.1 points, in a total of 27 points, representing a ratio of 77.5 % of the total ratio of competitiveness.

- $\beta=0.41$ means when the compatibility between the disclosure's specifications and the governance's requirements increases by one property, supposing the stability of the administration's board's values, the competitiveness of the Algerian companies increases with the value of 23.1 points, in a total of 27 points, representing a ratio of 55.4 % of the total ratio of competitiveness.

- The "T" test (test of student): from table (01) we conclude that all the sub-values of governance, were significant according to "T" test (in a level of signification: $P \leq 0.10$), it represents a real explaining variables of competitiveness, thus the hypotheses of the study are right, this means that there is a positive proportionate relationship between the specifications of the administration's board and disclosure in one side, and the competitiveness in the other side.

- The determination's coefficient R^2 reached 0.78, this means that the independent sub-values (administration's board and disclosure), could explain 78 % of the changes in the Algerian companies' competitiveness, and the rest 22% are other random factors.

- The “F” test (test of fisher): the accompanied error of the statistical “F” reached 0.0001, and it’s a value less than 0.05, this confirms the total acceptance of the model, and the explication power of the multiple linear regression model statistically.

III- Results and recommendations:

This study tries to make two reviews for the studied subject; the first review was about presenting some previous studies that have a relation with our subject of study, and referring to it, in order to understand the relationship between governance and companies’ competitiveness. The second review was about the field study, by modeling and explaining the impact of two mechanisms: the administration’s board and disclosure, on competitiveness of Algerian companies.

- By referring to the estimated model, and to the statistical evaluation, we maintained all the independent variables, as real factors affecting company’s competitiveness, because the potential error accompanied (P-value), was under 5%.

- As an economic evaluation for the model, we could say that the previous indicators were really explaining the companies’ competitiveness, due to the properties of the administration’s board like: the methods of the set of its members (competence and independence), this will drive the board to make tasks in order to affect positively the companies’ competitiveness, also the increase of the level of company’s disclosure will lead to the decrease of the agency’s costs and the increase of the company’s price competition.

In order to improve the two governance’s mechanisms that were studied, and to the increase of the level of company’s competitiveness, we recommend:

A- The improvement of the composition of the administration’s board of Algerian companies, by choosing members on their competence and their independence.

B- The administration’s board should give more importance to the activities that has a relation with competitiveness like: understanding and examining the strategic plans, controlling performance and assuming responsibilities, the good use of informations by members in order to improve the Algerian companies.

C- Constructing sub-committees of the administration’s board, like the market’s committee, that make tasks linked to the improvement of the marketing function’s performance, and the contribution on the increase of the competitiveness by the good pursuit of the marketing researches.

D- Algerian companies must give more importance on the increase of the amount and the nature of the disclosed informations, and that what’s a good governance require, like the method of determination of the administration’s board members’ rewards, and supporting all the parts that have a relation with company in order to access to it, with the same content.

Appendices:

Table (01): Cronbach’s Alpha & Honesty Coefficient

	Values	Sig T-test	R ²	Sig F-test
C ₀	42.15	0,0001	0.78	0.0001
A	0.52	0,0007		
B	0.41	0,0004		

Source: SPSS results.

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AN IT TRILOGY: IT STRATEGY, IT GOVERNANCE, AND PERFORMANCE MEASUREMENT

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ABSTRACT

Senior Management often questions the value they receive for their IT investments. Most have experienced a number of IT-related frustrations: huge expenditures for multiple customer service systems that still cannot consolidate all a customer's interactions; rapidly escalating annual operating expenses without a corresponding escalation in bottom line results; and virus or worm infections shutting down operations; and multimillion-dollar investments in initiatives like Y2K remediation, which sustain, but do not improve, performance.

This paper interprets important existing theories, models and practices in the IT governance domain and derives research questions from it. Next, multiple research strategies are triangulated in order to understand how organizations are implementing IT governance in practice and to analyse the relationship between these implementations and business/IT alignment.

Keywords: IT Strategy, IT Governance Mechanisms, Performance Measurement.

I. Theoretical Background

In this section, the theoretical foundation of the main research streams: IT governance, IT governance maturity, IT governance mechanisms and IT governance performance were investigated in the light of the reviewed related literature. IT governance definitions, domains, elements, and frameworks were discussed. The best practice-based frameworks that detail effective arrangements for IT governance maturity, mechanisms, and performance were investigated.

The IT Organization Modeling and Assessment Tool (ITOMAT) is an IT Governance Maturity assessment tool based on the COBIT framework. The ITOMAT is used to overcome operationalization and subjectivity weaknesses in the Control Objectives for Information and related Technology (COBIT) framework [12]. But the framework is still very solid framework to work with, since it is based on COBIT [10].

The Integrated IT Governance Framework is a well-known framework for IT governance maturity assessments [3]. It has a related IT governance maturity assessment instrument. Moreover, the framework and instrument are “integrative”. They integrate: (1) IT governance structures and processes, (2) business-IT alignment with IT operations and performance measurement, and with business value delivery, and (3) suggest that executives need information over a wide (“integrated”) area to assess IT governance [7]. The framework is straightforward, easy to use and well-recognized. Based on these reasons, the framework is very appropriate to use for IT Governance Maturity assessment. So, for the purpose of our research, we have adopted this framework. Consequently, our survey instrument will follow this framework.

Weill & Ross’ IT Governance Performance Assessment framework is straightforward, easy to use and well-recognized [1] & [2]. It has therefore been widely used by researchers and practitioners for benchmarking purposes [4], [7], [8], [9] & [11]. Consequently, for the purpose of our research, we have adopted this framework for the assessment of IT governance performance [5].

II. Research Framework and Hypotheses

The theoretical review enabled the researcher to build the suggested model of the study and to operationalize its dependent and independent variables. As we know, the good architect should build a house rather than just making bricks. As the related knowledge of the researched subject has been accumulated, a degree of a synthesis is needed. Therefore; this requires the researcher to put the many variables together to build a coherent model which specifies causal-effect relationships among those variables. In this research, the researcher assumes that IT governance maturity is closely affected by IT governance domains (i.e. IT governance Pillars or Focus area). They are Alignment of Business and IT; Monitoring of IT Resources, Risks and Management; Monitoring of IT Performance Measurement; Evaluation of Value Delivery; and IT Governance Development [5]. On the other hand, the researcher assumes that IT governance performance is affected by IT governance mechanisms. The model proposes that the existence of effective IT Governance mechanisms will enhance IT Governance performance. This study will examine other additional individual IT governance mechanisms (IT strategy committee, ethics/culture of compliance in IT and corporate communication systems [1] & [2]) and their influences on the overall effectiveness of IT governance [5].

III. Methodology

The evaluative measures of the quantitative research are based on a number of criteria. The first concern of the evaluative measures is the issue of validity, where validity is appearance as the degree to which a measure(s) correctly represents the concept of the research and where validity is concerned with how well the concept is defined by the measure. There is a great variety of methods for establishing the validity of measuring instrument. The following paragraphs represent the most ordinary type of validity that is frequently cited in social research: Content validity: ensures that the measure includes an adequate and representative set of items that tap the concept. The more the scale items represent the domain or universe of the concept being measured, the greater the content validity is. Face Validity: This type of validity is considered by some a basic and a very minimum index of content validity. Face validity indicates that the items that are intended to measure a concept do on the face of it look like they measure the concept. This type of validity is achieved through a pretest and the pilot studies that were done. The suggestions and recommendation were considered in developing the final draft of the questionnaire. Construct Validity: Construct validity testifies how well the results obtained from the use of the measure fit the theories around which the test is designed. This is assessed through convergent and discriminate validity which are explained below.

The second concern of the evaluative measures of the quantitative research is the issue of reliability. Internal consistency reliability is the extent to which clusters of items designed to measure a unifying construct hang together as a set when an instrument is administered to a group of subjects. The values of Cronbach's Alpha were computed in this study using SPSS to estimate the internal consistency reliability of each of the ten constructs.

IV. Operationalization and Measurement of the Model Variables

Operationalization is the process of defining variables into reliably measured unifying constructs. A unifying construct is an underlying theme or concept (e.g., personal attitudes, beliefs, abilities, thoughts, feelings, influences, experiences, and/or patterns of behavior) which can be extracted from the item scores of an instrument. The operationalization process defines constructs that may lack conceptual clarity and allows them to be empirically and quantitatively measured. The exact measuring method is specified so that others can repeat the same methodology. If the variables cannot be operationalized then a valid structural equation model, path model, or least squares model cannot be formulated [13]. Operationalization was therefore essential for the purposes of this study to validate the variables involved in modeling the effect of IT governance maturity and mechanisms on IT governance performance.

The numerically coded responses to the 55 items of the survey instrument where (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree) were entered into the data editor of SPSS. The data matrix was constructed with the cases (respondents) in the rows and the responses in the columns. The item scores ranging from 1 to 5 were stored in 55 columns, i.e., one column for each item. The data were screened for accuracy and missing values by a different person to the one who entered the data. There were no missing values, so the response rate was 100%. The frequency distributions of the numerically coded responses to the 55 items were computed and tabulated [5].

V. The Results Discussion and Implications

In this section, the fruits of the serious hard work regarding this study will be translated and presented into core conclusions and implications.

The findings of this study have interesting implications for practitioners interested in achieving a maturely governed IT organization. Based on our findings, the following paragraph presents our recommendations to practitioners.

Organizations should oversee the alignment of the IT strategy committee with the audit committee. They should share at least one member in common. Organizations should ensure that the IT strategy committee partners with the business strategy committee, on value delivery and alignment. Organizations should make sure that executives and managers (senior executives, business line and IT executives/managers) have capabilities needed to manage IT. Organizations should communicate IT related matters in line with the standard communication procedures. Organizations should focus on this domain of IT governance through focusing on monitoring of IT goals, monitoring of IT and business goals alignment, organizing regular measurement and reporting over IT performance, making IT decision on the basis of measured IT results and performance, and using IT performance measurement results in rewarding according to the general rewarding practices of the enterprise. Organizations should form IT strategy committee to confirm that IT/business architecture is designed to drive maximum business value from IT. Organizations should ensure that the IT strategy committee partners with the business strategy committee, on value delivery and alignment.

The findings of this study have interesting implications for practitioners interested in establishing and implementing effective IT governance. Based on our findings, the following paragraph presents our recommendations to practitioners. Such recommendations will benefit managers desiring to increase the overall effectiveness of IT governance within their organizations.

Organizations should implement communication systems such as reporting violations, provision of anonymous phone lines to communicate violations, and formal socialization activities as effective mechanisms in implementing effective corporate codes of ethics. Organizations should establish steering committee who serves as a high-level executive team, comprised of representatives from various divisions or functions within the organization (such as business executives and the CIO), with the main function of linking its IT strategy and business strategy. Organizations should establish an IT strategy committee of board members with responsibility to provide insight and advice to the board on topics such as the alignment of IT with the business direction and the achievement of strategic IT objectives. In fact, the involvement of boards more directly in IT governance implies that the organization is committed to establishing effective IT governance. Organizations should focus on implementing communication systems that enable the organization to communicate IT governance mechanisms, and to communicate IT governance decisions and processes

throughout the organization. The more communication generally means more effective governance. Top management should get involved in strategic matters related to the use of IT within the organization; outside of the IT steering committee.

VI. Conclusion

This paper thought to explore IT governance designs intended to reinforce business strategies built around different value disciplines. The paper addressed how enterprises design governance to transcend organizational structures and encourage the desired level of synergy (or autonomy) between different business units. Moreover, this paper presented a comprehensive framework that builds on the integration between IT Governance Domains, Governance Maturity, and Governance Mechanisms. The findings of the study suggest that more communication generally means more effective governance. So organizations should focus on implementing communication systems that enable the organization to communicate IT governance mechanisms, and to communicate IT governance decisions and processes throughout the organization.

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GROUPTHINK: ALIGNMENT IN ACTIONS AND BELIEFS

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ABSTRACT

This paper studies the decision problem faced by agents in the presence of uncertainty regarding a project's value. Agents receive private information regarding the value of the project at the beginning of the game, then they may decide either to remember it correctly or deceive themselves by biasing their memory of the value of the project. When there exists an incentive to align actions, inefficient equilibria arise where agents coordinate on incorrect beliefs, leading to incorrect actions. When information is unequally distributed, agents will mimic other agents in order to pretend to have high quality information, endogenously creating an incentive for groupthink.

1. Introduction

Alignment in beliefs is a phenomenon present in many organizations. As members of a team continue to work together often their beliefs regarding various matters tend to converge. This can be potentially advantageous if this leads to centering beliefs on the correct state of the world. Alternatively, it could also be beneficial if it motivates individual workers to exert effort with positive externalities despite it not being individually optimal. However, should it lead to incorrect beliefs this may direct workers to exert unproductive effort on a low value project or worse low effort on a potentially highly lucrative project. Then, understanding why these beliefs arise may better enable us to determine when to focus on culture shifts within an organization.

This belief alignment can become especially problematic when centered on incorrect beliefs regarding the organization's capabilities. Examples of this are everywhere. Take for instance the NASA Challenger incident or the Enron scandal. Benabou (2012) [1] looks into these cases and provides a compelling theoretical model to explain such events. The paper posits that a desire for anticipatory utility is likely a motivating factor causing individuals to upwards bias their beliefs. In particular, individuals choose whether to maintain hopeful beliefs today at the cost of correctly exerting effort later. We offer a related explanation with a different focus.

In organizations it seems natural for colleagues to prefer other colleagues who display beliefs similar to their own. Heuristically, we like those who act like we do. Studies such as Bocian Et al. (2018) [3] have shown that we trust those who agree with us more than we trust those who disagree. Such trust might be extended to an increased number of favors or reputation benefiting the trusted individual. In this paper we examine whether such a motivation is sufficient to induce belief alignment.

Of course, this begs the question, why do we trust those who behave as we do. Such a broad question is beyond the scope of this paper. We narrow our focus and propose a potential answer within the context of a team. Namely, we ask why members of a team might have incentive to prefer others with similar beliefs or actions. Two explanations immediately arise. Firstly, if different workers are taking radically different approaches to a single project, frictions will arise in its completion. Through focusing on different aspects of the project the project is likely come out lopsided. Alternatively, if one agent believes the project to be of critical importance, another agent's purported low valuation of the project may come off as a desire to shirk and free ride.

Secondly, the preference for belief assimilation may be driven by informational asymmetries. If certain workers are able to interpret information more accurately than others, and an agent believes that they are one such worker, then upon observing disagreement this agent may rationally infer that the other agent was poorly informed. Often the ability to accurately process information is important to a project. For example, if an agent must make decisions on their own regarding how to proceed, then a correct appraisal of the situation is useful.

Incorrectly judging a situation might not only render their own efforts meaningless, but may also require additional effort to undo. Then, a manager has incentive to select for workers who are able to precisely assimilate information. We treat this case in section 4 where we expand our model to allow for informational asymmetries. We find that these may endogenously cause agents to mimic other agents, overriding their personal information, in order to avoid discrimination based upon information.

Our model will explain two puzzles. First, we show one avenue where groupthink arises. Through a desire to mimic other agents, in equilibrium agents will “throw away” their personal information in order to align their actions. Second, we develop endogenously the incentive to match other agent’s actions. We extend our model to allow for agents with different levels of precision of information. Then, there exists incentive to align actions in order to avoid being singled out due to a lack of information.

1.1. Literature Review

Groupthink was first modelled in Benabou (2012) [1]. In the paper a convincing argument is laid out regarding why overoptimism can be generated through anticipatory utilities. In particular, workers encode positive beliefs regarding the value of the project as it not only causes the believed gain from the project to increase, but also implies that other workers will exert higher levels of effort further increasing believed future utility. Then, the anticipation of such high utility incentivizes incorrect recollections. Anticipatory utilities were introduced by Loewenstein (1987) [6] as a method of encoding an individual’s preferences for “looking forward to the future.” In Koszegi (2010) [5] these anticipatory utilities are combined with rational utilities allowing personal equilibria to arise in which an agent’s beliefs are self-fulfilling.

We deviate from the anticipatory utility route in determining agent’s preferences. In Bolton (2013) [4] leaders attempt to enforce coordination in the organization through offering a mission statement. A similar effect will be present here, a manager will publicly announce their belief regarding the optimal level of effort which will induce coordination in their agents. In Bernheim (1994) [2] agents have an incentive to mimic other agent’s types in order to conform. This motivates our representation of agent utility wherein agents will have an incentive to match each others actions.

AF: Ottaviano Sorensen

2. Model

We utilize a framework similar to Benabou (2012). We restate their initial framework with several key modifications which are pointed out below.

To begin, a group of risk-neutral agents, $i \in \{1, \dots, n\}$ are working towards a team project or other activity with externalities. They will engage in a game consisting of three periods. In the initial period at $t = 0$, nature realizes the value of the project $\theta \in \{\theta_l, \theta_h\}$, and agents are made aware of θ ’s realization. We will break the assumption of perfect information in section 4. θ_h occurs with probability p_h and represents the project having a high level of potential. θ_l occurs with probability $1 - p_h$ and represents the project having a low level of potential. Agents then choose an interpretation $m \in \{m_l, m_h\}$ to remember. If an agent deceives himself (choosing m_h for θ_l or m_l for θ_h), then he incurs cost k . At $t = 1$ each agent determines the level of effort, $e_i \in [0, \infty)$, he wishes to exert as a function of m . Notably, agents cannot base their action_i in period 1 upon θ , instead they base it upon their recollection, m . Dependant upon their chosen effort level, each agent pays a cost $c(e_i) = ce_i^2/2$, for a constant $c > 0$. Furthermore, each agent also incurs a loss contingent upon the agent’s disagreement with other agents. Each agent suffers

a loss in utility of $-\beta(e_i - e^-)^2$ where $e^- = \frac{1}{n} \sum_{i=1}^n e_i$ and $\beta > 0$. Lastly, at $t = 2$, the outcome of

the project is realized and each agent receives wages dependent on the outcome of the project, $\theta(\alpha e_i + (1 - \alpha)e^-)$, where $\alpha > 0$ represents the relative impact an agent i has on his outcome. We assume $\theta_h > \theta_l$, implying effort has greater reward when the project has more potential. An

agent's total utility is given by $U^i = U^i_0 + U^i_1 + U^i_2$, where $U^i_0 = \{-k, 0\}$, $U^i_1 = -ce^2/2 - \beta(e_i - e)^2$, $U^i_2 = \theta(\alpha e_i + (1 - \alpha)e^-)$.

The primary difference between our model and the standard Benabou (2012) model comes in period 1, where rather than experiencing anticipatory utility given the agent's expectation of the future outcome, the agent experiences utility dependent upon their distance from other agent's actions.

Strategies prescribe choices in period 0 where they decide how to encode the information, and in period 1 where they determine their individual level of effort. We will focus on two strategies in particular. The first, we will call the "realistic" strategy. Under this strategy an agent who observes θ_t for $t \in \{H, L\}$ remembers m_t . The second strategy will be labeled the "optimistic" strategy. Under this strategy an agent who observes s_t for $t \in \{H, L\}$ remembers m_h irrespective of the value of t . In period 1 under both strategies, agents choose the myopic optimal level of effort conditional on their memory. For example, if an agent observes m_h , he chooses effort to maximize $-ce^2/2 + \theta_h(\alpha e_i)$. This implies upon observing m_t , each agent chooses

$$e_i = \frac{\alpha \theta_t}{c}.$$

3. General Results

In this section we illustrate several important aspects of the model. We first note that for any value of β all agents following the realistic strategy is always an equilibrium. The intuition is clear. If others are responding optimally to their information, there is no incentive to misinterpret one's information. In particular, misinterpreting one's information leads to loss both from the misalignment with other agents, and from incorrect choice of effort with respect to cost and period two utilities. We formalize this heuristic in the following proposition:

Proposition 1. For any $\beta \geq 0$ the strategy profile where all agents play the realistic strategy constitutes an equilibrium.

We relegate the proof of this proposition and all future proofs to the appendix. The intuition behind the proof is simple. Suppose all other agents are following the realistic strategy, and consider an agent's potential deviation in period 1. Conditional on observing m_t , the agent is

aware that all other agents have also observed m_t . Therefore, they will all exert $e_{-i} = \frac{\alpha \theta_t}{c}$. The

agent's maximal payoff is given by the solution to $\max_e -ce^{2/2+\beta}(e_i - e^-)^2 + \theta_t(\alpha e_i + (1-\alpha)e^-)$.

A simple calculation of the first order condition reveals that the solution is $\frac{\alpha \theta_t}{c}$. This implies

deviations in effort are sub-optimal. Next, consider a possible deviation in period 0 when the agent observes θ_h . The agent can deviate by remembering θ_l . However, this would then lead them to make an incorrect effort choice in period 1. Therefore, the realistic strategy is an equilibrium irrespective of β 's value. We include Figure S1 to show the impact of effort choice on utility.

This suggests that in a team where the culture has centered on accurately perceiving incoming information, members of the team will also wish to accurately perceive their information. As such we would not expect optimism to emerge spontaneously, but rather it requires a definitive shift in culture.

Next, we ask when can optimism persist in a team? In order to answer the question we introduce the following theorem.

Theorem 1. There exists $\underline{\beta}$ such that $\forall \beta \geq \underline{\beta}, \exists$ an equilibrium where all agents play the optimistic strategy.

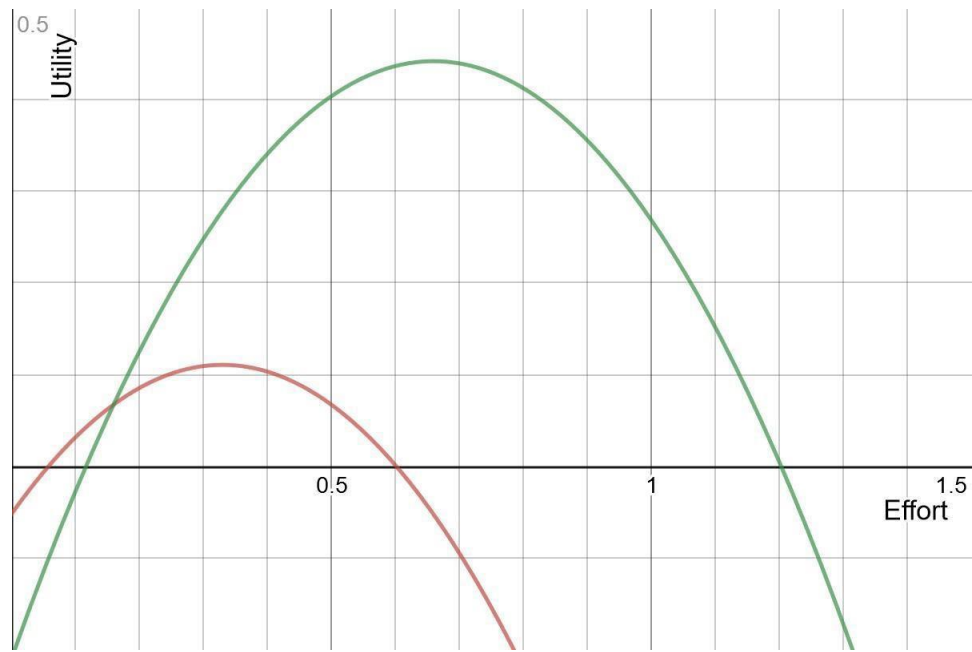
In particular, in order for groupthink to exist the value of other agent's actions must be above $\underline{\beta}$. This implies that the level of groupthink in a team is increasing in individual member's valuation of group actions. Furthermore, this $\underline{\beta}$ is increasing in agent's valuation of their own work. Namely, as α increases, so too must $\underline{\beta}$ in order for agents to delude themselves. Similarly, as the cost of effort increases, $\underline{\beta}$ decreases on a second order level as the optimal level of high effort decreases reducing the loss from incorrect optimization.

Proposition 2. $\underline{\beta}$ is increasing in α and decreasing in c

This is reflected in relative positions of power in a corporation. An entry level employee's actions have little impact on the overall outcome of the project. As such incorrect beliefs are not overly harmful. However, if the CEO incorrectly perceives the future of a company, it will lead them to make self harming choices. For example, optimistic beliefs may lead them to increase

Figure S1: When all others agents exert high effort the value of effort is shown by the green line.

Similarly, when all other agents exert low effort utility is shown by the red line. Notably, the maximizing value of effort is higher under the green line compared to the red line.



a

^aSelected parameters are $\theta_l = 0.5$, $\theta_h = 1$, $\beta = 1$, $c = 1$, $\alpha = 2/3$

investment when a recession looms leading to overstocked warehouses. It is clear that the CEO has a greater capacity to affect the overall direction of the firm, implying that such an agent's α would be relatively larger than that of an entry level employee.

4. Precision

In this section we focus on the incentive to mimic others. In particular, we ask why an agent might receive utility according to the closeness of their action to other agent's actions. One possible incentive is that an agent's action reveals their type. Suppose there exists heterogeneity in the quality of information each agent receives. Namely, some agents are better informed than other agents. At the beginning of a game each agent's type is drawn independently from $\{I, P\}$ representing imprecise and precise information types respectively. A precise type knows with certainty the true state of the world. An imprecise type has no information beyond their prior regarding the true state of the world.

We introduce a new player, a Principal, who wishes to discern which agents have high quality information for reasons exogenous to the model. For example, the principal wishes to promote precise agents as they are better informed and so better able to make decisions. Instead of agents receiving utility in period 1 dependent upon their action's relation to other agent's actions, agents now receive utility from the principal's decision in period 3. Formally, we adjust the setup as follows. At the beginning of the game, all agents have their type drawn from $\{I, P\}$. With probability p an agent is of type P and learns of the true state of the world. With probability

$1 - p$ an agent is of type I and remains uninformed. Agent types are privately known by the

agent in question. The principal receives a noisy signal $s \in \{H, L\}$ informing her of the true state of the world. This signal is correct with probability $1 - \epsilon$, independent of the true state of the world. Agents are aware¹ of the potential for the principal's signal to be incorrect,² but the principal believes it is always accurate. The principal then makes a public announcement, $m \in \{\emptyset, H, L\}$ which is observed by all agents. Agents no longer receive $-\beta(e_i - e)^2$ in period

1. After period 2, there is a period 3 where the principal, having observed each agents' action

in period 1 decides whether to promote or fire, each individual agent. The principal receives k in utility for each imprecise agent she fires and precise agent she promotes. She receives 0 for promoting an imprecise agent or firing a precise agent. Period 3 utilities for each agent are β if promoted, and 0 if fired. The principal also receives $-ce^{-2}/2 + \theta e^{-}$ as she receives direct utility from the outcome of the project and must compensate agents partially for their efforts.

¹ For reasons outside of the model the principal may wish to appear confident in her claim. Should the principal later admit she was incorrect it would undermine faith in her conviction. For a more detailed treatment of a leader's desire for resolution see Bolton (2013) [4].

² A more general signal space could have been considered here. However, we are focused on certain equilibrium in particular, as such expanding the signal space is unnecessary as it would merely increase the possible number of equilibria rather than changing the conditions for the ones we have found.

It is worth noting that we abstract away from potential issues such as moral hazard or misaligned preferences. In particular, we have perfectly aligned the principal's incentives and the agent's incentives regarding the correct level of effort. While a richer model would include such parameters, we instead aim to focus on the behavior of interest and conjecture that such additional features would not change the implications of the model.

First, we consider the following equilibrium. The principal publicly announces the true state of the world and all imprecise agents exert that level of effort. Precise agents record their information truthfully and exert the according level of effort despite knowing that they will be summarily fired. In particular, if β is sufficiently high, precise agents will be unwilling to do so as they would rather keep their position as opposed to exerting the correct level of effort. The following proposition formally proves the above.

Proposition 3. There exists $\bar{\beta}$ such that for all $\beta \leq \bar{\beta}$ the following strategy profile is an

equilibrium. The principal truthfully announces her information. Imprecise agents record the principal's statement and exert an according level of effort. Precise agents record their information truthfully and exert an according level of effort. Notably, when the principal receives incorrect information, this will lead to the precise agents exerting different levels of effort and summarily being fired.³

$$\text{In particular, } \bar{\beta} = \frac{\alpha(\theta_h - \theta_l)^2}{2c} + m$$

Since the utility an agent receives from being hired is equal to β and there is no relative loss in decision utility it then immediately follows for any β greater than $\bar{\beta}$ the agent prefers to remember the principal's announcement.

Corollary 1. There exists $\underline{\beta}$ such that for all $\beta > \underline{\beta}$, both precise and imprecise agents remember the principal's announcement and exert according levels of effort.

In the proof of proposition 3 a maximal value of β is found. For increased values of β the incentive to agree with the principal is strictly increasing. As such, $\bar{\beta}$ marks a threshold determining which equilibrium exist. This immediately allows us to prove corollary 1, which will be the parameter region of interest later in this section.

For this next proposition we make the following assumption:

$$\frac{q(\alpha(\frac{q\theta_h + (1-q)\theta_l - \alpha\theta_l}{c})(\theta_h - \theta_l) + \theta_l(\alpha(\frac{q\theta_h + (1-q)\theta_l - \alpha\theta_l}{c})) - \frac{1}{2c}((q\theta_h + (1-q)\theta_l) - (\alpha\theta_l))^2)}{(1-q)} \leq \beta \quad (1)$$

³In the off equilibrium path event that the principal reports ϕ , precise agents act according to their information, and imprecise agents will randomize uniformly over $\{H, L\}$.

This implies that an imprecise agent would prefer to mask their type and exert low effort as opposed to revealing their type and exerting an average level of effort.

We then find a “silent” equilibrium where the principal announces ϕ irrespective of her information. In particular, this better enables her to determine which agents are precise as imprecise agents will be forced to sometimes exert incorrect levels of effort. However, it comes at the cost of the current project as imprecise agents will exert suboptimal levels of effort.

Proposition 4. If Assumption 1 holds and $p > 1/2(1 - p)$, then there exists an equilibrium where the principal makes no announcement in period 1. Precise agents optimize their level of effort according to their knowledge of the true state of the world, namely $e_i = \frac{\alpha\theta}{c}$. Imprecise agents randomize between exerting high or low levels of effort.

Next, we ask when will the public equilibrium result? Namely, when will the principal prefer to publicly announce her information inducing the precise agents to override their knowledge and join the rest of the team in groupthink? It is worth noting, this is not a statement regarding equilibrium selection. Rather, we purport if before the game began the principal could publicly determine the equilibrium, the principal would act as such.

We let $e^h = \alpha\theta_h/c$, the optimal level of effort when the true state of the world is θ_h . Analogously, $e^l = \alpha\theta_l/c$.

Theorem 2. When the following equation holds the principal receives higher ex-ante utility in the public equilibrium than in the silent equilibrium.

$$-c(e^h)^2/2 + \theta e^h + pk \geq -c((p + 1/2(1 - p))e^h + 1/2(1 - p)e^l)^2/2 + \theta((p + 1/2(1 - p))e^h + 1/2(1 - p)e^l) + pk + 1/2(1 - p)k$$

This finally pins down the parameter region of interest. When the above conditions hold the principal publicly announces their belief regarding the true state of the world. Imprecise agents follow her as they have no additional information. Furthermore, even the precise agents choose to ignore their information and join the group in the principal’s stated level of effort in order to achieve promotion. Then, agents exhibit groupthink when the principal has incentive to commit to her purported beliefs, and those with contradictory information override their information.

5. Conclusion

In this paper we have modeled an alternate explanation for the phenomenon of groupthink. Through mathematically describing the situation we find several key insights. Firstly, as an individual’s importance increases we expect to show reduced levels of groupthink. In particular, those at the top of an organization have greater power over the success or failure of individual projects and as such should pay closer attention to exerting the correct levels of effort. As such they are less likely to display groupthink when making decisions of vital importance. Rather for groupthink to emerge it requires a concentrated effort of many individuals, each with small power over their own utilities. Consider for example the position of a real estate agent determining whether the market is ripe for investment. When making personal investments they both have incentive to gather information accurately and to utilize the information correctly. As such we would not expect them to display signs of groupthink even when collaborating with other agents.

The subsequent question is of course when we expect this form of groupthink to arise in a corporation. One possible method of distinguishing groupthink due to alignment of actions as opposed to a desire for anticipatory utility is alluded to in the above paragraph. Through careful testing of those who both

gather their own information and whose choices have direct impacts on their welfare we can determine the extent to which overly optimistic beliefs are due to irrationality.

We leave for future research various mathematical extensions of our results. It would prove interesting to expand the state space from a binary settings to a continuous setting. We expect our results to hold up in a threshold equilibrium where the state space is partitioned into intervals. Another possible avenue of research would be to examine how to optimize the timing of announcements within an organization to mitigate groupthink. Through building upon our model organizations may choose to elicit information from lower level employees before a managerial position gives their opinion.

A. Results

Equilibrium

First, when agents place sufficiently high weight on synchronizing their actions with others' actions, there exists an equilibrium where every agent behaves as if they observed θ_h even when they observe θ_l in period 0.

Proof of Proposition 1: We begin by checking that encoding θ_h to m_h is a best response when all other agents are doing so as well.

$$\begin{aligned}
 U_i(e_i = h | \theta_h, e_{-i} = h) &= -c(\alpha\theta_l/c)^2/2 + \theta_h(\alpha\theta_l/c) \\
 U_i(e_i = l | \theta_h, e_{-i} = h) &= -m - c/2(\alpha\theta_l/c)^2 - 1 \\
 &\quad \beta(\alpha\theta_l/c - \alpha\theta_h/c)^2 + \theta_h(\alpha(\alpha\theta_l/c) + (1-\alpha)(\alpha\theta_h/c)) \\
 U_i(e_i = h | \theta_h, e_{-i} = h) - U_i(e_i = l | \theta_h, e_{-i} = h) &= m - \frac{\alpha^2}{2c}(\theta_h - \theta_l)^2 - \\
 &\quad \frac{\theta_h}{c}(\alpha\theta_l + (\alpha\theta_h)(\alpha + (1-\alpha))) + \beta\left(\frac{\alpha\theta_l}{c} - \frac{\alpha\theta_h}{c}\right)^2
 \end{aligned}$$

Next, we break this equation into its component terms to prove it is greater than 0. By definition $m > 0$. Similarly, $\beta > 0$ implies $\beta x^2 \geq 0$. Lastly, consider the sum $\frac{\alpha}{2c}(\theta_h^2 - \theta_l^2) + \frac{\theta_h}{c}(\alpha\theta_l + (\alpha\theta_h)(\alpha + (1-\alpha)))$.

Note, that this sum reduces to subtracting the individual utility of effort e_l^i from e_h^i where $e_i = \frac{\alpha\theta}{c}$. Since agent i has no impact over the other agent's effort

levels the period two term induced by e^- cancels out in this comparison. As such since $\frac{\alpha\theta_h}{c}$ was

the solution to the original first order condition, it is the maximum of $-ce^2/2 + \theta_h(\alpha e_i)$. Then, subtracting a function from its maximized value must lead to a value weakly greater than zero.

Namely, $\frac{\alpha^2}{2c}(\theta_h^2 - \theta_l^2) + \frac{\theta_h}{c}(\alpha\theta_l + (\alpha\theta_h)(\alpha + (1-\alpha))) \geq 0$. Trivially, the sum of weakly positive

$$2c_h - l - c_l - h - \geq$$

terms is also weakly positive.

Similarly we show θ_l to m_l is a best response.

$$U_i(l|\theta_l, e_{-i}=1) = -c(\alpha\theta/c)^2/2 + \theta(\alpha\theta)/c l - 1 \quad (2)$$

$$U_i(h|\theta_l, e_{-i}=1) = -m - c/2(\alpha\theta_h/c)^2 - \beta((\alpha\theta_h)/c - (\alpha\theta_l)/c)^2 + \theta_l(\alpha(\alpha\theta_h/c) + (1-\alpha)(\alpha\theta_l)/c) \quad (3)$$

$$\begin{aligned} U_i(e_i=l|\theta_l, e_{-i}=1) - U_i(e_i=h|\theta_l, e_{-i}=1) = \\ \frac{\alpha^2}{\theta_l} - 2 - 2 - \frac{\alpha\theta_h}{\theta_l} - \frac{\alpha\theta_l}{\theta_l} - 2 \\ m - \frac{2}{c}(\theta_l - \theta_h) - \frac{1}{c}(\alpha\theta_h + (\alpha\theta_l)(\alpha + (1-\alpha))) + \beta(\frac{1}{c} - \frac{1}{c}) \end{aligned}$$

We repeat the same process to prove that the sum of these terms is greater than 0. By definition $m > 0$.

Likewise, $\beta > 0$ implies $\beta x^2 \geq 0$. Again, the two terms remaining are

$$\frac{\alpha^2}{2c} (\theta_l^2 - \theta_h^2) + \frac{\theta_l}{c} (\alpha\theta_h + (\alpha\theta_l)(\alpha + (1 - \alpha))).$$

Similarly, since the period two term induced by e^h cancels out, the sum of the two terms is reduced to subtracting the individual utility of effort

$$e_i^h \text{ from } e_i^l \text{ where } e_i^l = \frac{\alpha\theta_l}{c}.$$

□

It is worthwhile to note that the expected maximized value of

$ce_i^2/2 + \theta_l(\alpha e_i)$ is larger when optimized appropriately as opposed to when θ_h is substituted for

θ_l . As such since $\alpha\theta_l$ is the solution to the original first order condition, it is the maximizer

of $-ce_i^2/2 + \theta_l(\alpha e_i)$. Therefore, the subtraction of effort e_i^h from e_i^l becomes positive. Namely,

$$\frac{\alpha^2}{2c} (\theta_l^2 - \theta_h^2) + \frac{\theta_l}{c} (\alpha\theta_h + (\alpha\theta_l)(\alpha + (1 - \alpha))) \geq 0.$$

Proof of Theorem 1: Suppose all other agents are utilizing the optimistic strategy. Then, we find conditions under which agent i also wishes to utilize the optimistic strategy. In particular, the following must hold:

$$U_i(h) - U_i(L) \geq 0$$

$$-m - c(\alpha^2/C^2(\theta^2 - \theta_h^2)) + \beta(\alpha\theta_l/C - \alpha\theta_h/CV)^2 + \theta_l(\alpha(\alpha\theta_h/C - \alpha\theta_l/c)) \geq 0$$

$$c(\alpha^2/c^2(\theta^2 - \theta_h^2)) + m - \theta_l(\alpha(\alpha\theta_h/c - \alpha\theta_l/c)) \leq \beta(\alpha\theta_l/c - \alpha\theta_h/c)^2$$

$$m + \alpha^2/c(\theta^2 - \theta_h^2) - \theta_l\alpha^2(\theta_h - \theta_l)/c \leq \beta(\alpha\theta_l/c - \alpha\theta_h/c)^2$$

$$\frac{m + \alpha^2/c(\theta^2 - \theta_h^2) - \theta_l\alpha^2(\theta_h - \theta_l)/c}{\alpha^2/c^2(\theta_h - \theta_l)^2} \leq \beta$$

$$\frac{(\alpha\theta_l/c - \alpha\theta_h/c)^2}{\alpha^2/c^2(\theta_h - \theta_l)^2} \leq \beta$$

$$\frac{m + \alpha^2/c(\theta^2 - \theta_h^2) - \theta_l\alpha^2(\theta_h - \theta_l)/c}{\alpha^2/c^2(\theta_h - \theta_l)^2} \leq \beta$$

$$\alpha^2/c^2(\theta_h - \theta_l)^2 \leq \beta$$

□ 75

Therefore, for such values of β , the above strategies are an equilibrium.

Proof of Corollary 1

$$\underline{\beta} \geq \frac{\alpha^2(\theta_h - \theta_l)}{2c} (\theta_h - \theta_l) + m$$

The above inequality results from the previous calculations. In particular, the value of β which makes recording $s_h \rightarrow m_h$ optimal also makes $s_l \rightarrow m_l$ optimal. If and only if the value of beta is greater than the value on the right hand side do the precise agents not have an incentive to encode s_h to m_h and s_l to m_l .

□

Proof of Proposition 4: We begin by finding the agent's utilities from high, low, or "average" effort:

$$\begin{aligned}
 U_i(e_i = h) &= -\frac{1}{2} \left(\frac{c}{c} \frac{\alpha \theta_h}{c} \right)^2 + q(\theta_h(\alpha \frac{\alpha \theta_h}{c} + (1 - \alpha)e) + \beta) + (1 - q)(\theta_l(\alpha \frac{\alpha \theta_h}{c} + (1 - \alpha)e)) \\
 U_i(e_i = l) &= -\frac{1}{2} \left(\frac{c}{c} \frac{\alpha \theta_l}{c} \right)^2 + q(\theta_h(\alpha \frac{\alpha \theta_l}{c} + (1 - \alpha)e) + \beta) + (1 - q)(\theta_l(\alpha \frac{\alpha \theta_l}{c} + (1 - \alpha)e) + \beta) \\
 U_i(e_i = a) &= -\frac{1}{2} \left(\frac{c}{c} \frac{q\theta_h + (1 - q)\theta_l}{c} \right)^2 + q(\theta_h(\alpha \frac{q\theta_h + (1 - q)\theta_l}{c} + (1 - \alpha)e)) + (1 - q)(\theta_l(\alpha \frac{q\theta_h + (1 - q)\theta_l}{c} + (1 - \alpha)e))
 \end{aligned}$$

Next, we compare these utilities, to determine the optimal action for imprecise agents.

$$\begin{aligned}
 U_i(e_i = a) - U_i(e_i = h) &= \frac{q\theta_h + (1 - q)\theta_l - \alpha\theta_h}{c} - \frac{q\theta_h + (1 - q)\theta_l - \alpha\theta_h}{c} - \frac{1}{2} \left(\frac{q\theta_h + (1 - q)\theta_l - \alpha\theta_h}{c} \right)^2 - \frac{1}{2} \left(\frac{q\theta_h + (1 - q)\theta_l - \alpha\theta_h}{c} \right)^2 \\
 &\geq \frac{q\theta_h + (1 - q)\theta_l - \alpha\theta_h}{c} - \frac{q\theta_h + (1 - q)\theta_l - \alpha\theta_h}{c} - \frac{1}{2} \left(\frac{q\theta_h + (1 - q)\theta_l - \alpha\theta_h}{c} \right)^2 - \frac{1}{2} \left(\frac{q\theta_h + (1 - q)\theta_l - \alpha\theta_h}{c} \right)^2 \\
 &\geq \beta
 \end{aligned}$$

$$\begin{aligned}
 U_i(e_i = a) - U_i(e_i = l) &= \frac{q\theta_h + (1 - q)\theta_l - \alpha\theta_l}{c} - \frac{q\theta_h + (1 - q)\theta_l - \alpha\theta_l}{c} - \frac{1}{2} \left(\frac{q\theta_h + (1 - q)\theta_l - \alpha\theta_l}{c} \right)^2 - \frac{1}{2} \left(\frac{q\theta_h + (1 - q)\theta_l - \alpha\theta_l}{c} \right)^2
 \end{aligned}$$

$$q(\alpha\theta_h(\frac{c}{q(\theta_h + (1-q)\theta_l - \alpha\theta_l)})) + (1-q)(\alpha\theta_l(\frac{c}{q(\theta_h + (1-q)\theta_l - \alpha\theta_l)})) - \beta)) \geq ((q\theta_h + (1-q)\theta_l) - (\alpha\theta_l) - \frac{2c}{(1-q)}) \geq \beta$$

When this condition fails, condition X determines whether the principal wishes to hire everyone.

Condition X: If the principal is aware that the true state of the world is high and a fraction of x imprecise agents choose to mimic precise agents aware that the true state of the world is high ($1-x$ fraction chooses to exert average effort), $p(k) + (1-x)k(1-p)$ is the total utility principal gain when she chooses to hire all agents. When the principal chooses to fire all agents, the utility she gains is $k(1-p)$. Therefore, when $p(k) + (1-x)k(1-p) > k(1-p)$, the principal would choose to hire everyone. If the condition fails, she would choose to fire everyone.

□

Proof of Proposition 3: Conditional on the principal reporting the state of the world is low we examine a precise agent's incentives to utilize a realistic strategy. In particular, if the precise agent is aware that the true state of the world is high it may not be optimal to exert high effort. In order to do this we compare the agent's utility from exerting high effort to the utility from exerting low effort.

$$\begin{aligned}
U_i(e_i = h | \theta_h, P_i = 1) &= -\frac{c}{2} \left(\frac{\alpha \theta_h}{c} \right)^2 + \theta_h \left(\alpha \left(\frac{\alpha \theta_h}{c} + (1 - \alpha) \frac{\alpha \theta_l}{c} \right) - \right. \\
&\quad \left. - \frac{c}{2} \left(\frac{\alpha \theta_l}{c} \right)^2 + \theta_h \left(\alpha \left(\frac{\alpha \theta_l}{c} + (1 - \alpha) \frac{\alpha \theta_l}{c} \right) + \beta c \right) \right. \\
U_i(e_i = l | \theta_h, P_i = 1) &= -m - \frac{c}{2} \left(\frac{\alpha \theta_l}{c} \right)^2 + \theta_h \left(\alpha \left(\frac{\alpha \theta_l}{c} + (1 - \alpha) \frac{\alpha \theta_l}{c} \right) + \beta c \right) \\
U_i(e_i = h | \theta_h, P_i = 1) - U_i(e_i = l | \theta_h, P_i = 1) &= \\
&\quad -\frac{c}{2} \left(\frac{\alpha \theta_h}{c} \right)^2 + \theta_h \left(\alpha \left(\frac{\alpha \theta_h}{c} + (1 - \alpha) \frac{\alpha \theta_l}{c} \right) + m + \frac{c}{2} \left(\frac{\alpha \theta_l}{c} \right)^2 - \theta_h \left(\alpha \left(\frac{\alpha \theta_l}{c} + (1 - \alpha) \frac{\alpha \theta_l}{c} \right) + \beta c \right) \right. \\
&\quad \left. - \left(-\frac{c}{2} \left(\frac{\alpha \theta_l}{c} \right)^2 + \theta_h \left(\alpha \left(\frac{\alpha \theta_l}{c} + (1 - \alpha) \frac{\alpha \theta_l}{c} \right) + \beta c \right) \right) + \frac{c \theta_h}{2} \right. \\
&\quad \left. - \frac{\alpha^2}{2} (\theta_h - \theta_l)^2 + \frac{\alpha^2 \theta_h}{2} \right) \\
&= -\frac{c}{2} \left(\left(\frac{\alpha \theta_h}{c} \right)^2 - \left(\frac{\alpha \theta_l}{c} \right)^2 \right) + \frac{c \theta_h}{2} - \frac{\alpha^2}{2} (\theta_h - \theta_l)^2 + \frac{\alpha^2 \theta_h}{2} \\
&= -\frac{c}{2} (\theta_h - \theta_l)^2 + \frac{\alpha^2}{2} (\theta_h - \theta_l)^2 + m - \beta \\
&= \frac{\alpha^2}{2} (\theta_h - \theta_l)^2 + m - \beta \\
&= \frac{\alpha^2 (\theta_h - \theta_l)^2}{2c} + m - \beta \\
&= \frac{\alpha^2 (\theta_h - \theta_l)^2}{2c} + m - \beta \\
&\quad \beta \leq \frac{\alpha^2 (\theta_h - \theta_l)^2}{2c} + m
\end{aligned}$$

Next, we consider the other possible situation where a precise agent may wish to deviate. Namely, if he receives information indicating that the true state of the world is low, but the principal states that the state of the world is high.

In order to do so, we compute the utilities from the realistic strategy to the utility from the optimistic strategy.

$$U_i(e_i = l | \theta_l, P_i = h) = -\frac{c}{2} \left(\frac{\alpha \theta_l}{c} \right)^2 + \theta_l \left(\alpha \left(\frac{\alpha \theta_l}{c} \right) + (1 - \alpha) \left(\frac{\alpha \theta_h}{c} \right) \right) -$$

$$U_i(e_i = h | \theta_l, P_i = h) = -m - \frac{c}{2} \left(\frac{\alpha \theta_h}{c} \right)^2 + \theta_l \left(\alpha \left(\frac{\alpha \theta_h}{c} \right) + (1 - \alpha) \left(\frac{\alpha \theta_h}{c} \right) \right) + \beta c$$

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Proof of Theorem 2: We begin by finding the condition under which imprecise agents will not reveal themselves through exerting average effort.

Utility from exerting average effort is.

$$U_p(e_i^I = \frac{q\theta_h + (1-q)\theta_l}{c}) = -c(p\theta_h + (1-p)(q\theta_h + (1-q)\theta_l))^2/2 + \theta[p\theta_h + (1-p)(q\theta_h + (1-q)\theta_l)] + k$$

Case 2 (low types pretend to be high types and exert high (low) effort according):

Two outcomes might arise here, first the imprecise agents may guess the correct state of the world, then $e_i^I = \frac{\theta_t \alpha}{c}$. Otherwise, they may guess the wrong state of the world in which event

$$e_i^I = \frac{\theta - t\alpha}{c}, \text{ where we use } \theta - t \text{ to refer to the state of the world which did not realize.}$$

The two induced utilities are then:

$$U_p(e_i^I = \frac{\theta_t \alpha}{c} | \theta_t) = -c\alpha^2/2 + \theta\alpha + k \quad (4)$$

$$U_p(e_i^I = \frac{\theta - t\alpha}{c} | \theta_t) = -c(p\theta^P + (1-p)e^I)^2/2 + \theta(p\theta^P + (1-p)e^I) + pk \quad (5)$$

In equilibrium, the imprecise agents will be forced to randomize over the two levels of effort. Then, without loss of generality let a fraction x of imprecise agents guess the true state of the world. The principal will prefer to fire all agents upon observing $p + (1-x)(1-p) < x(1-p)$.

Note, $x = 1/2$ delivers the maximal incentives for the principal to hire all agents thereby maintaining the equilibrium. In particular, if there exists an equilibrium where the principal hires all agents, then $x = 1/2$ is also an equilibrium. When $p > 1/2(1-p)$ this implies that the principal will receive utility:

$$U_p = -c((p+1/2(1-p))e^P + 1/2(1-p)e^I)^2/2 + \theta((p+1/2(1-p))e^P + 1/2(1-p)e^I) + pk + 1/2(1-p)k$$

A.2 Comparative Statics

Here we return to the case where all agents have perfect information. We then find conditions under which agents wish to misrepresent their information. In order for $s_l \rightarrow m_h$ to be an equilibrium we require $\beta \geq \underline{\beta}$.

Firstly, we compute the exact value of $\underline{\beta}$:

Proof.

$$\begin{aligned}
 & U_i(h) - U_i(L) \geq 0 \\
 & -m - c(\alpha^2/C^2(\theta_h^2 - \theta_l^2)) + \beta(\alpha\theta_l/C - \alpha\theta_h/CV)^2 + \theta_l(\alpha(\alpha\theta_h/C - \alpha\theta_l/c)) \geq 0 \\
 & c(\alpha^2/c^2(\theta_h^2 - \theta_l^2)) + m - \theta_l(\alpha(\alpha\theta_h/c - \alpha\theta_l/c)) \leq \beta(\alpha\theta_l/c - \alpha\theta_h/c)^2 \\
 & m + \alpha^2/c(\theta_h^2 - \theta_l^2) - \theta_l\alpha^2(\theta_h - \theta_l)/c \leq \beta(\alpha\theta_l/c - \alpha\theta_h/c)^2 \\
 & \frac{m + \alpha^2/c(\theta_h^2 - \theta_l^2) - \theta_l\alpha^2(\theta_h - \theta_l)/c}{(\alpha\theta_l/c - \alpha\theta_h/c)^2} \leq \beta \\
 & \frac{m + \alpha^2/c(\theta_h^2 - \theta_l^2) - \theta_l\alpha^2(\theta_h - \theta_l)/c}{\alpha^2/c^2(\theta_h - \theta_l)^2} \leq \beta
 \end{aligned}$$

For simplicity we now let $m = 0$. Note that all of our results still go through for $m > 0$.

$$\underline{\beta} = \frac{\alpha^2}{c^2} \frac{[(\theta_h^2 - \theta_l^2 - \theta_l(\theta_h - \theta_l))/(\theta_h - \theta_l)^2/c]}{1}$$

$$\underline{\beta} = \frac{\alpha^2}{c} \frac{[(\theta_h^2 - \theta_l^2 - \theta_l(\theta_h - \theta_l))/(\theta_h - \theta_l)^2]}{1}$$

The following is a useful comparative static regarding the exact value of $\underline{\beta}$. We show $\underline{\beta}$ increases in α and decreases in c .

Proof of Proposition 2:

$$\frac{\partial \underline{\beta}}{\partial \alpha} = 2 \frac{\alpha}{c} \frac{[(\theta_h^2 - \theta_l^2 - \theta_l(\theta_h - \theta_l))/(\theta_h - \theta_l)^2]}{1}$$

Since $\theta_h > \theta_l$, $\alpha, c > 0$ this term is positive and therefore $\underline{\beta}$ is increasing in α . Similarly, for c we have:

$$\frac{\partial \beta}{\partial c} = - \frac{\alpha^2}{c} \frac{h-1}{[(\theta^2 - \theta^2 - \theta l(\theta_h - \theta_l))/(\theta_h - \theta_l)^2] c^{-2}}$$

This value is negative for the reasons above, and it therefore immediately follows that β is decreasing in c .

□

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THE IMPACT OF ARTIFICIAL INTELLIGENCE WITHIN THE RECRUITMENT INDUSTRY: DEFINING A NEW WAY OF RECRUITING

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ABSTRACT

This paper set out to consider artificial intelligence (AI) and the impact its growing influence is having within the recruitment industry. This research considered how AI is influencing employers and candidates, specifically throughout the initial stages of the recruitment process. With limited academic research conducted to date, AI has been accepted, by practising recruitment specialists, as being “game-changing for HR” (May, 2016, p.6). The overarching aim of this research was to make recommendations on how recruitment processes could be changed, for the better, in recognition of the introduction of AI technology.

Technology has always held an influence within the recruitment scene, reducing costs and delivering increased effectiveness in recruiting candidates (Okolie, 2017, Singh, 2003). However, the US Department of Labor suggested recruitment, as it stands, is only 16% effective (ClearFit, n.d.). If this is the case, the introduction of AI provides the opportunity to achieve significant improvements. According to Bullhorn (2018), these early improvements are likely to effect the sourcing and screening of candidates, the initial stages of the recruitment process.

Due to the lack of academic literature regarding AI's influence on the recruitment industry, an integrative literature review was conducted to develop new perspectives on the topic (Saunders et al., 2016). As a result both scholarly literature and professional sources were used. To develop a structured analysis of these sources, thematic analysis was used (Braun et al., 2006). These themes were taken from arguments made in the literature surrounding the impact and influence that AI could have in recruitment. The themes of ‘risks and limitations’, ‘bias and inclusion’ and ‘technicalities and opportunities’ guided a framework for primary research to be conducted.

In order to assess the potential impact that AI may have on recruitment processes, three forms of research were undertaken. Semi structured interviews were conducted with nine experts in varying fields surrounding recruitment and AI. An online survey with 132 respondents provided insight into a candidates pre-existing perceptions of recruitment processes. Finally, an observation of a round-table event was conducted in order to analyse the key themes, thoughts and concerns of experts that exist currently within the field of AI in HR.

This paper concludes with the suggestion of a newly formed recruitment process. This process integrates significant structural and technological change in recruitment but enables HR teams to maximise the efficiency and effectiveness of their talent acquisition. As a result, the standardised process of recruiting for roles will need to be flipped, from trial and error, to a ‘test for success’ model.

Keywords: Artificial Intelligence, Recruitment, Human Resources, Technology, Employers, Candidates.

Introduction

This paper looks at Artificial Intelligence and the growing influence it is set to play in the recruitment industry. Specifically considering how the introduction of Artificial Intelligence will influence employers and candidates for roles throughout the recruitment process. This considers the initial job posting through to candidate search and finally interviewing and evaluation of candidates. The purpose of this is to establish the recommended approach for recruiters, both in-house and consultancies, to make hires following the inevitable changes in the industry that will be seen. To answer this question, interviews have been conducted with experts in the industry, contrasting these with the opinions of employees and job seekers and finally analysing the trends of an observation. These primary research findings have been contrasted with the existing literature on the topic. As a result this paper concludes that there is a new recommended process of recruitment to be followed. This process will require significant structural and technological change in recruitment processes but will enable teams to maximise the efficiency and effectiveness of their talent acquisition strategies. As a result the standardised process of recruiting for roles will be flipped, from a trial and error process, to a test for success model.

The Problem & Opportunity

The recruitment industry has a significant issue, the traditional hiring process where a CV and interviews are used have been found to be ineffective. A study by the US Department of Labor and Gallup suggested this process is only 16% effective in finding the right candidate for a role (ClearFit, n.d.). To counter this concern, a large number of companies have incorporated pre-employment assessments which ask candidates a set list of questions. These are reliable (consistent, even when repeated) and valid (relevant to job performance) however they are incredibly time consuming for applicants and result in lower completion rates due to the effort of completing them (HireVue, 2018). As a result companies are losing out on some of the top talent in the market. This explains why Talent Acquisition has been highlighted as the third most important challenge companies face with 81% of the 10,000+ respondents suggesting it was 'important' or 'very important' (Schwartz *et al*, 2017). The same report by Schwartz *et al* (2017) suggests that recruitment stands at the early stages of a technology based revolution. This is backed up by LinkedIn's research on the Global Recruitment Trends (2017) which suggests the largest challenge for recruiters is the 'competition for talent' (57%).

Technology has continuously enabled recruiters to process more candidates and deliver a higher quality, more cost effective service to both job seekers and employers alike (Okolie, 2017 & Singh, 2003) and AI is expected to be no different (Tandon, 2017 & Raviprolu, 2017). The acknowledgement that AI is "game-changing for HR" (May, 2016, p.6) suggests it could have both positive and negative implications. The last shift in the recruitment industry was the development of the world wide web and opened up the ability of global e-recruitment strategies increasing applications for roles universally (Okolie *et al*, 2017). Companies began accessing a wide range of data points from more personal sources such as social media which was not always well received by candidates who wanted to keep their work and personal life separate (Quast, 2012).

The concept of AI has been present for decades however only more recently the concept has become a reality. The likes of IBM's Watson have previously shown the public the potential of AI and its cognitive capabilities rivaling that of a humans (IBM, 2016). Technologies surrounding AI have now reached the phase of high-speed development, impacting numerous industries with the ability to support and potentially replace a number of both manual and cognitive focused roles (Campolo *et al*, 2017). They enable firms to remove the tasks that are repetitive, tedious and prone to error due to ambiguity (Singh, 2017). None of this would be possible without data, between 2013 and 2015 more data was produced than the rest of human race combined (Marr, 2015).

AI has many sub-categories, Machine Learning (ML) being one, this process takes sets of information and draws conclusions from patterns of previous behaviour. More recently ML has been superseded by Deep Learning which offers untrained insight therefore spotting patterns without necessarily receiving guidance from a human programmer (LeCun *et al*, 2015). This provides the opportunity to discover new and exciting options and methods in a wide variety of tasks and decision making processes. This explains why Matt Fischer, CTO at Bullhorn suggests a number of repetitive, and now more notably, non-repetitive tasks within the recruitment industry such as sourcing and screening candidates are predicted to be automated in the next few years (Bullhorn, 2018).

A survey conducted by the HRP (2016) found that 84% of HR firms thought AI was a useful tool within recruitment, the same report also concluded that HR firms are either 'not very prepared' (33%) or 'not prepared at all' (35%) for AI within their operations. This is a noteworthy concern for recruitment companies looking to invest in this technology, as it is not only a large investment financially, but it may have major negative consequences aligned to its implementation.

Literature Review

Introduction

At the time of writing, academic literature on the specific influence AI will have on the recruitment industry is very limited. This review will be integrative in order to develop new perspectives on the topic (Saunders *et al*, 2016). To widen the array of literature, both scholarly literature and professional sources have been used. This is firstly because AI is a topic that is incredibly fast moving and as a result caused scholarly literature to fall behind. Secondly the area of HR is rarely covered by academics and thus better suited to professional reports.

To develop a qualitative analysis of these sources thematic analysis was used. These themes were taken from arguments made in the literature surrounding and the impact the influence that AI could have in Recruitment, specifically on candidates and employers.

These are:

- Risks and Limitations
- Bias and Inclusion
- Technicalities and Opportunities

Risks and Limitations

Raviprolu (2017) directly considers the role of AI within Human Resources (HR) and acknowledges that there are a number of barriers to adoption at this stage, firstly AI requires a large amount of data that is also accurate, these data sets are very complex to effectively understand the psychology of candidates. Yano (2017) highlights AI is nothing more than an empty box unless data is applied. Campolo *et al* (2017) argued that with increasingly protected data sets there are risks of companies using cheaper, non-representative, and therefore less valid, data sets to train AI programmes. Bafaro *et al* (2017) also explains that a ML program might need to review years of succession data to actually understand success factors, and this is assuming that data is accurate. Wishkirchen *et al* (2017), whilst being a supporter of AI within the recruitment process does concede that even the most sophisticated AI technologies can make mistakes. GDPR is another data challenge that needs to be considered and with an estimated 80% of recruitment companies not being complicit with the rules, it will heavily impact the industry (Chaker, 2018). IBM (2016) have however commented that the benefits of AI outweigh the risks largely highlighted above. Raviprolu (2017) also suggests the capability of AI has not yet reached strong communication abilities. Tandon *et al* (2017) agrees with this concluding that AI's influence will not result in full automation of the process.

Okolie *et al* (2017) considered E-Recruitment, the last technological shift in the recruitment industry. The paper notes that E-Recruitment had negative aspects such as impersonalising the process on both sides, in the initial stages it also discriminated against those who did not have access to internet.

Schwartz *et al* (2017) considered the important factors within Human Capital Management (HCM) and found 'Robotics, Cognitive Computing and AI' at the bottom of the pile (40%) with Talent Acquisition third highest (81%). The disconnect between recruitment and new technologies is because AI is still in the early stages of development within the HR industry, and the workplace is now attempting to catch up with the technology available (Francis *et al*, 2017).

There has been the suggestion that AI could feasibly replicate the human decision making process (Frey *et al*, 2013) however Parnas (2017) points out a program imitating humans is not the best way for these technologies to operate as this may result programs that are untrustworthy and dangerous.

Bias and Inclusion

Campolo *et al* (2017) conducts a critical approach to analysis of AI's impact socially as well as economically and explains ML programmes are using existing data points to make decisions could result in transferring and entrenching cultural and gender based discrimination. In contrast to this Wishkirchen *et al* (2017) suggests the use of AI within recruitment will remove all bias by focusing purely on facts rather than emotions and sympathies. Approximately 70% of HR and recruitment departments suggest technology is improving their hiring decisions (Randstad, 2018). New hiring tools such as video analysis systems enable decisions based on fact rather than opinion to help further diversity and inclusion by eliminating unconscious human biases (Poitevin *et al*, 2017 & PwC, 2017). Bafaro *et al* (2017) explains that data analytics tools are the key to enable better decision making and predictions about candidates.

Florentine (2016) used an example of how discrimination could occur using an AI Algorithm. If an AI, machine learning algorithm found that Quarterbacks in American Football had a statistical relationship with high performance in sales roles based on data relating to mental skills, decision making and leadership it can generate the unintended consequence of eliminating all females from the process because they cannot be in an American Football team. The source suggests smaller nuances may not be spotted by humans.

Technicalities and Opportunities

King *et al* (2017) delivers insight into the potential economic impact and the prominent capabilities of AI technologies. King *et al* (2017) considers the impact of Deep Learning, citing object recognition, natural language processing (NLP) and machine vision as key technologies. Not only are machines able to process data sets faster but they can spot patterns in large data sets that cannot be connected by humans. LeCun *et al* (2015) reaffirms the value of NLP in particular as a core aspect of Deep Learning. Deep Learning consumes data in the environment that programmers expose it to and with big data readily available the process, it is accelerating at a faster rate than ever before. Frey *et al* (2013) highlights the advancements in 'Affective Computing' theories, which incorporate human level social intelligence into the technology. This enables real-time social tasks such as negotiation, persuasion and care, explaining why over 85% of respondents to a recent survey considering AI within recruitment believe that assessment centres, interview scheduling, sourcing candidates and lastly on-boarding new employees could all be automated (Pröhm *et al*, 2017). This is leading to recruitment firms and leadership radically changing their processes to accommodate for the acceleration in the capabilities of AI (Chitkara *et al*, 2017 & CognitionX, 2017) to ultimately benefit from the competitive advantage seen from the first movers (Rao *et al*, 2017).

Frey *et al* (2013) also states AI is "spreading to domains commonly defined as non-routine" (Frey *et al*, 2013, p.17). The paper also highlights two key categories of work, firstly the differentiation of cognitive and manual tasks, secondly the differentiation between routine and non-routine roles. Big data is now enabling programmes to reach non-routine, cognitive tasks. As a result Raviprolu (2017) predicts that AI will save recruitment firms time and money by delivering more accurate analysis of candidates and company requirements through these new analysis methods.

Okolie *et al* (2017) stated employers had benefits including lower costs, more applicants and better candidate matching with candidates having an easier application process, with a wide variety of job opportunities and finally a greater response rate from the employer to receive feedback. Poor hiring decisions are estimated to cost \$1.6 million for every 1000 hires made (Randstad, 2018). Bullhorn (2018) suggest efficiency is one of two reasons for increasing automated processes in recruitment. The second motivation is improving engagement with candidates, they argue the main route to do this is through chatbot technologies. Depending on the recruiter and their responsibilities, it is estimated they spend between 33% (de Lara *et al*, 2018) to 60% (CognitionX, 2017) of their working day sourcing and screening candidates. This burden is set to be removed by AI (HRPA, 2017), as a result the cost of hiring candidates could be reduced by up to 71% and improve recruiters efficiency by up to three times (CognitionX, 2017). Faliagka *et al* (2012) directly agrees, adding that AI will reduce the time required to fill vacancies as well as aiding the recruiter in ranking candidate suitability. Improving the candidate experience is

something a recruiter is tasked with but the current level of administrative tasks in the industry stops them from doing this, AI is argued as the solution (May, 2016).

Conceptual Framework

As the structure to the literature review suggests, there are three key themes that have emerged best categorised as Risks and Limitations, Bias and Inclusion and finally Technicalities and Opportunities. Bias and Inclusion as a topic, could potentially fit into either Risks and Limitations or Technicalities and Opportunities. However this area in particular is a very contested area of literature, with an even balance of both positive and negative opinions hence it has been separated into another topic.

The technicalities of Artificial Intelligence appears to be well documented through AI focused academic literature. As a result any primary research will have little consideration on how the technology works and rather focus on application, opportunity and value to the recruitment process. The remaining categories will therefore be main areas of consideration in this research due to widespread disagreement of both academic and professional sources in these themes:

- Theme 1: Risk and Limitations
- Theme 2: Bias and Inclusion
- Theme 3: Opportunity

It is clear that the literature largely focuses on the employer experience over that of the candidate. Thus this research will focus on developing findings that evenly consider both sides of the process. As a result these three themes above may be built and expanded upon in the research.

Research Aims and Objectives

Aim

The aim of this research paper is to establish the impact that AI will have within the next five years on the recruitment industry delivering a specific focus on how this technology will influence the experience of employers and candidates. As a result creating recommendations on a new process of recruitment.

Objectives

1. Provide insight into the influence Artificial Intelligence will have on the recruitment industry, furthering the limited academic research currently available.
2. Investigate the impact of Artificial Intelligence on the employer and candidate independently and establish the positive and negative effects for both parties.
3. Interview industry experts from the fields of recruitment consultancy and Artificial Intelligence to combine and contrast insights to deliver valid predictions on the impact and change that will be seen through new processes developed by Artificial Intelligence.
4. Using interviews, a candidate survey and an observation, obtain up-to-date and targeted research on the topic of AI and Recruitment, specifically considering Risk and Limitations, Bias and Inclusion, and Opportunity.
5. Make recommendations that add value to recruiters considering the introduction of AI technologies into their existing practices, enabling readers to make well founded judgements on the viability of using AI within their recruitment process.

Research Methods and Data Collection

To obtain findings considering the impact of AI in the recruitment process for both employers and candidates, three research methods were used. These are highlighted below.

Research Method	Target Respondent	Theme Consideration
Interviews	AI Experts and Recruitment Consultants	Theme 1 Theme 2 Theme 3
Online Survey	Candidates	Theme 1 Theme 3
Event Observation	AI Experts and HR Professionals	Theme 1 Theme 2 Theme 3

Interviews

All interviews were semi-structured. This allowed deviations to areas of the topic that had not yet been researched, establishing links between AI and Recruitment. This delivered unique insight on the three themes of significant debate within the existing literature. This exploratory research was used to gain understanding of the overall industry. An explanation of the interview and the topic of the dissertation was conveyed to each respondent ensuring there was informed consent to be involved in the research (Bradburn *et al.*, 2004). Each respondent gave verbal permission to be featured in this research. Semi-structured interviews have negatives, firstly the lack of structure can lead to an interviewer introducing their own biases. One key bias to consider is the authors and interviewers previous experience (Saunders *et al.*, 2016) within the recruitment industry. This could influence impromptu questions in the interview. Extra care was taken to avoid loaded questions that introduce bias before a respondent can answer (Bradburn *et al.*, 2004). Whilst the questions for each group were not the same, the questions did point to similar areas but ensured the respondent could answer the questions based on their expertise. To counter bias a final review of questions and answers was completed following the transcripts completion, any questions that might have led the respondent to an answer have been excluded from the findings of this paper.

The interview process was targeted at three areas of expertise. The first were 'AI Experts' making up three of the nine respondents. These respondents didn't all have expertise in recruitment but their in-depth knowledge of the capabilities of AI and the sub categories such as machine learning and natural language processing enabled cross referencing with other respondents.

The second targeted group were 'Recruitment Platform Owners', this group were both founders of platforms that have significantly changed recruitment processes and could therefore explain first hand the potential benefits. As these types of platforms are still in their infancy and are still rare the pool of potential respondents was quite small, two of the nine interviewees filled this category.

The final group of interview respondents were 'Recruitment Experts' who provided in-depth understanding of the recruitment process and ideas of how AI might influence this process. All respondents in the recruitment section were at a senior level to ensure the expertise they provided was based on experience. Expertise varied from large scale graduate recruitment to senior role specialists. This was valuable to help identify where AI could impact the recruitment industry and highlight any areas that still require a human interaction. Four of nine respondents covered this area of expertise.

The interview process was valuable in identifying and addressing inconsistencies currently existing within the literature as well as delivering new insight by contrasting differing opinions from two merging industries. The interviews predominantly identify areas of impact on the employer but also delivered insight into the potential impact on candidates as well. In order to have a structured method of analysis around this qualitative data set, thematic analysis was completed. This provided a clear structure and also enabled flexibility in approach (Braun *et al.*, 2006).

Online Survey

The online survey, conducted through Google Forms enabled a large sample size and geographically diverse data set (Saunders *et al*, 2016). The survey was specifically intended to gain insights into the opinions of candidates on the job application process. To enable some insight into Theme 1, questions were asked surrounding candidate perceptions of automation and computerisation of the recruitment process. To help establish insights on Theme 3, questions were asked about existing pain points for candidates.

Alternative methods such as a focus group were considerations for understanding the candidate experience, however it would have been less representative of the whole population and therefore a survey was chosen. With AI holding the potential to impact the entire recruitment landscape it is important to reach a widespread audience for this survey of both age and employment seniority. Questions were not specifically addressing the papers title question to avoid confusing respondents who are not familiar with the technology and potentially cause a barrier to completion.

Questions on the survey took inspiration from the existing literature, especially referring back to the findings about assessment centres, interview scheduling, sourcing candidates and lastly on-boarding new employees because they are areas susceptible to automation (Pröhm *et al*, 2017). Specifically in this area, the question on selecting processes the candidate actively dislikes, enables an understanding on where the process could be improved. The survey was kept to 15 questions to ensure completion rate was kept high and to mitigate any drop-out. Any written, open questions were optional and therefore the questionnaire could be completed in under five minutes. It was distributed on social media channels, predominately facebook through groups. These groups were intentionally varied, from university pages to job board groups in order to gain insight from a wide array of job seekers. Questions asking age, employment status and industry enabled alterations to distribution strategy throughout the process in order to maximise a mixed sample and avoid serious biases that can arise when results are from one demographic (Bethlehem *et al*, 2012). After an initial review, solely using social media developed a younger demographic of respondent therefore alternative distribution strategies were employed. Primarily this involved distributing the survey through the authors professional network which includes entry level candidates to senior candidates at director level, a further request to share the survey with their contacts enabled an even spread of respondents at different ages and employment levels.

The importance in this specific research lies in establishing the potential impact on candidates if AI is introduced into the recruitment process. Candidate experience is a vital aspect of the hiring process for recruitment companies and it needs to be established what attracts or detracts candidates from certain aspects of application processes. As HireVue (2018) points out, pain points within a recruitment process can result in good candidates dropping out as well as bad ones. To improve effectiveness of recruitment, these pain points must be addressed.

Observation

The final research method was at an event organised by Cognition X, a research group focusing in on the impact of AI in HR. This event included two keynote presentations followed by an open discussion on the topic. As a participant-as-observer, the group were fully aware of the authors research agenda, however the authors participation remained valid due to previous experience in the recruitment sector as well as an understanding of the influence AI is likely to play due to the literature review that was completed prior to the research (Saunders *et al*, 2012).

To analyse this event effectively the discussion was audio recorded with key parts of the discussion pulled out and highlighted as a commentary on participants contribution. Through delivering a narrative, significant topics can be established and contrasted with other research that has been completed as well as developing key themes that exist in the industry right now. This observation was focused on establishing and categorising the opinions of two experts in HR and AI and a roundtable discussion with all participants involved. In both cases any points that were raised were split into impacts on 'Employer Experience' and impacts on 'Candidate Experience'. During the break everyone was asked to state why they attended and their question to everyone else. These questions were recorded and formed part of the findings to establish key themes of concern and interest. These questions helped identify further themes to consider in the discussion.

Observational research is a very valuable method of research to gain insight and generate findings that would have been very challenging to obtain through other methods such as interviews (Lancaster, 2005). For this research in particular, the value was in identifying unprompted considerations and key themes (Clark *et al*, 2009) currently

under consideration for companies in the UK when considering AI in HR. The participant as observer research (Saunders *et al.*, 2016) took place at an event hosted by CognitionX, a specialist AI research house who work with both the public and private sectors (CognitionX, 2018). An unstructured approach does open up the research to observer bias (Lancaster, 2005). To mitigate this the observation was audio recorded and then analysed following the event. This enabled numerous playbacks of the event to ensure objectivity and that no points were missed. The introduction for this event provided context on Cognition X along with some underlying trends.

Findings and Results

Interviews

Interviews were conducted with 9 experts. Chris Bradshaw, a senior manager at Deloitte, leading the AI proposition for the People and Workforce Analytics team. Alex Hutchinson, the Managing Director of A-Rec Solutions, a recruitment to recruitment consultancy. Rene Bolier, the CEO of OnRecruit a Data Management Platform, this leverages AI and Machine Learning to help recruiters automate and improve decision making. Jonathan Firth, the Managing Director of Michael Page, London and South, the recruitment firm covers a wide array of recruitment and search options and employ over 7000 recruiters. Mary Maguire is Managing Director of Astute Recruitment who specialise in SME, finance based recruitment. Daniel Hulme is the CEO of Satalia, one of the leading AI technology firms in the UK. Simon Gray is an executive job coach, working specifically with candidates, Simon's knowledge also covers recruitment at all seniority levels. Adam West is the Head of Marketing at Satalia, he also recently completed his dissertation on AI's influence on the marketing industry. Hung Lee is the CEO of workshape.io a platform that removes the CV for the developer recruitment market. He also writes the recruiting brainfood newsletter that is read by over 7000 recruitment professionals each week on the current trends in recruitment and HR.

To analyse the transcripts taken of these interviews coding was used, the three themes of Risk and Limitations (Theme 1), Bias and Inclusion (Theme 2), and Opportunity (Theme 3) that were highlighted in the literature review have been considered but not directly used due to the widespread findings of the interviews. These codes have taken inspiration from the original themes and therefore have been tied them. This coding process has enabled a more manageable analysis of opinions and knowledge (Mills *et al.*, 2014).

In the case of these interviews the codes are with the theme considerations are:

Code	Discussion	Theme Considerations
Limitations and Barriers	What is blocking AIs impact on Recruitment?	Theme 1
Data	The amount, the quality and the availability of data currently available in the industry.	Theme 1 Theme 3
Bias and Inclusion	A discussion on if AI will improve or worsen biases within the process.	Theme 2
CV Value	Discussing if the most recognised entity in the process is needed anymore.	Theme 3
Culture	How hiring using an AI will impact culture of organisations?	Theme 1 Theme 2 Theme 3
Capability	How much of the recruitment process can be automated?	Theme 1 Theme 3

Opportunities	How AI could help recruiters, now and in the future?	Theme 3
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Limitations and Barriers

Gray highlights that AI has “been quite a scary thing for recruitment organisations.” According to Lee this is because “critics misunderstand the technology” by thinking “something non-human ... is making these hiring decisions.” Bradshaw states the “way we have made hires over the last 100 years might not actually be right” and that “companies desire” to change this process might be barriers. Hutchinson has seen AI platforms which have had “problems” and therefore “are not ready yet.”

Bolier said there isn’t a lot of data on “how receptive we [candidates] might be to be moved emotionally by something other than a human being” explaining why Firth suggested AIs influence will stop at “influencing that right person to join the company.” Bolier suggested recruitment will see “a lot more automation of messaging personalisation” and with senior roles AI will give “the information to the humans to then decide on what to do.” Maguire argues less of the process can be automated for smaller companies due to the specificity of each role.

West also points towards existing companies have “legacy systems” and as a result these systems will “likely need streamlining to make that data usable.” Bolier also agreed suggesting the success of AI lies with “the vision and the digital maturity of the company in question.”

Bradshaw suggests that, at least with senior hires, you “want to have that face-to-face interaction, at least for the foreseeable future.” Hutchinson said he “cant see technology replacing the personal touch of a human recruiter” and that “if it does it will be a very long time.” Bolier suggested repetitive tasks could be automated but “anything else will need a human touch for a very long time.” Firth agrees with Bradshaw suggesting graduate hires could be automated immediately but he thinks it will be unlikely that “AI will make a full hiring decision on a c-suite role” in his lifetime. Maguire believes that “the ability for AI to replicate that human engagement to be able to pick up on body language and wow contact, those non-verbal communication abilities” are abilities that she cannot see “AI doing for some time.” West estimated that “for the next 20 years it is likely to need that human interaction element” to make judgements on people.

Firth pointed out that “to hire the right person you actually need to attract them first” and he does not believe AI can help in doing this. Gray agreed saying “we all want to feel valued and as soon as you put a machine in the middle you are doing to detract from that personal touch” and “that will never change.”

Data

Bradshaw commented on the value of data and said “we had a client who we were helping identify role fit and they had 100,000 staff and that was not enough data to make decent enough analysis.” Bolier noted “your input results in an output” therefore you need a “perfect data set” or you must constantly iterate the results the machine is making to get the correct results. Lee agreed saying “if we had absolute and complete data for every single person then we could build a very good AI service but as a culture we seem to be moving quite aggressively away from that vision.” Bradshaw highlights that this new ruling ensures any automation needs “a human decision making process, even if it’s a human that clicks ‘yes’ at the end of the process.” This means you “cannot have a fully automated recruitment process” with this ruling.

Bias and Inclusion

Bradshaw argues that when you introduce automation into a process you actually “lose a great deal of bias” however with AI you introduce more social factors and “begin to introduce a greater risk of bias being introduced again.” Hulme stated that “humans are biased and are hard to fix. AI will be biased but will be much easier to fix.” Further to this Hulme blamed bias within AI originating from the data, not the developers. West agreed by stating “if the data is biased the output will be biased.” Lee argued “it has nothing to do with the performance of technology, it’s how humans operate it.”

CV Value

Bradshaw argues that “the CV is dead” going “for almost all roles.” However at “senior levels the CV will linger.” Hutchinson acknowledges they have “lost their value” but stated they are useful in showing “attention to detail.” Gray argues against this saying “the ability to write a CV ... is a skill in itself” and it is a “low probability strategy” from a candidate perspective, as an employer “you are probably missing out on some of the talent” if you only look at the CV. Bolier suggests “reviews, testing and situational assessments are going to be a lot more dominant” which will be verification of the information on the CV. Bolier also explains more roles are now project based and this is reducing the value of the CV in these short-term contract roles. Lee also alluded to this by saying he thinks “we are already seeing the distribution of labour using AI in the task economy” where culture essentially is not a consideration. Firth also believes the “CV is a terrible way of helping people find jobs” but as Bradshaw also alluded to, “it was the best we has at the time”. Firth’s belief is that the CV will become a film clip rather than a document in the future. Maguire still feels the CV holds value but “it depends what industry sector you are looking at.”

Culture

Firth suggested that AI will enable analysis of successful employees and then enable recruiters to search for “people that fit those behaviours.” However according to Bradshaw, Google have had an ongoing programme “working on success analytics, with a focus on top performers” however “it has proved a lot harder than it was first thought.” It was also stated by Firth that “the more personality types within an organisation the better” and if AI is very successful in analysing candidates to match culture there could be a cultural streamlining which he described as “incredibly dangerous.” West agreed saying although you want new employees to “align to a certain extent ... you need them to come in and challenge the culture” which is easier to monitor with human recruiters right now. This is partially agreed with by Hulme who said that recruiters will still be involved and “understand the importance of diversity and will be smarter at enabling diverse teams” through the use of AI.

Capability

It is consistently accepted that AI has the power to automate certain aspects of the recruitment industry. Bradshaw felt that AI can “reduce the workload on an end to end process” resulting in “significant improvements” such as “reducing cost of hire”. This was also backed up by Lee which suggested it could be “technically feasible” to fully automate recruitment in the future, but it is likely to “happen in incremental bits.” Hutchinson agreed with Bradshaw that AI could enable “cost saving” through using AI however disagreed with Lee because he only felt it will “replace the low level recruiters in the long run” adding that the human touch is important and “it’s not something a computer can do”. Bolier suggested automation will happen for repetitive tasks “but anything else will need a human touch for a very long time”. This was contrasted by Gray who suggested although AI technologies may on the surface cut costs “if they make the wrong hire then it may actually in the long run increase them.” Bradshaw argued against this suggesting there needs to be a certain level of faith because “some of these algorithms have been developed over the period of 60 years so they have been tried and tested”. Hulme also backed this up by suggesting technologies in the near future will be able to “out perform humans” and we are in many cases there with the technology. Maguire widely agreed with these points made by Bradshaw, Hutchinson and Bolier however added the caveat that although automation is possible within the larger companies, it’s less viable with smaller companies who are “looking for a specific type of candidate”. This was supported by Gray who said when “you put a standardised process around a non-standardised product” you are going to be “in trouble.” In the case of Firth, who deals with high volume recruitment, it was suggested graduate hires could be immediately automated from start to finish without human control because firstly there is a lot of repetitive tasks in this space such as cv vetting but also the technology is likely to improve a process that is largely “a punt” currently.

Opportunities

Bradshaw suggested the greatest opportunities lie in high volume recruitment where “making small gains on efficiency for each hire is a very big win.” Furthermore it will help identify role fit for candidates with “the ability to recommend alternative jobs to candidates based on their application.” Hutchinson supports this suggesting AI can enable “cost saving” and cut out mistakes made by a human recruiter. Bolier sees AI as a way to support the human recruiter by “obtaining insights” to “help recruiters make better decisions.” Firth agreed with this as currently “the whole process of matching people to jobs is very unscientific and therefore is apt to many mistakes and that can be improved considerably” by AI. The process of finding candidates is incredibly time consuming

and Maguire noted that AI enables the opportunity to “have more fluid discussions with candidates.” Lee agreed with this highlighting “a candidates most common complaint is the CV black hole, no interview feedback, no transparency. This is all human driven, the reason this exists is because there are overworked humans that cant deliver to this.” Although a general skeptic of AI within the recruitment process, Gray stated that the likes of HireVue technology has real potential “if it analyses your personality and energy” it could then be “very valuable and arguably could form part of the recruitment process further on.” West thinks AI will significantly help identify “who works well within our organisation and try and quantify those characteristics and identify gaps within areas of your business and then by doing so you can go even deeper and say what kind of person aligns well and fits within our culture and beliefs.”

Online Survey

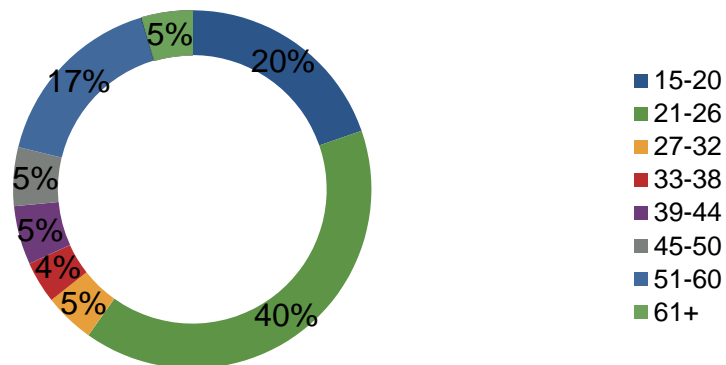
This survey was made up 132 respondents providing a strong basis for initial analysis of candidate opinions. Furthermore as you can see from the data there is a full spectrum of ages and employment statuses. It is worth noting however that 40% of respondents were 21 to 25 year olds, which means there is not an even distribution of respondents. Overall this survey provided strong insight into the perceptions of candidates and their overall opinion of automated processes.

The first point to note is the majority of respondents (71%) have previously applied to a job and not heard back. Those that do receive a reply but a slow one might not join the company as a result, over half (51%) suggest it would depend on the company with over a quarter (27%) saying they wouldn't join them. Culture is overwhelmingly important to respondents (79%) with only 4% suggesting it wasn't important. A large number of candidates are not happy with the current process of recruiters screening candidates by their CV, 45% of candidates do not like this process of elimination with a third (33%) of candidates suggesting it depends on the role. 81% of those who reach the interview stage in roles ask questions to the recruiters as well and being asked questions thus showing it is a two way process. Respondents were also asked to highlight the areas of the recruitment process they do not enjoy, this has no tie to AI and automation. The most disliked process were writing cover letters (20%), video interviews (20%) and group assessments (17%).

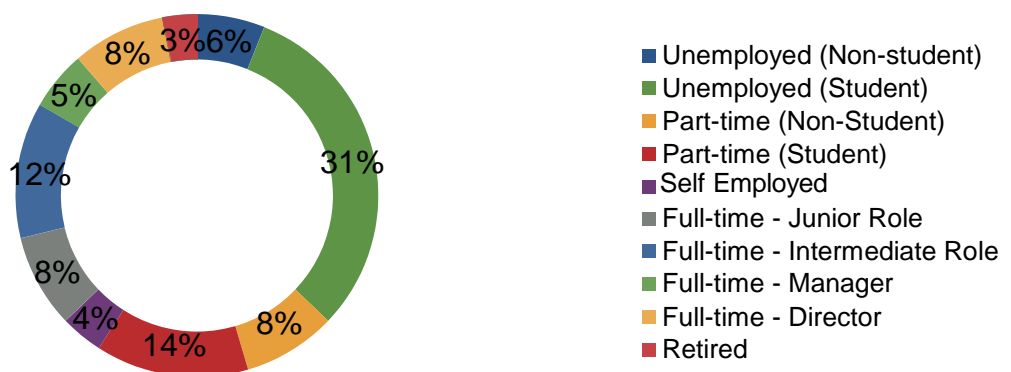
Respondents were asked if the recruitment process was automated by a computer program if their perception would change on the company making the hire. Results were overwhelmingly negative towards automation with 73% suggesting it would worsen their perception and only 5% suggesting it would improve their perception. When asked why respondents opposed the introduction of full automation they suggested it lacked the personal touch that they have come to expect, and they liked human interaction. The general consensus was if employers don't interact with you face-to-face then they undervalue you as a potential employee. Secondly many believe it would miss important points about them.

Three very closely interlinked questions asked the respondent to chose their preference between a human and a computer for CV screening, interviewing and finally salary negotiation. In all three, the human was the overwhelming favourite.

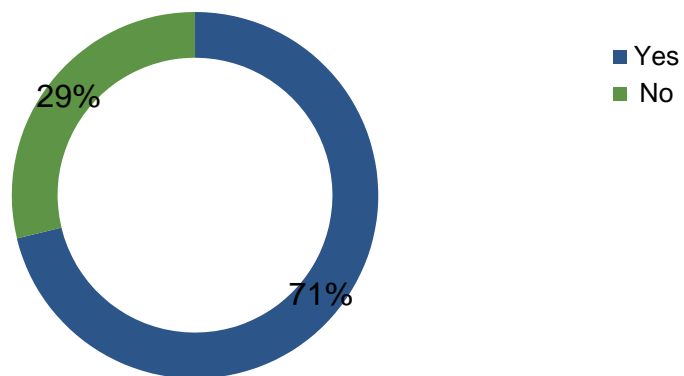
How old are you?



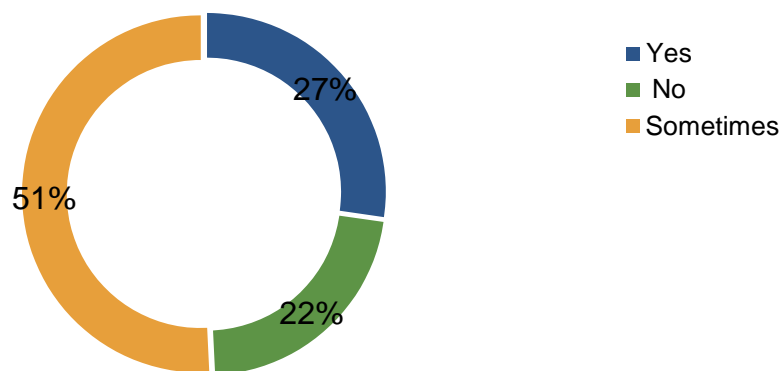
Employment Status



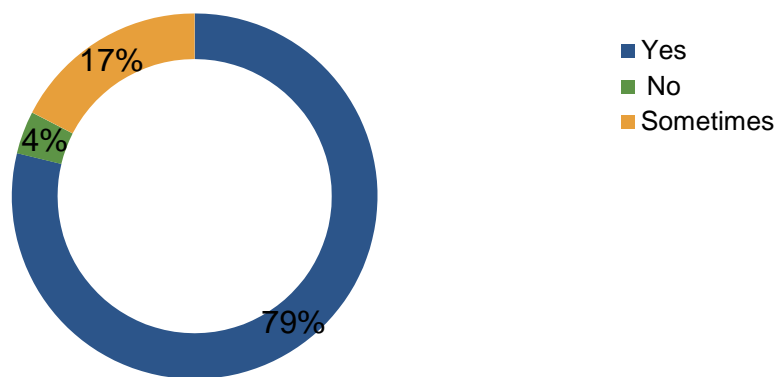
Have you ever applied to a job and not heard back?



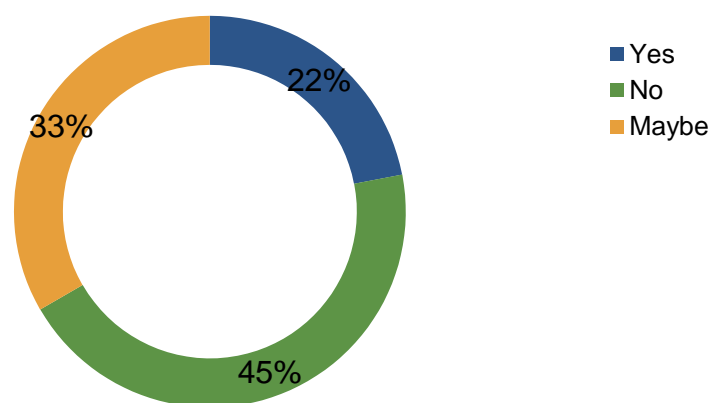
Would a slow reply from an employer impact your decision on joining them?



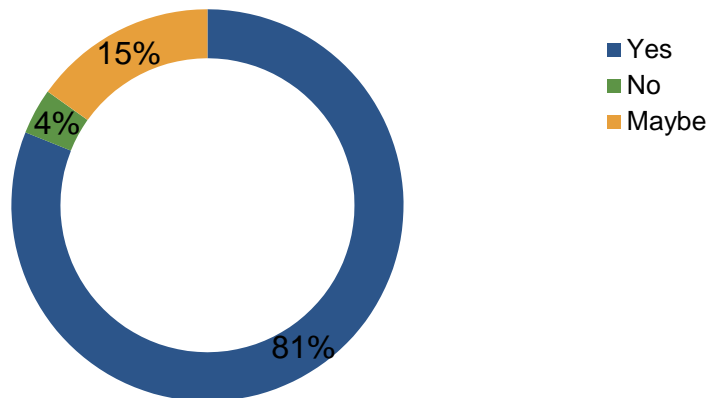
Is hearing about the company culture important to you?



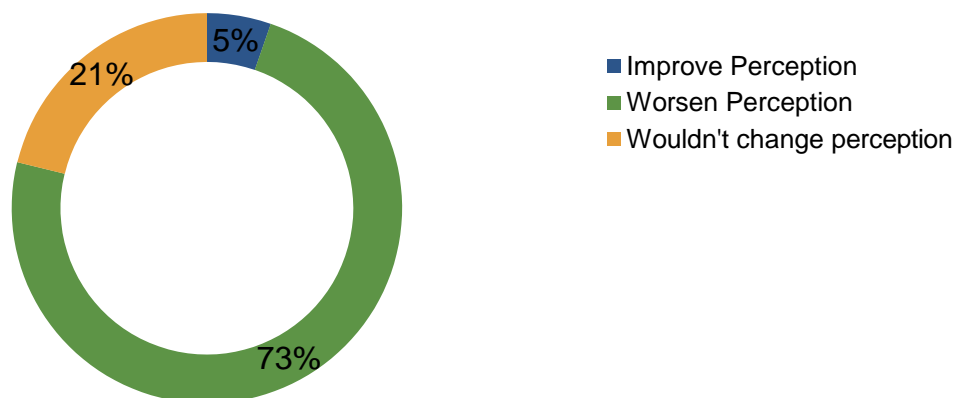
Do you think it is fair for a company to make a decision on your suitability based solely on your CV?



Would you normally ask questions about the company in an interview?



If the majority of an interview process was delivered by a computer program rather than a human recruiter, would your perception of the company change and how?



Seems impersonal, the company don't get to know you as a person
Shows company isn't willing to deal with people individually
It makes it seem like the company doesn't actually care about hiring you, or that they are interviewing as many people as possible. It's very impersonal and lazy in my opinion. If I have to put in the effort to go through many stages of a graduate job (application, online tests, questionnaires) the least they can do is hold a face to face interview.
Easier to access and it shows they respect flexibility and time.
If you have put in the time to prepare for and attend an interview, you expect a similar show of effort from your potential employers.
A computer program can never perceive your answers equally as a human would do
This would depend on many factors however I think there would be a tendency for the process to make the candidate feel undervalued however this may not necessarily be the case
Lack of human interaction indicates a streamlined business. Firstly this doesn't pan well for job security. Also a machine can not understand international and context as well as a human, so what I say may be misconstrued or misunderstood.
If the company isn't people friendly to host an interview for me and would rather a computer do the work I wouldn't be able to ask questions, express interests or showcase myself.
It can be good because there may be less chances of someone being biased but computers can be programmed and also an interview panel could come to an agreement and use valid and reliable rating scales to reduce bias. I would rather have a conversation with humans than a computer. Now the next question, computer could save time but again, it could be programmed but I would prefer a computer for that.
The criteria of the job applied for would presumably be appropriate for the role. As long as a certain part of the process was done via human interaction the application would become fair.
Prefer face to face interaction
Seems like they can't be bothered to meet me in person
I'd prefer to establish contact with an actual human/employee of the business, it feels much more authentic. Plus, I feel I would be at a disadvantage if the computer program was recording solely my answers without consideration of my presentation and personality.
I need to feel personally invited to an interview and interact with the actual people I would be working with
In my industry, journalism, but basically in any industry to determine whether you would be a good employee, you really need to personally talk to that candidate and see how they react to certain questions and stress. People will always make themselves sound better in writing, but a good HR person (and editor in my case) will be able to assess how the personality of the candidate would fit into the team, and how skills not necessarily connected to the job would enrich the position.

While I could appreciate their need for maximum efficiency this is troubling for two reasons. One - This is an important moment for the potential employee that would almost certainly lead to feeling undervalued and potentially confused with the process. Two - There is a great deal of litmus testing involved in human social interaction, subconscious judgements and micro behaviours that would indicate to a human participant very obvious flaws in a candidate that may be ignored completely by a computer programme. Ultimately the program would have to probe, test and judge based on a system of values. The first question here is who creates the values and what do we consider to be 'good' values. This is less of a problem in the corporate world as we can make these values identical to the company profile (as opposed to say, creating a program that tries to mimic a moral consciousness that can judge candidates as a human would). This still is problematic however, say the company has goals towards diversification and gaining high-level academics, it is not unlikely that to the computer arguments such as eugenics/equality of outcome rather than equality of opportunity etc. would be considered negatives as it would simply try to hire toward the indicated company profile. Literally everything programmed into that judgement, every detail asked (and every detail left out), how candidates are measured against each other etc. provides an opportunity for an unseen, and possibly very serious, flaw to emerge. When considering the future of the employer's business and the quality of life for the employment candidate that seems like an unattractive and unnecessary risk.

With that being said, as with Chess, Mah Jong and DOTA 2 there will come a day when this task can be performed far better by a computer program. The key difference is in the difficulty of the task. Ultimately those games boil down to a system of highly evolved 'trial and error' whereas this constitutes an emotional, intellectual and creative task. Tasks such as these require a more wholly-functional AI that can interact and understand humanity as well or better as we can. It would essentially require the simulation of consciousness and even if that were possible the SWOT analysis for such a concept would still be infinite due to the amount of unknown and emergent problems that it is almost impossible to conceive of in its entirety. By the time that happens we're going to need humans to interview the A.I.'s that will interview the humans!

Addendum: After viewing your questions below I found the only one that I thought about before clicking 'human' was the salary negotiation. This could potentially have some benefits in the standardisation of pay, but again there are so many mitigating factors here that for the time being I would still prefer the possibility of human error for the time being. With that being said programmes that dictate equal and standard pay for the fair distribution amongst a group of employees does seem beneficial and devoid of many of the pitfalls mentioned above.

Computer can't judge people based on personality e.g. person is likeable

I like to talk to a human being and feel as though I am being judged as a person not just answers in a machine

I would hope they would take the time to meet me in person and see who they're hiring

It feels odd to be interviewed by a machine/talking into a camera by yourself

It would show they didn't think I was worth the effort of having a human recruiter (I prefer interaction with humans)

Probably reassure me more but still need humans for the assessment

I would feel like they didn't have the time to get to know someone they might employ. Plus I'd like to build up a rapport with someone I might work for. One interview I had we really hit it off with each other as we had the same ethos about the industry. Although my husband thinks it might be a fairer interview based on the mood of the interviewer.

It's not catered to the individual otherwise. It does not show concern for new employees.

Impersonal recruitment process makes you feel less valued as a potential employee

Computers determines which candidate to select based on certain words and expressions of a candidate. I don't think it could look beyond that.

They can't be bothered to talk to me.

Don't care enough about human capital to have a more extensive conversation

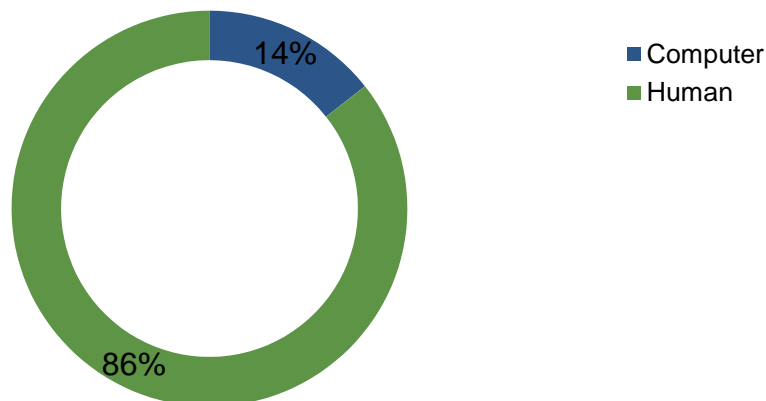
The overall outcome of the interview should be the same whether completed on computer or in person based on the questions being asked

They don't want to understand you as a person.

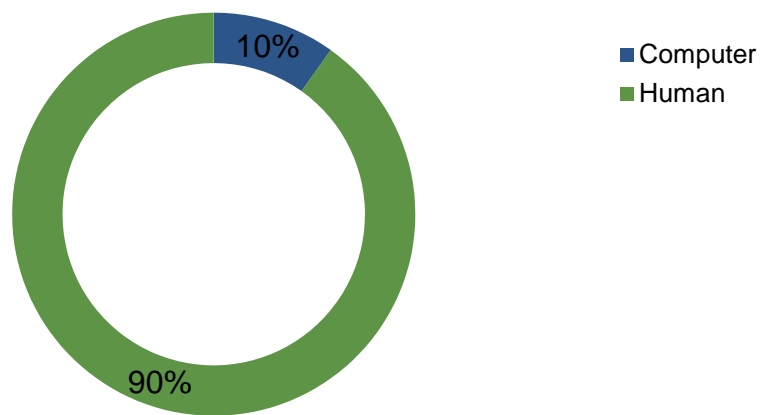
It implies that the company is only bothered about it's efficiency. Although AI is getting better and smarter, and will become smarter than us, it seems unprofessional to recruit someone on the basis of a computer program because its cheaper more efficient. A.I. cant judge my personality the same way another human can, i believe it will increase the likely hoo .
Recruiter is a good source to understand the company culture. I don't think the interaction delivered by computer programm is as good as human touch.
neither bad nor good
Person to person interaction is always best. Computers don't allow subjectivity, which I would leverage
How on earth could a computer get to know me and know if I'd be a good fit?!
An interviewer should see the interviewee face to face. Computers are soless, human interaction is solefull.
It's hard to sell yourself on paper
They don't care about the personality, just your skill.
Interviews should be more personal and human
It would seem like they can't be bothered to take the time to meet you.
We will move with the times.
No, my perception won't change because what is inside us is always with us. I am not a person to change things just by getting frightened or anything else.
During an interview I would want to gain an impression of the company myself, and this would be difficult to do. It would also be less personal, and would worry me that the company don't place value on human interaction - something vital to me enjoying my job.
Because it appears lazy. Shows they are looking for a cookie cutter person
It would depend on the role and since my work experience has dealt with relationships both within and outside organisations, I rate that human interaction. However, a poor interviewer or by someone not familiar with role is awful
Implies the company doesn't care about its people
I'm not a computer, and I don't feel I can be judged by a computer. This applies to me because my job involves working with people, so I want to be recruited by people.
You need to learn about the company and the company needs to know about you. I would guess this is more difficult.
I like to interact with people and the interview is an important time to do this. If a company feels it is appropriate to turn part if this process over to computer technology, that suggests to me that their interpersonal processes are not a priority.
It would further the perception that my time is worth very little to the company, furthermore it would give me less of a feeling for the sort of people that I would be working with
Computers are fine but a human should interview, people like to meet each other and it gives a candidate an opportunity to see who they would be working with.
I need human contact and don't like the idea of computers taking control.
It would indicate an efficient company but soulless.
As long as there was still the opportunity of a face to face interview I wouldn't mind
I would assume the company did not care about it's people.
Circumstantial on expectations, the seniority of the role and the company interviewing with.. for aptitude and to reduce a large number if applicants I supprt the use of computers.
A computer may look at a cv but if passed the cv stage would expect a human interview
impersonal
I feel it is important to meet with a candidate face to face to properly evaluate their suitability for a role.

The human part of the interview i.e interaction is important to get a feel for the company
A computer cant get a real feel of a persons views and feelings about anything. An interactive discussion cant be had.
You can only give an answer to a given question on a computer, you cannot explain your reasoning/justification to a non interactive machine.
I assume this would be applying to a company that has a large number of applicants to filter. This is not a situation I have experiences in my limited number of job-seeking experiences. However, if the filtering needs to be done then it's a sensible enough way of doing it.
Company not portraying that it values its (prospective) staff but just a “computer says“ outfit.
Removes the opportunity for me to find out small details about the type of work and people already involved with the company.
Nothing beats face to face
As computers are key to progress within society it would not surprised me if it did become computerised. And its the demand within the creative industry.
It would imply that the company is not concerned with you as a person and it would not gain an insight into how you interact with other humans and therefore what you could personally contribute to your role within the company.
Not everything is black and white .Computers can only go on what is communicated .Its up to a company whether they want to see the whole picture .Obviously some companies want to feel the need to embrace artificial intelligence but not all circumstances apply therefore feel recruitment is more a personal interaction .

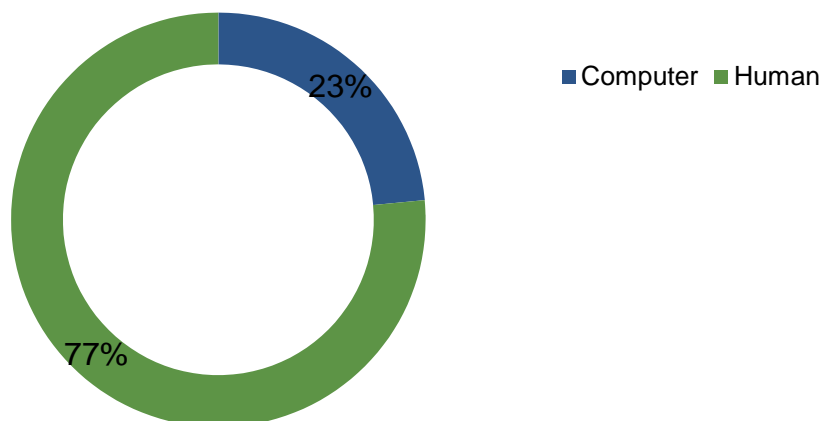
Would you rather a computer or a human look at your CV?



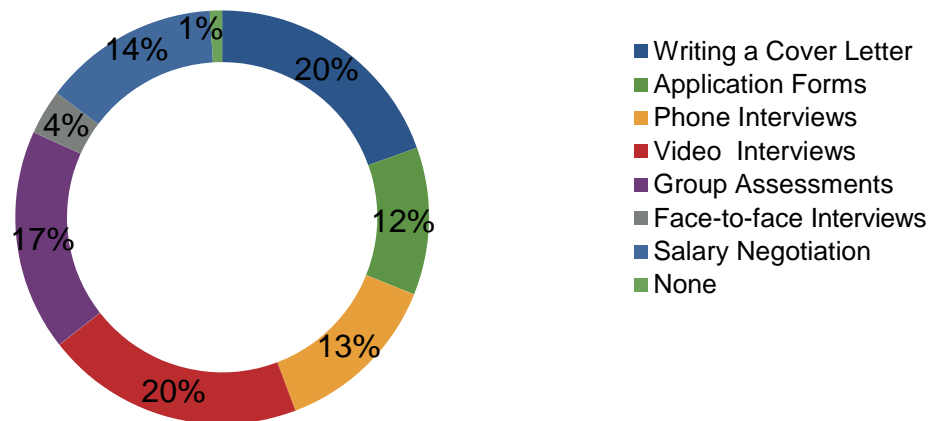
Would you rather a computer or a human interview you?



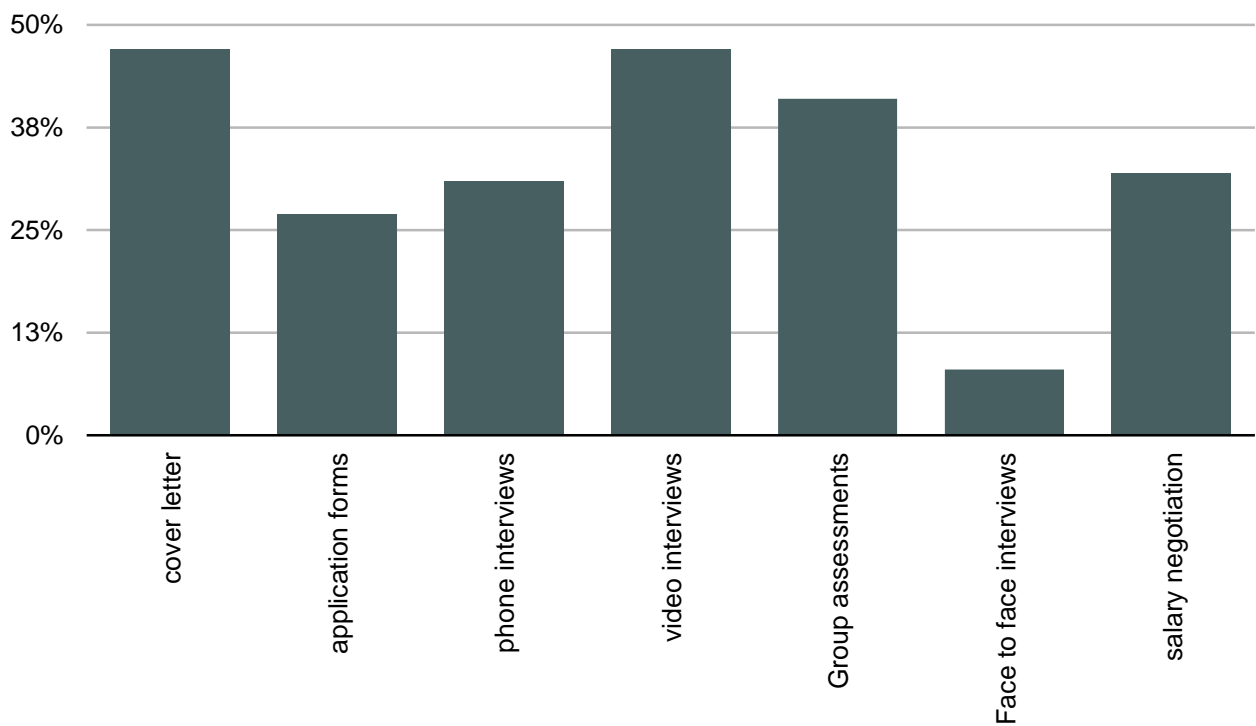
Would you rather a computer or a human negotiate your salary?



Select Processes you Actively Dislike (Combined Results)



Select Processes you Actively Dislike (Individual Processes Results)



Observation

Both the presentations by Doyle and Newry cited that data is a big area of consideration for employers. Firstly Doyle explained that good data is very challenging to obtain which enables you to train an AI platform. This is also supported by Newry who suggested there are a lot of poor data sets available, and they add no value to companies and could in fact be dangerous. Big data doesn't necessarily mean good data and companies must be wary of this. This was expanded upon in the roundtable discussion where participants questioned the ethical considerations of data management especially with the likes of GDPR being a prominent consideration. Interestingly however data didn't seem much of a concern for the wider participants in the questions section with only one question considering how to obtain the right data sets. This suggests data quality is not a priority for a large proportion of AI focused recruiters when in fact experts on AI argue it needs to be.

Newry highlighted the capabilities of AI are currently underused with the majority of technologies only considering candidate intellect when in fact it can consider potential, personality fit and lastly desire to work at the company. Interestingly this is something that was of significant interest to the participants when they were invited to ask questions. Eleven of the Twenty-Eight respondents all asked questions that considered the potential of the technology. They want to see where the technology is going, not where it is now, which suggests they feel AI is not ready to be integrated into their processes currently.

Doyle suggests that candidates are going to see the application stage change with the introduction of new technologies such as HireVue. What this infers is that candidates don't have much say in the matter. Newry also supported this along his presentation however did highlight that new processes would only be introduced where they add value to a candidate as well as the employer. In the roundtable discussion it was highlighted that providing context to the candidate is very important because without it they may feel these new approaches; games and tests are not serious aspects of the evaluation process. It needs to be explained that these new technologies have the backing of science and enable fairer and more objective decision making.

Discussion

Introduction

There are a number of conflicting views on the impact and the capability of AI within the recruitment space. These are predominately preconceived ideologies on automation rather than AI. There are significant knowledge gaps in the industry, with many recruiters not understanding the technologies available to them. Candidates have a very negative opinion of the recruitment process and their considerations of automation follow this trend. There is clear motivation to change recruitment processes to appease candidates however it is contested whether AI is the solution to these complaints.

Capability, Limitations and Barriers

The extent at which AI will influence recruitment is very contested. The arguments by interviewees were quite consistent within their two fields of expertise. Bradshaw and Hulme, both AI experts, strongly support the use of AI in most use cases for recruitment. Whereas Hutchinson, Maguire and Gray, all recruitment experts, generally oppose the concept of AI within the recruitment process. As a result a barrier to widespread adoption will form unless these perceptions begin to align. Francis *et al* (2017) and Doyle pointed out there is already a gap between the capability and the current status of the recruitment industry and this is set to widen unless perceptions align.

There is agreement, with the interviewees (Bradshaw, Lee, Bolier, Hulme & Firth) and within the roundtable observation, that high volume graduate roles are in a position where AI could automate a significant proportion or all of the process already. Raphael (2016) state on how Unilever has successfully established this for their graduate program, reducing hiring time from approximately 4 months to 2 weeks. However this paper's survey showed candidates overwhelmingly prefer human, face-to-face recruitment processes. Whilst this result was challenged by Lee for being a purely perceptual issue, it arguably appears a cultural issue with candidates. In the candidate survey it was clear that feeling valued was very important for applicants. Candidates say automating the application makes them feel undervalued. This could result in some of the top talent to self-filtering out of the process before a recruiter has the chance to assess them (Resource Solutions, 2017). Hutchinson stated introducing new processes will also increase stress for applicants. Automation, through AI technology is therefore a strong solution for high volume applications but a personalised process will attract the higher performing candidates.

Bradshaw, Bolier and West state that data quality is a big barrier the recruitment industry. Companies who use poor quality data sets, motivated by cost, are at risk of making hires that are simply not well founded in data science (Newry). This was also suggested by Campolo *et al* (2017) referring to companies using cheaper, non-representative data sets and Wishkirchen *et al* (2017) who highlighted even the most sophisticated AI technologies make mistakes. As a result many corporates have backed off with cognitive recruitment strategies (roundtable discussion). Newry pointed out that triangulation of multiple data points helps address this issue.

Candidates need to understand how a computer programme makes the process fairer and transparent which was highlighted by Hulme, Lee and Newry. AI, through chat bots can enable feedback to both successful and unsuccessful candidates, which in roles that receive high volume applications was not possible (Bullhorn, 2018). This could change the perceptions of candidates which are currently largely negative. There is also complete agreement in this research that at present, and for the near future, a human recruiter is necessary for middle management and senior management hires which aligns with Tandon *et al* (2017) and Faliagka *et al* (2012).

Those that fear AI at this point appear to have only a small understanding of the technologies capabilities and limitations. The findings in this report suggest that currently this is the biggest barrier to adoption, closely followed by data quality.

Risks, Bias and Inclusion

Another concern is Bias and Inclusion, existing literature has painted a positive future of AI eliminating unconscious bias (Wishkirchen *et al*, 2017 & Randstad, 2018 & Poitevin *et al*, 2017) however AI is growing in capability to not only to consider a candidates intelligence but more social factors to establish role fit and has inadvertently created new diversity issues (Bradshaw & the roundtable discussion). Furthermore technically advanced processes risk discriminating against older generations who find online processes uncomfortable (Maguire). Data sets, as mentioned above, play a major part in this issue, but as Firth and West point to, the resulting cultural streamlining is very dangerous. Not only because it creates a diversity issue but because a companies culture is vital in a growingly competitive labor market as well as company performance. 79% of respondents to the candidate survey suggested culture was important to them, reaffirming this point. The survey pointed towards a negative connotation of company culture if an application process is automated, thus suggesting recruiters could lose out on talent in the industry, moreover some candidates feel an automated process would limit their ability to communicate. This once again comes back to context being vital for the candidate (Lee).

Over 350 companies currently claim to be AI HR companies according to Cognition X's research and this is creating a lot of "smoke and mirrors" (Firth). Clearly there is a first mover incentive for recruitment firms to adopt AI technologies (Rao *et al*, 2017) but repercussions appear likely if that personal touch is blocked by a machine in the middle of the process (Gray).

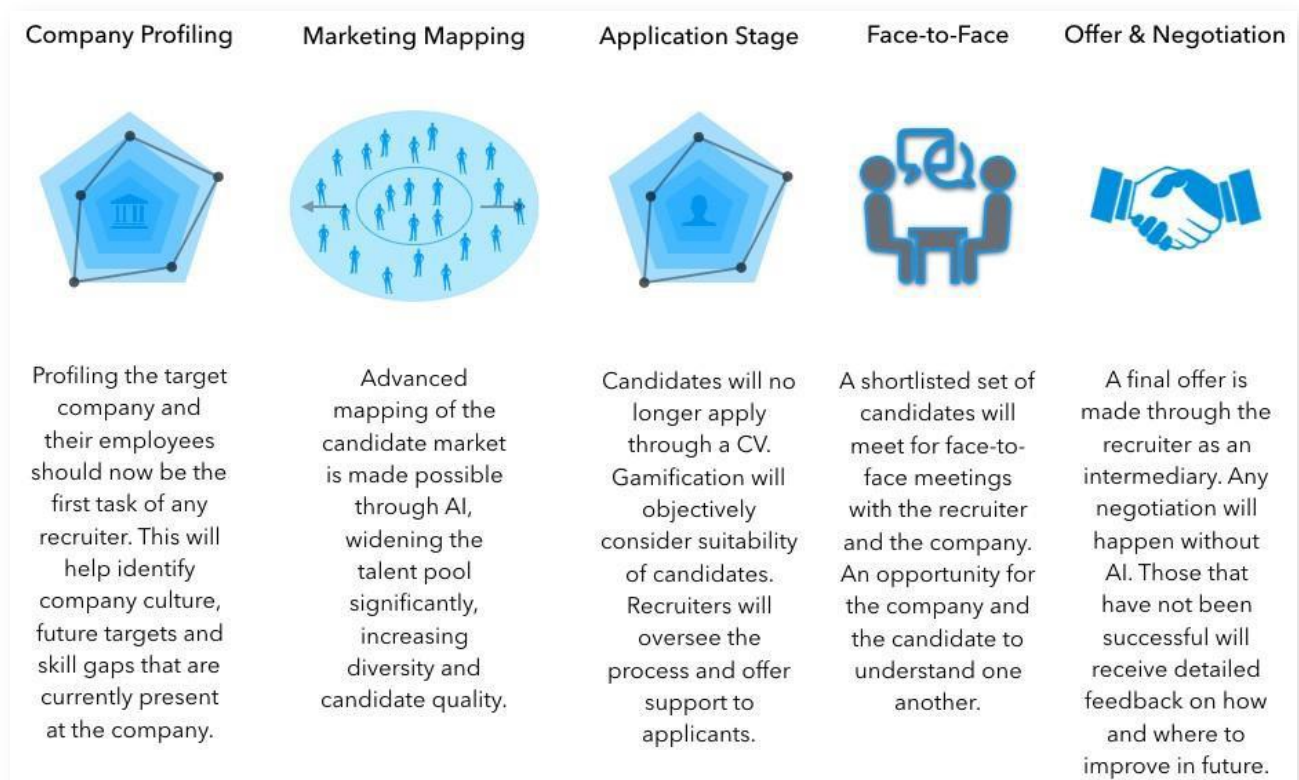
Opportunities

Advancements in Deep Learning (King *et al*, 2017) means the recruitment process is set to change considerably. The method of recruiting candidates has been flawed for decades (Bradshaw) and the current process of recruitment is predicted to only be 16% effective (ClearFit, n.d.). Through the use of data analytics platforms, new insights can be delivered (Bolier), this can enable more consistent, unbiased recruitment. Furthermore it enables recruiters to scan a wider pool of potential candidates, both passive and active, through new techniques of targeting and advertising roles. Having a larger pool not only enables better options but provides a more diverse range of options to the employer (Firth).

The core opportunity at this point appears to be Intelligence Augmentation as put forward by Makridakis (2018) and Corless *et al* (2017) where both the AI and Humans work in conjunction with one another. Change will happen incrementally and gradually influence all of the process (Lee). Recruiters should not be afraid of AI, fundamentally at this stage it should place little risk to their roles and rather enable a more efficient process. It is inevitable that some recruitment firms will be incentivised to attempt to replace employees due to cost saving and efficiency drives, however the overwhelming candidate demand for human interaction, prior to accepting or declining a job offer is what will limit this to a small niche in the recruitment market.

Conclusion and Recommendations

The current recruitment process has not radically changed in decades (Singh, 2017). However, the introduction of AI means changes are needed in order to maximise the benefits as well as mitigating the shortfalls. In light of the findings from this research a new approach to the process of recruitment has come to light. Below is the new model created, titled the Augmented Intelligence Recruitment Process, this concept is recommended for recruiters both in-house and agency prior to each hire they make, recommending the level of AI that they introduce in each stage.



Company Profiling

As the findings point to, little consideration of the company is made when recruiting candidates. Whilst job descriptions may give some context and history of the company, recruiters fail to objectively assess the company. It is recommended that this comes to the forefront of processes, using data analytics to pull information from their operations database. Further to this detailed interviews should be conducted with key personnel who would interact with the successful applicant. With this you can create a matrix for the position to establish the type of person who would be a strong fit for the position. These findings should fundamentally impact the way job description is written and who to target and advertise the role to. Careful consideration of future goals for the company are also important in order to weight the matrix. If this is not completed then the matrix may lead to cultural streamlining that would negatively impact the company in the longer run.

Market Mapping

It is predicted that recruitment agency CV databases will rapidly lose value upon the widespread introduction of AI into the recruitment process. The challenges of legal constraints associated to data management along with general public approach to protecting their data will further reduce the incentive to keep these data sets. As a result it is highly probable that recruitment teams will invest heavily in marketing and candidate outreach within the recruitment industry through the use of targeted adverts and chatbots to widen the candidate pool significantly. The use of intelligent AI chatbots that hold conversations with potential candidates, judge their suitability and then guide them through the application process will lead to a more diverse and higher quality set of applicants delivering a higher probability of matrices matching between the company and the applicants.

Application Stage

Evidence suggests that the CV will be replaced in stages, with creative roles seeing this change in the short term with more structured qualification based roles such as accountant positions changing in the medium term. Senior roles, such as CEO positions, will see the CV remain for the longest time, but upon the perceptual shift in acceptance of change, along with the unquestioned capabilities of these technologies, these new application methods will see the CV removed for all roles. The introduction of smart assessment tools such as gamification and video analysis technologies will be at the forefront of this change, matrices will deliver more objective assessments of candidates and enable faster and fairer applications benefiting the candidates and the employers by reducing fallout rates and reducing bias.

Following assessments, the matrix will be assessed against other candidates applying for the role and find the best matches to the company profile created previously. Essentially this delivers a role fit assessment, which can be largely automated. Within this stage recruiters are still required to engage in conversations with candidates in order to build relationships and ensure they feel valued. Whilst this could be largely done by chatbots in high volume roles occasionally that human touch would be needed, especially in roles where there is a shortage of talent.

Face-to-Face

It is unchallenged that the face-to-face meetings hold significant value irrespective of any AI within the process. These meetings will be valuable twofold. Firstly it enables the recruiter and the company to establish if the candidate is indeed as good a fit as the algorithms have suggested, but secondly it enables the candidate to look around the office space and meet their future colleagues. This is conducted outside of interview conditions, removing the pressure and enabling the candidate to act naturally. This allows the candidate to experience the culture of the company first hand, which if the algorithm has performed as expected, will be to their liking. This process makes the candidate more likely to accept the terms of the offer but also increase retention rates, ensuring realistic expectations exist with both the employer and the candidate.

Summary

AI will touch the entire HR operation and the recruitment process is the first aspect set to see that change. As a result in the next 5 years there will be significant structural changes needed to implement the above recommendations, enabling significantly better hiring results, lower day to day costs and a competitive advantage over other talent teams.

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CLIMATE CHANGE COALITION FORMATION AND EQUILIBRIUM STRATEGIES IN MITIGATION GAMES IN THE POST-KYOTO ERA

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ABSTRACT

This paper analyzes the formation of country coalitions in the context of international negotiations on climate change mitigation and simulates the emergence of an equilibrium solution in this game-theoretic framework, while accounting for the interplay with external influences. Coalition formation is gauged through clustering analysis on multiple factors including natural, economic, and social factors, RCPs, and other aspects. Projected emission is found to be the main determinant in forming coalitions, and the USA, EU, China + India, and the rest of the world constitutes the four-coalition configuration that is stable across different scenarios. Under this base configuration, the Regional Integrated Climate-Economy model for Coalition Game model is implemented to assess the sensitivity of equilibrium solutions to parameter uncertainties, sanctions on non-mitigation, and adjustments in coalition composition. The main conclusion of the game simulations is that no coalition would adopt a mitigation strategy at the Nash equilibrium if no penalty is in place. The Nash equilibrium remains stable even when the climatic and economic parameters are disturbed. As an alternative to the conventional game, an external sanction is imposed on coalitions that choose not to mitigate climate change; in this scenario, climate change mitigation propagates across coalitions according to various sanction levels. The paper also shows that a social welfare compensation between two coalitions may alter the equilibrium game strategy depending on whether the compensation outweighs the welfare loss from mitigation.

Keywords: Climate Coalition, Coalition Formation, Mitigation Game, Nash Equilibrium

THE STATUS OF HEALTHCARE SECTORS IN INDIA- THE CHALLENGES AHEAD

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ABSTRACT

The purpose of this paper is to present the prevailing conditions in the Indian Healthcare sector. Basically the very nature of Healthcare is very broad and is influenced by so many factors. If we think the same in terms of Indian conditions, it is further complex and it demands detailed study. The main reason for it is, as per the provisions of Indian Constitution the Health subject is in the concurrent list. It means in this sector both State and Centre are participating. At the same time the players from the private sector and also from Non-Governmental organizations have also have the stake. The administration and funding and monitoring activities are also shared by these bodies. As the Healthcare sector is complex in its structure an attempt is made with the help of some of the vital variables to understand the status of the sector. The vital variables include the literacy levels, population, the spread of communicable diseases, Governmental schemes, human resources, financial resources, infrastructure, medical education, nurse training and para-medical force, Availability of life saving medicines, sanitation measures, at the same time rural and urban disparities in medical services is also presented.

The Approach:

The present paper is developed with the intention to study the status of Indian Healthcare segment. For this purpose the secondary sources of the data available in the government reports is made use of. In addition to this the public opinion expressed in different media and the practical observations of the authors are also incorporated. The Healthcare sector is wide and influenced by many factors. For the present study some of the key factors are included in the work. The key factors are literacy levels, major diseases, infant mortality, life expectancy, Public expenditure on healthcare, infrastructure, manpower, health insurance. Only these aspects are focused in the paper. For the purpose of clear understanding the organizational structure and major national health programmes are also presented.

Keywords: Auxiliary Nurse Midwife(ANM), Communicable Diseases(CD), Employees State Insurance(ESI), Gross Domestic Product(GDP), Gross State Domestic Product(GSDP), International Classification of Diseases(ICD), Infant Mortality Rate(IMR), Medical Council of India(MCI), Medical Education, Research& Training(MERT), Maternal Mortality Rate(MMR), National Health Mission(NHM), National Rural Health Mission(NRHM), Universal Health Coverage(UHC), Union Territories(UT).

The Backdrop

The Indian geographical conditions demand wide spread Healthcare service activities to cater to the needs of the people living in remote areas too. The very structure of this sector is broad in the sense that different levels of organizations are working in the sector. Both the Central government and respective state governments design the programs. Funding to these schemes is also done by the respective bodies. There is a need of co-ordination between Central and State governments for the effective implementation of these schemes. The Public healthcare system in India is evolved due the developments took in the past 70 years. In spite of the efforts made by the various governments in power could not bring the expected progress in this area as per the international standards. In the year 1946 Bhore Committee had submitted its report and suggested for evolving healthcare system in the country. Since then of course various programs have been implemented but failed to achieve the expected results. In the year 1983 National Health Policy was evolved which is first of its kind and this policy is proved better for creating a congenial atmosphere, for the establishment systems and setting the goals. After a gap of almost two decades the central government has revised the policy and facilitated for the entry of more and more private clinics along with the Government clinics to serve the cause. National Rural Health Mission is established in the month of April 2005. It has been working for improving the living conditions in rural areas and to provide better medical facilities.

Public healthcare initiatives in different form have been taking place in the country but the noticeable progress in this area is not yet taken place. The reasons may be many but ultimately these issues are to be resolved to achieve the set targets. The present healthcare scenario can be understood with the help different parameters. To start with the death rates, India experiences high death rates. 20 percent of maternal deaths and 25 percent of all child deaths of the world take place in India. 34 out of 1000 children are dead by the time they attain the age of 5.58 per cent of Indians are immunized in urban areas compared to mere 39 per cent in rural areas. Communicable diseases are the main cause of death for 53 per cent of all deaths in India. These figures show the alarming situation prevailing in healthcare segment and the Government, Private players in the field should take note and should come out with suitable plans to meet the challenges in the future.

ORGANIZATIONAL STRUCTURE

In India the Healthcare activities are being carried on at different levels and with the help of different institutions. At the National there is Government Department working under Health and Family welfare. There are National level policies namely National Health Mission, Ayushman Bharath, National Rural Health Mission, National Urban Health Mission. At the same time there is different institutions setup in rural and urban areas in the country to take care of the public health. The Healthcare system is being organized at three levels namely primary, secondary and tertiary. At the primary level the units Sub Centers and Primary Health Centers are included. The secondary level comprises Community Health Centers and smaller sub-District hospitals. Finally the higher level of Public healthcare centers includes Medical Colleges and District Hospitals. These hospitals have to maintain the standards set by the National Medical Council which is the apex body. For the purpose of further understanding the scope and operational coverage of each institution is presented as under.

Sub Centers

A Sub Centre is expected to serve in the remote areas. These centers are totally supported by the funds from Central Government. These centers are designed to cover the population up to 5000 and 3000 in the case of tribal remote areas. one male health worker and one female health worker will be attached to these centres. This centre does have direct access with the people living in the area. These Sub Centers also work for educating the people and also to bring greater awareness among the people. These efforts will have long term impact to bring about the positive change in the community. As already pointed out Sub Centre is the first contact point between primary healthcare system and the community.

Sub Centers are assigned tasks to maintain interpersonal communication in order to bring change in maintaining the sanitation and to observe hygienic conditions in the surroundings. These centers are expected to concentrate more on maternal care, child health and family welfare, nutrition, immunization, diarrhea control and prevention of communicable diseases. Each Sub Centre is expected to be manned by minimum one Auxiliary Nurse midwife, female health worker and one male health worker. Under National Rural Health Mission there is a provision for one additional second ANM on contract basis. One Lady Health Visitor (LHV) is entrusted with responsibility of monitoring six Sub Centers. Government of India funds for the salary of ANM and LHV and the salary of Male Health Worker is borne by the state governments.

As per the records of the Government as on 31st March, 2017 there were 1,56,231 Sub Centers working in the country. Among different states in the country there is remarkable increase in number of Sub Centers in the states of Rajasthan, Gujarat, Chattisgarh, Karnataka, Jammu & Kashmir, Odisha, Madhya Pradesh and Kerala.

Primary Health Centers

Primary Health Centers (PHC) operating comparatively in the developed locations in the rural areas serving for 30,000 or more and it is 20,000 in the remote areas. These centers are staffed with qualified doctors with Para-medical staff. Patients are referred by the Sub Centers for treatment of complex cases for better advice and treatment. These PHCs are funded by the respective state governments. These centers are aimed at to promote Healthcare aspects along with the precautions to be taken to prevent the communicative diseases. These PHCs are established and maintained by the state governments under the Minimum Needs Program (MNP) and Basic Minimum Services (BMS) programmes.

As per the normal standards each PHC should be provided with one medical Officer assisted by 14 paramedical staff. If there is further need two more staff nurses can be accommodated on a temporary basis. These PHC act as a referral unit for 6 Sub Centers and also maintain 4-6 beds for the patients. According to the official sources there were 25,650 PHCs working in the country as on 31st March 2017. When compared with the previous data relating to the year 2005, there is an increase to the tune of 2414 PHCs in number by the year 2017. There is remarkable increase in the number of PHCs in the states such as Karnataka, Assam, Rajasthan, Jammu & Kashmir, Chattisgarh and Bihar.

In terms of physical infrastructure PHCs are operating in the Government owned buildings and its percentage rose from 78.5 % in 2005 to 91% in 2017. In the creation of medical infrastructure in the states of Uttar Pradesh, Karnataka, Gujarat, Assam, Madhya Pradesh, Maharashtra, and Chattisgarh are competing with each other. The number of allopathic doctors at PHCs has increased marginally from 20,308 in 2005 to 27,124 2017. But the population explosion demands more number of medical doctors and there was a shortfall to the extent of 12 percent.

Community Health Centers (CHC)

These centers serve for the larger population to the extent of 1, 20,000 in urban area and in the case of remote tribal area it cover up to 80,000. These centers provide more specialty services like maternity, child care, Blood banks on 24x7 bases. These are the referral units with more improved services. CHCs are being maintained by the respective state governments. As per the national standards CHCs are to be allotted with four medical specialists i.e. surgeon, physician, gynecologist and pediatrician assisted by 21 paramedical staff and other members. These CHCs should maintain 30 bed hospital with well equipped Operation Theatre, X-ray unit and laboratory facilities. It serves as a referral centre for four PHCs and also provides specialist consultation and other demanding facilities. As per the Rural Health Survey 2017 reports, there were 5,624 CHC s functioning country wide. There is noticeable growth in the number of CHCs in the states of Uttar Pradesh, Tamil Nadu, West Bengal, Rajasthan, Odisha, Jharkhand, Kerala, Gujarat and Madhya Pradesh.

With reference to the accommodation government buildings were 92 per cent in 2005 and it rose to 97 per cent by the year 2017. In connection with the availability of specialists about 4156 specialists, 14,350 General Duty Medical officers are available at CHCs by 31st March 2017. But in reality there is huge shortfall of the doctors. There is a shortfall to the extent of 87 percent in the case of surgeons, 74 per cent of obstetricians and gynecologists, Physicians to the tune of 85 per cent and pediatricians 81 per cent found shortage. The overall position is, the shortfall amounts to the extent of 81.6 per cent which is quite alarming. But we observe complete opposite picture in hospitals run by the private individuals in the country. But these hospitals are meant for the high income groups and the common man with limited financial resources has no place.

District Hospitals

District Hospitals are the final referral units for the primary and secondary levels of the public Health system. it is expected that at least one hospital in each district of India. But recently different states are taking up re-organization of districts. This will result in more number of districts in the country. Normally 75 to 500 bed hospital will be working in the district head quarters, depending on the population and need. These district hospitals are suffering due to funds shortage and modern healthcare equipments are also not made available. These hospitals do not maintain required stock of medicines and it is not possible to take care of the patients. These hospitals fail to maintain the co-ordination among the Blood Banks to protect and save the patients. The district hospitals are maintaining three most important wings namely

- (i) Emergency Obstetric Care including surgical interventions like caesarean sections,
- (ii) New-born care: and
- (iii) Blood storage facility on a 24 hour basis.

According to the Rural Health Survey 2017 there are 3,076 FRUs are working in the country. Out of these 94.2 % have Operation theatres, 96.3% of the same maintain Labor Room and 68.9% of the FRUs are having Blood storage facility.

Medical Colleges and Research Institutions

All India Institutes of Medical Sciences (AIIMS) are completely owned and controlled by the Central Government. These are the prestigious institutions of international standards where teaching and research work take place along with huge hospitals. These are referral hospitals with specialized facilities. The first institution was established at Delhi in the year 1956. Till 2012 AIIMS has no other location. From 2012 onwards the central government has been announcing many institutions in different locations in the country. Right now there are 11 institutions of national stature working in different locations in the country. 12 more institutions of the same stature are at different phases of construction in the country. It is a good development. These institutions take research activities in the medical field in addition to regular teaching and medical assistance. It is observed that some of the institutions are suffering due to inadequate sanction of funds.

National Programmes / Schemes/Policies in Health Sector in India

These programmes are designed by the Central Government and will be implemented throughout the country with the co-operation of respective state governments. For the purpose of understanding the recent national level programs are presented as under.

(1) Ayushman Bharath-National Health Protection Mission(AB-NHPM) 2018

Ayushman Bharat is National Health Protection Scheme, which will cover 10 crore poor and vulnerable families providing coverage up to 5 lakh rupees per family per year for secondary and tertiary care hospitalization. This program is beneficial to 50 crore individuals. This scheme will subsume the on-going schemes Rashtriya Swasthya Bima Yojana (RSBY) and the Senior Citizen Health Insurance Scheme (SCHIS). This will be the world's largest project funded by the Government.

(2) PradhanManthri Surakshith Matritva Abhiyan (PMSMA)

This program is designed to improve the quality and coverage of Antenatal Care(ANC) including diagnostics and counseling services. This program has come in to force on 4th November 2016. Under this program the pregnant women are the target group and by effective implementation of the scheme results in reduced number of maternal deaths and also neonatal deaths.

(3) National Health Mission

The National Health Mission(NHM) has further extended in to National Rural Health Mission(NRHM) and National Urban Health Mission.(NUHM). The NHM is more concerned with designing national health policy and setting the standards to for improving the quality of life. The NHM envisages achievement of universal access to equitable, affordable and quality healthcare services that are accountable and responsive to the needs of the people.

(i) National Rural Health Mission(NRHM)2005

NRHM was launched in April 2005 and it was the part of NHM. NRHM has its focus on rural areas and intended to provide equitable, affordable and quality healthcare to the rural population. Under NRHM, the empowered action group States as well as North Eastern States, Jammu and Kashmir and Himachal Pradesh have been given special focus. The thrust of the mission is on establishing fully functional, community owned, decentralized health delivery system with inter-sector convergence at all levels to ensure simultaneous action on a wide range of determinants of health such as water, sanitation, education, nutrition, social and gender equality.

(ii) National Urban Health Mission (NUHM) 2013.

The National Urban Health Mission has come in to force on 1st May 2013. NUHM is expected to cater to the needs of the urban population focusing urban poor to make them to avail the healthcare services and reducing their out of pocket expenses towards the medical care. The major goals of NUHM are presented as under.

- a) Need based city specific urban healthcare system to meet the diverse healthcare needs of the urban poor and other vulnerable sections.
- b) Institutional mechanism and management systems to meet the health-related challenges of the fast growing urban population.
- c) Partnership with community and local bodies for a more proactive involvement in planning, implementation, and monitoring of health activities.
- d) Availability of resources for providing essential primary healthcare to urban poor.
- e) Partnerships with NGOs, for profit and not for profit health service providers and other stakeholders.

The focus groups are slum dwellers and other marginalized sections like rickshaw pullers, street vendors, railway and bus stations coolies, homeless people, street children, construction site workers.

(4) National Programme for Prevention and Management of Burn Injuries (NPPMBI) 2014

NPPMBI is a full-fledged program and it came in to force on 6th February, 2014. This program is aimed at ensuring the prevention of Burn injuries, provide timely and adequate treatment to reduce the mortality. The program also aims at ensuring disability and ensuring disabilities and to provide effective rehabilitative measures till disability is off set. The main objective of this program is to educate groups on the subject and the precautions that are to be taken. The preventive steps to reduce the rate of mortality among the children, industrial workers, women and occupational labour.

(5) National Mental Health Policy 2014

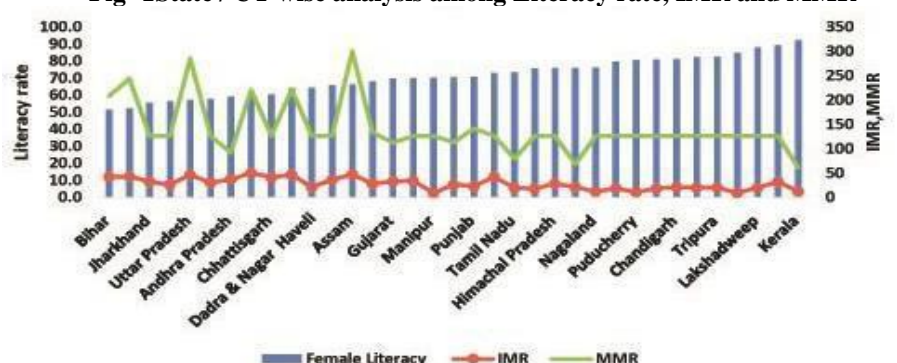
This policy was announced in October, 2014. It is meant for the people who are suffering from mental illness and to provide special care for prevention and recovery. It is part of social justice and it will provide access for the quality healthcare for the sick. This effort is also viewed as socio-economic inclusion of the people for healthy living.

(6) Rastriya Kishor Swasthya Karyakram (RKSK)

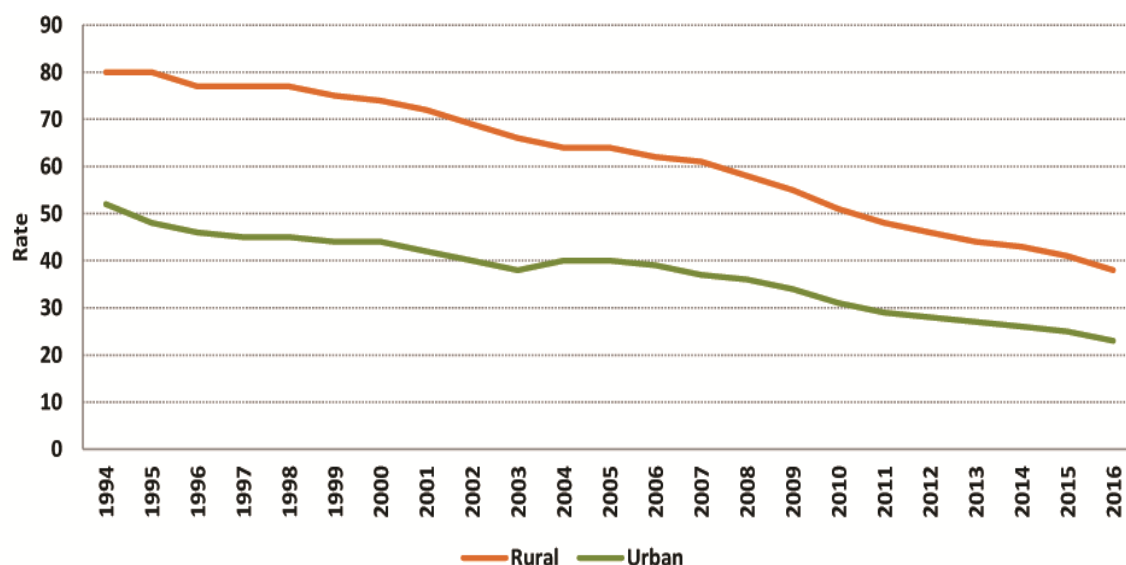
The Ministry of Health and Family welfare launched on 7th January, 2014 a health programme, named Rashtriya Kishor Swasthya Karyakram, for adolescents in the age of 10-19 years. As a part of this program nutrition values, reproductive health are taken care. The main principle of this program is adolescent participation and leadership, gender equity and strategic partnerships. This program also aims at enabling all adolescents in India to realize their full potential by making informed and responsible decisions related to their health and well being. The objectives of this program are to improve nutrition, improve Sexual and Reproductive Health, Enhance Mental Health, Prevent injuries and violence.

KEY FACTORS

For the purpose of the present study few select factors which are influencing the Public Healthcare sector are considered. The key factors include literacy rate, number of medical admissions, number of registered Allopathic doctors, Public expenditure on healthcare, Infant mortality rate, Public expenditure on healthcare as percentage in GDP, deaths due to Malaria, Health Insurance coverage. The public expenditure on healthcare in world countries is also presented for the purpose of comparison.

Fig -1 State / UT wise analysis among Literacy rate, IMR and MMR

Literacy rate is one of the key considerations which will directly influence healthcare sector. The above figure indicates that there are many states in the country still working hard to achieve the cent percent literacy. The healthcare sector and literacy rate go hand in hand and higher rate of literacy among the population results in more precautions and preventions, developing hygienic conditions which will promote the healthcare.

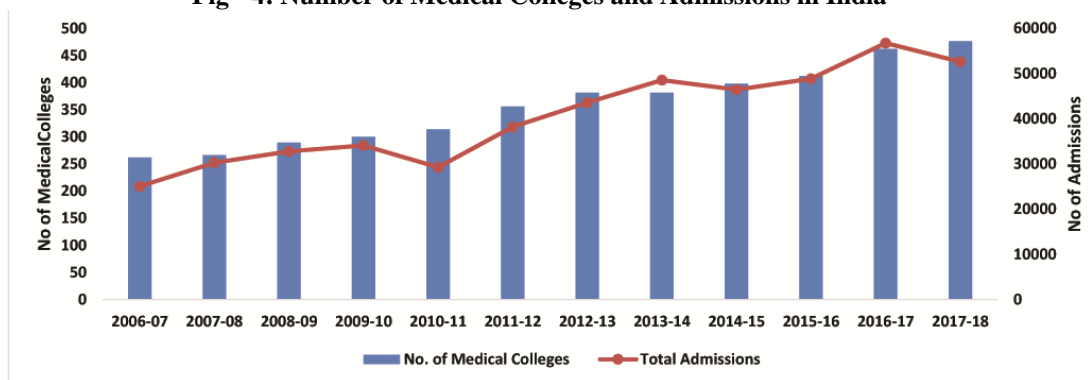
Fig-2: Infant Mortality Rate 1994-2016

Source: SRS Bulletin, O/o Registrar General of India

The figure -2 explains about the Infant mortality rate. It is one of the key determinants to know the status of healthcare system in the country. Over the period of time Infant mortality rate is at declining rate which can be considered as a positive development. If we compare between urban areas versus rural region, the latter part is experiencing high rate of Infant mortality and it is alarming. It appears that there is an urgent need to focus on rural areas as well to reduce further the infant mortality rate in the country in the years to come.

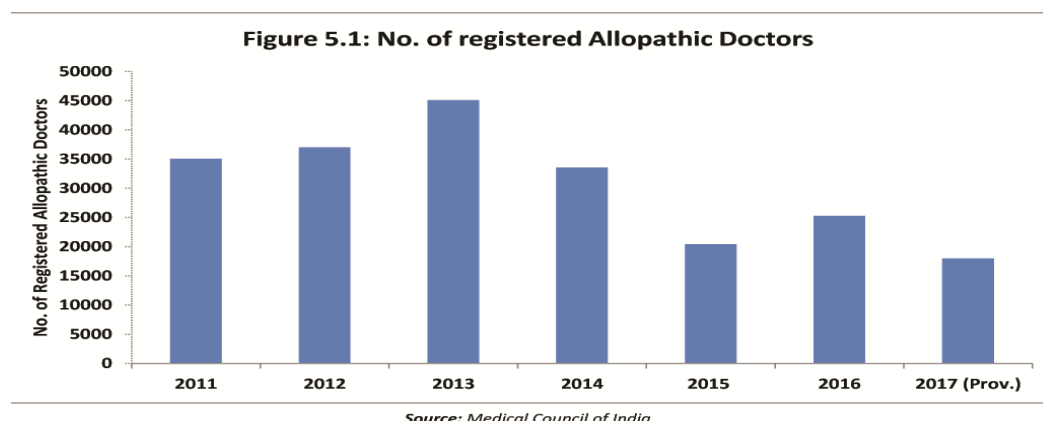
Fig-3: Cases and Deaths due to Malaria in India

The Fig-3 deals with the deaths due to Malaria. In the span of 17 years in the country highest number cases and deaths took place in the year 2001. It was the most alarming situation. But in the latter years the deaths are getting reduced and it is at the least in the year 2017. But the year 2006 was registered with highest number of deaths.

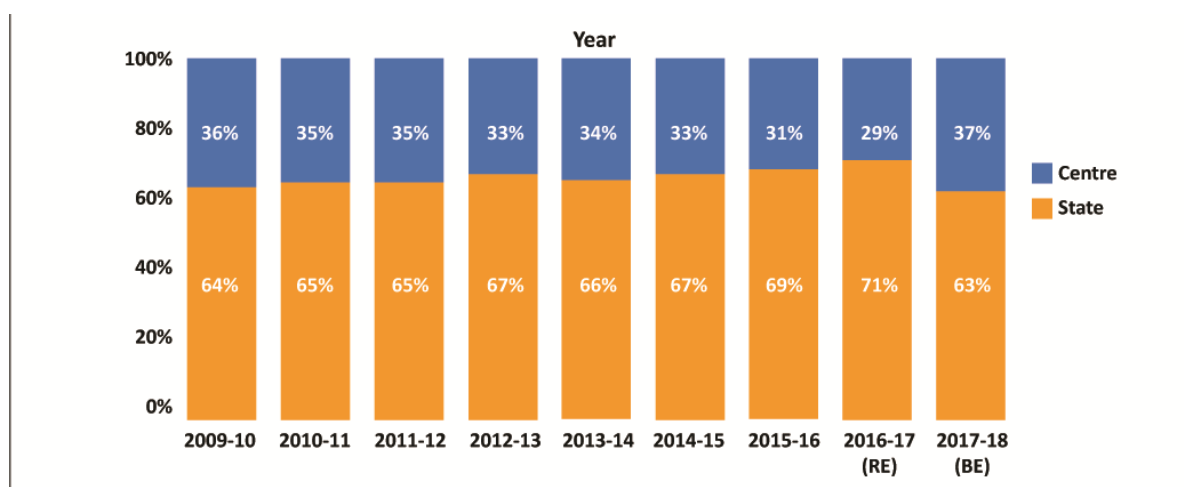
Fig - 4: Number of Medical Colleges and Admissions in India

Source: Medical Council of India

The above figure-4 explains about the No. of medical colleges and admissions that are taking place in the country. The No. of medical colleges and admissions are growing year by year and in the years 2010-11 recorded with low admissions and during 2017-18 the admissions are at the top. In connection with the number of colleges it is increasing year after year. According to medical council of India some of the colleges are involved in the malpractices with low standards in infrastructure and less number of qualified medical professors.

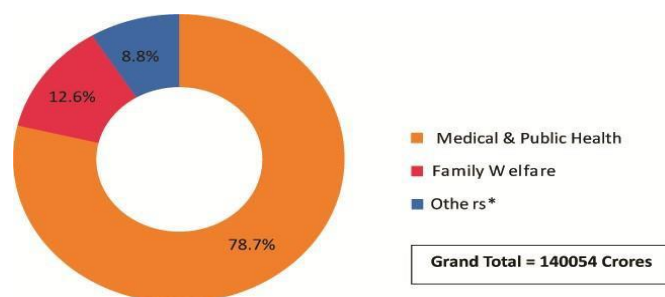
Fig- 5: No. of registered Allopathic Doctors

The above diagram-5 explains about the number of registered Allopathic doctors in the country. The overall impression except in the year 2013, in the rest of the period its number has a decreasing trend. If we notice the number medical colleges and admissions in to the medical courses has an increasing trend. It is paradox. It reflects that most of the medical graduates prefer private and foreign services than the government positions. The human resources in the healthcare sector is an important element for the successful implementation of policies. Particularly the Allopathic doctors are very vital for the attainment of set goals in the sector.

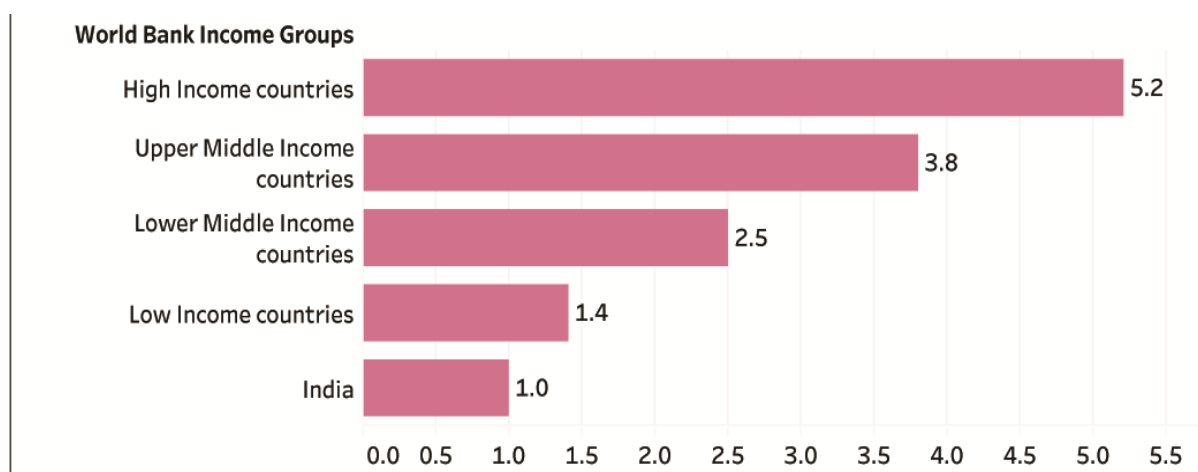
Fig -6 : Trends in Centre State share (%) in Total Public Expenditure on Health

Source: "Health Sector Financing by Centre and states/UTs in India 2015-16 to 2017-18",
National Health Accounts Cell, Ministry of Health & Family Welfare

We observe above diagram dealing with public expenditure on healthcare. The figures indicate that the public expenditure on the healthcare between Central Government and State Government it accounts on an average about 64 per cent state governments and 36 per cent Central government. Practically there is clear absence of co-ordination between State and Central Governments in executing projects resulting in maximum delay in the process of completion. The practical instances in the establishment of National level medical institutions in different states are the best examples for the absence of co-ordination.

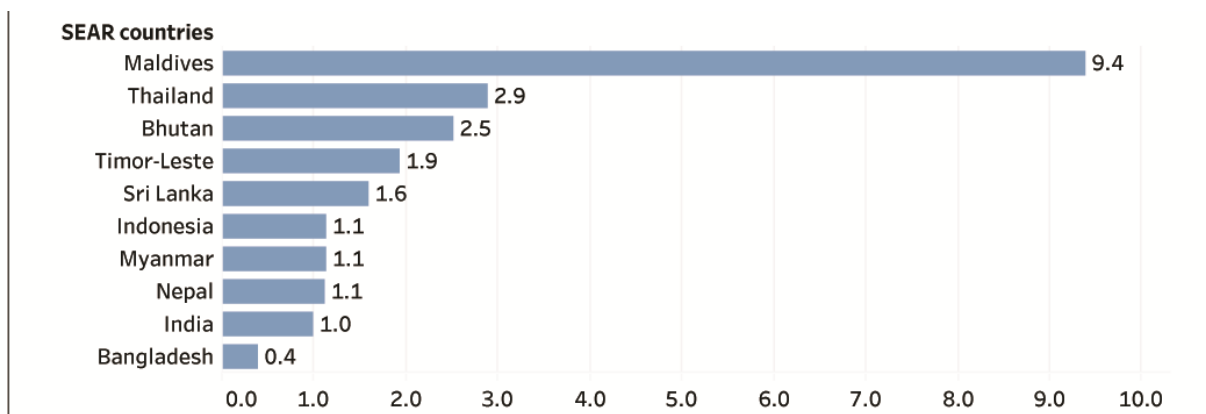
Fig -7 : Composition (%) of Total Public Expenditure on Health in 2015-16

The Fig 7 covers the priorities of expenditure of Healthcare sector. It appears from the diagram that about 78.7 per cent of the total Public Expenditure is spent on Medical and Public Health. The Family Welfare occupies the second position with the share of 12.6 per cent and the rest of about 8.8 per cent goes towards other expenditure.

Fig 8: Public Expenditure on Health as a % of GDP across World Bank Income Groups- 2015

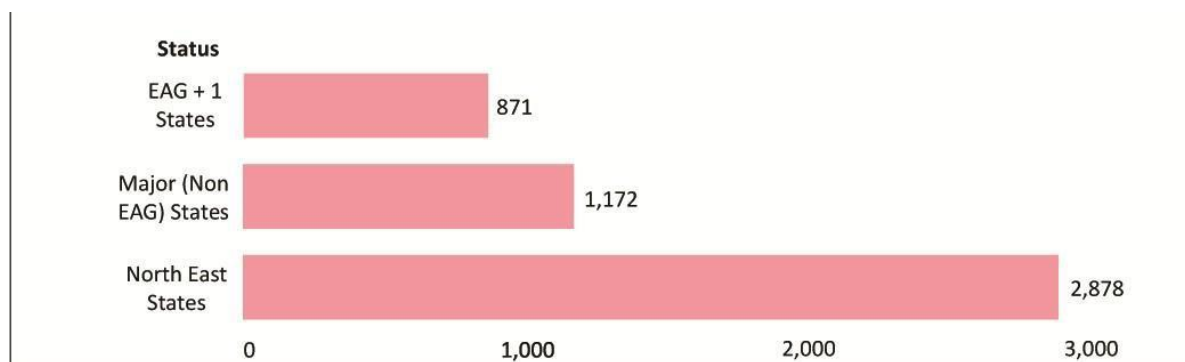
Source: Global Health Expenditure Database, World Health Organization accessed from <http://apps.who.int/nha/database/Select/Indicators/en> as on 11.04.2018

The above Fig-8 deals with the Public Expenditure on Healthcare as a percentage to the GDP with a comparison among the world countries. For the purpose of comparison the countries are divided into four categories. They are high income countries, Upper middle income countries, lower middle income countries and low income countries. But India has occupied the position which is low below income countries. It shows the concern of the Government towards Healthcare.

Fig-9: Public Expenditure on Health as a % of GDP for SEAR Countries-2015

Source: Global Health Expenditure Database, World Health Organization accessed from <http://apps.who.int/nha/database/Select/Indicators/en> as on 11.04.2018

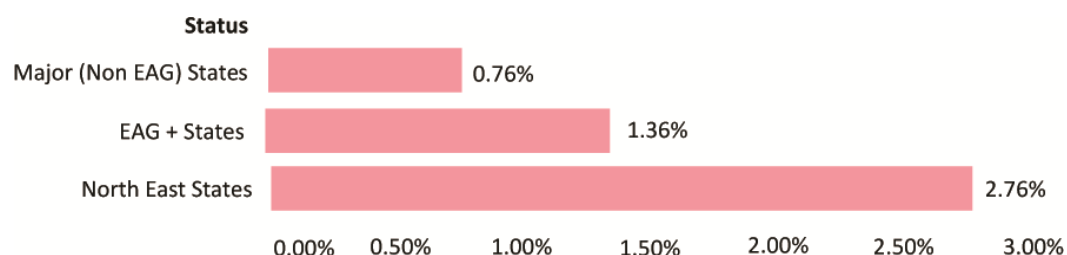
We observe from the above fig 9 another diagram the Public expenditure on healthcare as a percentage to GDP, India occupies second position from the below just ahead of Bangladesh. For this purpose only SEAR countries are taken in to consideration.

Fig-10: Average Per Capita Public Health Expenditure, 2015-16 (RE) in Rs.

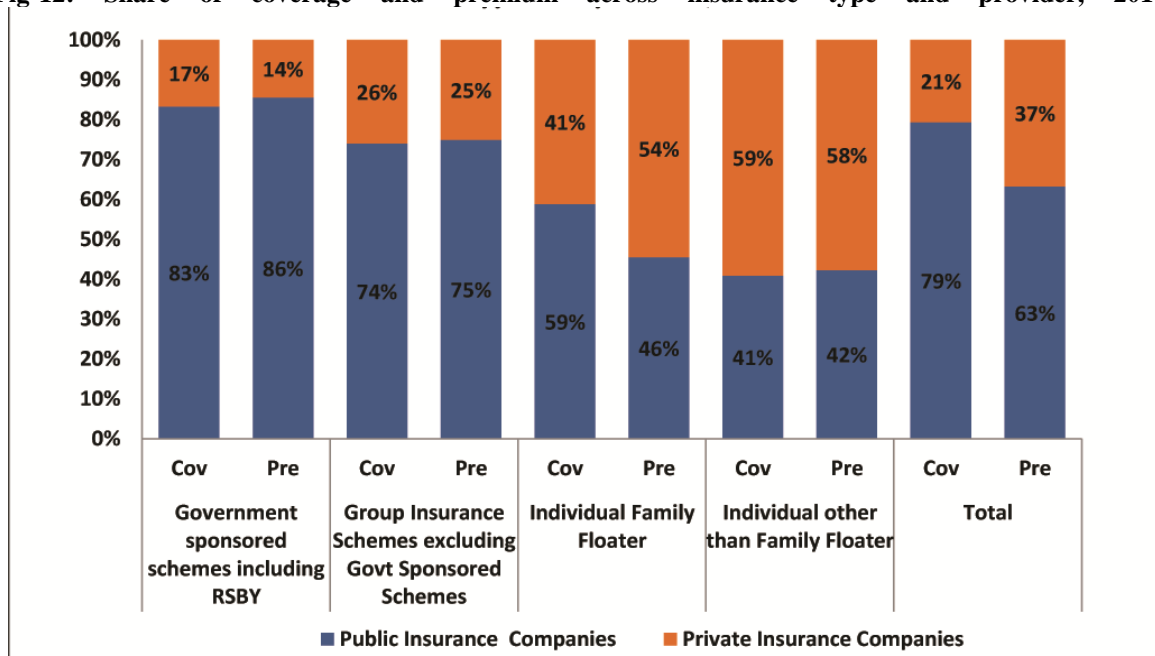
Source:

- 1 "Health Sector Financing by Centre and States/UTs in India", National Health Accounts Cell, Ministry of Health & Family Welfare.
- 2 "Report of the Technical Group on Population Projections may 2006", National Commission on Population, Registrar General of India.

The above fig 10 exhibits relate to the average per capita expenditure on Public Health. It appears that North east states per capita expenditure is high. The special geographical environment and more proneness to the illness may demand more expenditure when compared with the rest of the country. The region may need special medical force to bring more health awareness and also to improve the living standards.

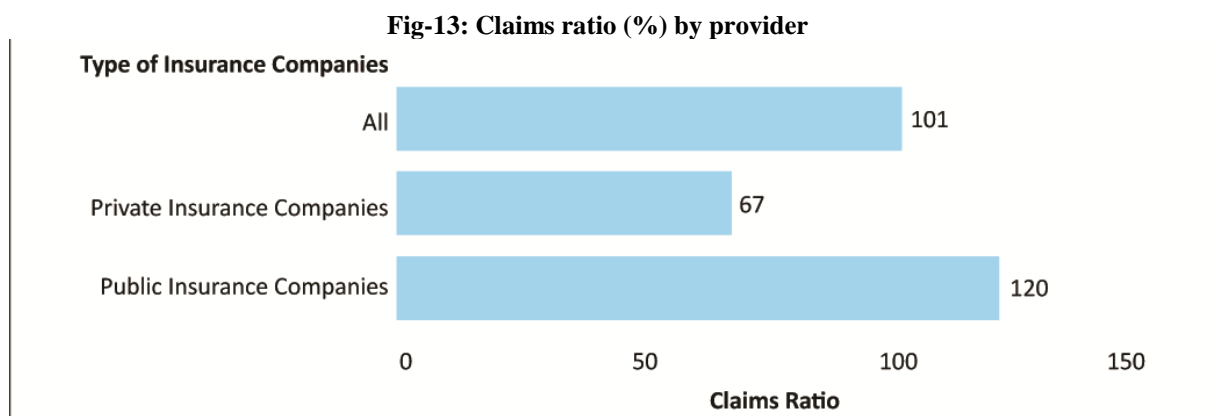
Fig-11: Public Health Expenditure as a share of GSDP, 2015-16

The Public health expenditure as a share of GSDP, for the year 2015-16 shows that North –East states occupy the first position followed with the remaining states. As per the geographical conditions it is a fact that North-East states require more allocations due to the prevailing conditions and health problems. There is a need to concentrate with more number of medical camps to bring greater degree of health awareness.

Fig-12: Share of coverage and premium across insurance type and provider, 2016-17

Source: Annual Report of Insurance Regulatory and Development Authority India, 2016-17

The above fig-12 explains about the insurance coverage and premium payments for the year 2016-17 in the country. It is clear from the above figure that Government sponsored schemes are covered by the public sector units to the maximum extent but in the case of individual family health coverage area private insurance companies are taking the maximum share. The overall picture shows that in the case of insurance coverage public sector accounts for 79% and 21% by the private where as in the case of premium collection public sector accounts 63% and the remaining 37% goes to the private sector.



Source: Annual Report of Insurance Regulatory and Development Authority India, 2016-17

Notes: Claims Ratio = $\frac{(\text{Net claims incurred})}{(\text{Net Earned Premium})} \times 100$

The above fig-13 deals with claims ratio (%) it is a open secret that still in the case of claim settlement private sector is lagging behind and public insurance companies are dominating with quick settlements of claims. It indicates that public sector companies enjoy more amount of confidence among the people. But flexible medical insurance plans by the private sector are attractive more individual families to take the medical insurance policies.

CHALLENGES:

After having studied the subject matter it is clear that the Indian Healthcare sector is very complex phenomenon. There are so many variables which are influencing the sector. As already explained for the present purpose some of the variables are included and thrown light on the sector with the help of said variables. But practically speaking there are many more factors affecting the sector. The discussions held by the authors with the stakeholders some other aspects have been traced. The major aspects which challenge the sector can be presented as under.

1. The Indian Health sector is suffering from acute shortage of healthcare human resources. Allopathic doctors, dental doctors, paramilitary workforce, nursing staff resulting incomplete services to the needy. Due to this there was miserable experience among the patients with inadequate post treatment care and improper medical guidance to the patients.
2. We find paradox with the number of medical graduates coming out from the institutions and the doctors working in the Government sector. The common feeling among the medical graduates is government service is not encouraging in terms of income and facilities. Most of the qualified medical professionals do not prefer to work in the rural areas. It is a fact that pay allowances and other facilities to them are not at all matching to their expectations. There is a wide gap.
3. We observe high degree of corruption in the public healthcare and results in poor delivery of medical services. For the present pathetic position all the public representatives and employees are responsible and no proper system to check the corruption. There should be a full proof mechanism to arrest the malpractices in any area and severe action should be taken on the responsible individuals.
4. The percentage of Public expenditure on healthcare is not encouraging and proved that there is a need to increase it. The population growth is consistently at high and infrastructure creation has no match. There should be a healthy discussion on the allocations of funds and opinions of the expert groups must be honored by the respective governments to increase the investment on the Public healthcare infrastructure.
5. The healthcare subject is under concurrent list. Both the Central and State Governments will be working on it. The schemes are also designed by the central government covering entire nation and also state Governments which are confined to the respective states. There is a need to have perfect co-ordination between the Central and State governments to achieve the expected results.
6. The Research & Development in the medical sciences should be encouraged further. The institutions like AIIMS and other research bodies are working in this area. Sufficient funding is the need of the hour for the efficient conduct of research for the national needs. The private institutions have got their own place and working for the purpose. The efforts made by this wing will result in the availability of life saving drugs at

reasonable prices. New approaches towards diagnosis and treatment will improve further the life expectancy.

7. The literacy rate and health awareness have got direct relation. There are few states in India with high literacy rate. The literacy drive is a continuous process till the objectives are achieved. There is a progress in the literacy rate and it is being reflected in the high rate of vaccinations and low rate of communicative diseases. Deaths due to malaria is at low rate show recognizable development. Polio and Tuberculosis are almost eradicated.
8. WHO program Universal Healthcare is in its implementation. But the rate of health insurance coverage is at low. Still poor people who are below the poverty line and other vulnerable sections denied the medical insurance and they are away from medical facilities. Even in the case of middle income groups their out of pocket expenditure is at high. The private medical institutions are dominating with advanced infrastructure with an idea to make huge profit treating medical service as pure commercial activity.
9. The hygienic conditions are not prevailing in Indian rural areas. The sanitation and other drainage facilities are still not available. As per the official records the self owned toilets are at 3 percent. The new Central Government Program Swachh Bharath is bringing some changes in this aspect but demands more efforts to reach the International standards.
10. There is high rate of absenteeism among the medical staff working in the rural areas. Unauthorized absenteeism is resulting in the inconvenience to the rural patients and leading to high rate of deaths. This situation is creating havoc in the rural India and poor village patients are left to misery. The Government machinery should take note of the position and corrective action must be taken.
11. The accountability among the medical practitioners is also at low when compared with that of the doctors serving in western countries. There are so many instances where wrong diagnosis led to unfortunate deaths but no action is taken on the part of the doctors. The medical associations are silent in this aspect and there is need to have strict code of conduct with human face. The self discipline, professionalism, human service motto should dominate. The commercial aspect should not be the prime consideration and the protection of human lives should be the ultimate.
12. The poor medical infrastructure in the rural areas should be upgraded. Both the Governments should strengthen this wing to improve the quality of medical services. The physical facilities like Operation theatre, medical equipment, qualified specialists, and well trained medical staff, nursing staff, stretchers, wheel chairs and other important paraphernalia should be made available.

CONCLUSION:

The Indian Healthcare sector is very complex in nature and the Central Government and respective state Governments should own the responsibility for its progress. The projects are very many initiated by both Central and State Governments but its monitoring in the implementation; the expected standards are not attained. There are so many issues both financial and administrative which are directly bearing on the sector. The major handicap is unauthorized absenteeism among the medical personnel particularly in the rural areas. This bottleneck can be avoided by providing basic facilities in the rural India and announcing special incentives to the working staff. The Central Bureau of Health Intelligence is the oldest organization and committed for the collection of data on health issues in the country. This body should be further strengthened with the needed funds and manpower to cover the increasing population and the coverage of wide area to collect the data.

The non-availability medicines and poor infrastructure should be attended immediately. The health awareness programmes should be conducted more frequently and effectively. The basic sanitation and drainage conditions should be improved. The medical professionals should balance properly between commercial aspects and the service to the mankind. Under these special and specific conditions Indian Healthcare sector should go a long way to achieve the international standards. To achieve this objective the stake holders should work in this direction with greater sincerity and honesty.

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RURAL MIGRANTS' HOMEOWNERSHIP IN CHINESE URBAN DESTINATIONS: DO INSTITUTIONAL ARRANGEMENTS STILL MATTER AFTER HUKOU REFORM?

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ABSTRACT

In China, the hukou system has long been cited as the underlying cause of the disadvantages in housing access that rural migrants encounter in urban destinations. However, following the latest round of hukou reform, does the hukou system still have a significant impact on rural migrants' housing outcomes? This paper addresses the question by examining hukou-related arrangements faced by rural migrants, in both their urban destination and their rural town of origin. Based on data from a nationwide survey conducted in 2011, we find that city entry criteria together with insecure and inalienable land rights negatively predict rural migrants' homeownership attainment. Moreover, the impact differs across urban locations. Consequently, although hukou reform has eased discrimination against rural individuals, disparities persist between urban natives and rural migrants. This paper demonstrates that these disparities result from unequal access to social welfare and housing.

BANK PROFITABILITY UNDER MACROECONOMIC VOLATILITY AND UNCERTAINTY: EVIDENCE FROM GHANA

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ABSTRACT

Ghana's macroeconomic environment has experienced quite a bit of volatility or instability in recent times. These levels of volatility have adversely affected businesses in terms of planning due to the uncertainty associated with it. The banking industry has been no exception to this trend, evidenced by declining profitability. This study sought to model volatility of the macroeconomic variables of interest (exchange rate, inflation, interest rate and GDP growth) using the ARCH and GARCH family of models and to determine the impact of these volatilities on the profitability of commercial banks in Ghana over the period 1997 to 2009. The measures of profitability employed were Return on Assets (ROA) and Return on Equity (ROE) for comparison purposes. Results obtained from the study indicated that macroeconomic volatility significantly impacted on the profitability of banks as measured by both ROE and ROA. Exchange rate, interest rate and GDP growth volatilities had negative impacts whilst inflation volatility had a positive impact on profitability as measured by ROE. With respect to ROA exchange rate and GDP growth volatilities had negative effects on profitability whilst interest rate and inflation volatilities had a positive effect. Results of this study are an indication that the Government and policy makers should put in place measures that will ensure a stable macro economy at all times. This would enable businesses and specifically banks in this case to carry out proper forecasting and planning, put in place prudent measures to ensure their operations and profitability targets are not unnecessarily impacted negatively by volatility or instability of the macroeconomic indicators. This so achieved would lead to a stable and preferably upward trend in profitability.

Keywords: Bank, Profitability, Macroeconomy, Volatility, Uncertainty, Return on Assets, Return on Equity.

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HUMAN RESOURCE MANAGEMENT STRATEGIES, PRACTICES AND EMPLOYEES' PERFORMANCE OF THE GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS) IN REGION VIII

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ABSTRACT

The previous administration of the Government Service Insurance System (GSIS) guaranteed employees' needs for benefits and rewards. People were always rewarded with monetary benefits for every good job done. The sudden backward shift in the GSIS' culture of providing compensation and rewards in the current administration has caused demoralization and numerous complaints among employees. According to the Kapisanan ng mga Manggagawa sa GSIS (KMG) the enacted RA 10149 also known as the GOCCs Act of 2011 is the culprit of this massive shift for it affected the system's strategy of recognizing employees' contributions in the overall organizational performance. This culture change has also caused a significant increase in employees' turnover. This research is conducted to identify the degree of implementation of human resource management strategies and practices and the significant relationships of these variables to the degree of implementation of performance indicators such as rating activities, evaluation practices and standards. A survey questionnaire was administered to 51 respondents of GSIS Region VIII. The design employed was descriptive-correlational.

Keywords: Human Resource Management Strategies, Practices and Employees' Performance of the GSIS.

Introduction

The state of today's global economy has moved organizations and companies to implement critical strategies for survival. Majority of multinational companies are now undergoing revolutionary changes to surpass global challenges. Gaining a competitive advantage in the corporate arena has been the top priority of most organizations today.

As the world is presently in a state of complexities and instabilities, government entities have a fundamental need to overhaul processes to cope up with the latest trends and development. World economic tigers have realized that effectively managing and maximizing the human capital accounts for a huge part of a country's development. These countries are showing us that despite the volatility and complexities of our world they are strategically competent to deal with all challenges.

In the course of unprecedented sudden changes in our society's authenticities and economic downturns, three important realizations have emerged to achieve sustainability and success.

First, researches and evidenced-based human resource management practices have shown that organizations that are effective and efficient in their strategies in managing their human resource are regarded as the most successful and robust. Apparently, these organizations have the aptitude to stand and thrive even during the toughest times of economic downturns and volatilities. These organizations have placed a great importance on strategic Human Resource Management.

A. Review of Literature

Relevant review of articles and literatures were undertaken by this research to gather significant information from different sources to derive theoretical basis.

Human Resource Management Strategies

Over the last couple of decades, significant contributions have been well documented in the literature, dealing with issues related to the management of people. HRM has received much attention as a distinct approach to managing employees effectively and efficiently. During the last decade, researchers have produced a new generation of theoretical and empirical work linking human resource management with business and corporate strategies and have measured its impact on the overall organizational performance level, rather than simply on employees' performance level. As a result, the current interest in SHRM has been developed by researchers in the field.

Delery and Shaw (2001); Brian and Huselid (2006) indicated that SHRM focuses on organizational performance rather than on employee or individual performance.

Purcell et. al (2003) conducted a University of Bath longitudinal study of 12 companies to establish how people management impacts on organizational performance. The most successful companies had what the researchers called 'the big idea'. The companies had a clear vision and a set of integrated values which were embedded, enduring, collective, measured and managed. Clear evidence existed between positive attitudes towards HR policies and practices, levels of satisfaction, motivation and commitment, and operational performance.

In Future of Work Survey of Guest et. al (2000). 835 private sector organizations were surveyed and interviews were carried out with 610 HR professionals and 462 chief executives. A greater use of HR practices is associated with higher levels of employee commitment and contribution and is in turn linked to higher levels of productivity and quality of services.

Mäkelä, Sumelius, Höglund and Ahlvik (2012) stated that the strategic HRM field has emphasized human and social capital as key resources for firms, yet has focused primarily on organizational-level conjectures such as the configuration of high-performance work practices and their 'fit' with the organizational strategy.

Normala Binti Daud in the study "*Human Resource Management and Firm Performance: The Moderating Roles of Strategies and Environmental Uncertainties*," investigated the relationships between HRM practices and firm performance with business strategy and environmental uncertainty as moderators. Results of hierarchical regression used to test the relationships among the variables indicated that (1) human resource planning has a relationship with profitability and growth; (2) performance-based pay has a relationship with profitability and growth; (3) skills development has a relationship with involuntary employee turnover; (4) environmental uncertainty as a moderator influences the relationship between human resource planning, performance-based pay

and profitability; and (5) business strategy as a moderator influences the relationship between performance-based pay and growth.

In 2003, Riki Takeuchi, to complete the requirements of the degree of Doctor of Philosophy, conducted a study *"How Do We Get from There to Here? Understanding the Black Box in Strategic HRM Research from Resource-Based and Social Exchange Perspective."* In this study he examined the mediating mechanisms through which High Performance Work Systems influence overall unit performance. The findings showed that High Performance Work System appears to have a positive influence on the shared perceptions regarding the terms of obligations or social exchange between establishment and the employees as a collective that have positive influence on perceived labor productivity of the unit.

Bal, Bozkurt and Ertemsir (2013), in their study *"A Study Determining the Relationship between Strategic HRM Practices and Innovations in Organizations,"* investigated the evolution and importance of strategic HRM. The role of strategic HRM on innovativeness in organizations was analyzed which was conducted on 48 organizations in various sector in Turkey. They concluded that human resources are the valuable and unique assets of organizations for gaining competitive advantage in today's challenging environments. The organizations which can select and retain qualified employees with the needed skills can be successful today.

Attique Arshad of University of Management and Technology in the study *Dynamics of HRM Practices and Organizational Performance: Quest for Strategic Effectiveness in Pakistani Organizations Employees' Performance (2014)*, explained that when the organization aims to develop a set of HRM policies and practices that fit with the business's strategies even beyond the scope of HRM, this enlightens the fact that performance will be considered improved when the fit between business strategy and HRM policies and practices is achieved right. The effectiveness of HRM practices and their strategic fit with organizational objectives are likely to attract stakeholders inside or outside of organization to perform diligently.

The study *"The Impact of Strategic Human Resource Management on Organizational Performance,"* of Esra Nemli Caliskan (2010), an associate professor of Istanbul University, had generally reports positive statistical relationships between the greater adoption of HR practices and business performance. The causal linkage between HR and organizational performance will enable the HR managers to design programs that will bring forth better operational results to attain higher organizational performance. The focus of the HR management should be to understand organizational performance processes and design HR practices that influence process and outcome variables.

A historical research *Explaining the Relationship between the HR System and Firm Performance: A test of the Strategic HRM Framework (2008)* conducted by Andrew Herdman of Virginia Polytechnic Institute and State University, explained the clarity of the issues about strategic HRM by specifying and assessing a number of unique measures of the HR system. Several attitudinal, motivation and behavioral employee outcomes were also identified and assessed as possible mediators between HR system measures and organizational outcomes.

Human Resource Management Practices

Researchers have indicated a positive interconnectedness between bundles of HRM practices. Studies have demonstrated that the investment in HRM practices and the Strategic alignment of HRM to corporate strategy is a driver for moving the enterprises from mediocrity to excellence.

Nixon (2011) stated that there is extensive literature on HRM that has investigated the strategic aspect of HRM functions' design and implementation. Initially, HR planning is critical to an organization's strategic plan through systematically matching the interests, skills and talents of the workforce with long-term goals and opportunities in the organization.

Jackson and Schuler (2005) stressed that the strategic importance of job analysis and competency assignment is grounded in their usefulness as systematic procedures that provide a rational foundation on which to build a coherent approach to managing human resources. This role of modelling competencies becomes especially obvious during strategic change periods when jobs in an organization are likely to be suddenly transformed.

Shafique (2012) emphasized that strategic approaches to recruitment are rare but recruitment is a strategic opportunity indeed. Ideally recruitment should not simply be a question of filling gaps, instead should be

proactively focused on bringing the specific kind of skills and experiences in the organization especially those which cannot be built from within.

Holbeche (2004) stated that there is a clear purpose behind recruitment instead of mere replacement. Besides recruitment, efforts to retain qualified employees should also be considered as a part of an overall career management strategy - driven business strategy.

Khandekar and Sharma (2005) stressed that attracting and retaining individuals with the skills related to the core competencies of the organization are key HR activities directly relevant to organizational capability.

Jackson and Schuler (2005) stated that the strategic importance of people who fill key roles is apparent, because making the right selection may be critical to the success or failure of the business though other selection decisions are no less important.

Chen and Hung (2010) stated that improving the competence of the workforce through training and development activities is seen as a way of creating a competitive advantage. From the strategic perspective, training is employed not only to improve an employee's current skills, but also to prepare each employee for future responsibilities. In the process of learning within an organization, human capital becomes increasingly firm-specific so as not to be readily reproduced by its competitor.

Jackson and Schuler (2005) emphasized that in conjunction with an organization's recruitment and selections efforts, a total compensation system provides pay that is sufficient to attract and retain key employees and keep them motivated to perform. Unless the total compensation program is perceived as internally fair and externally competitive, good employees are likely to leave.

Kim and Sung-Choon, (2013) stress that in order to effectively enhance employee motivation and productivity, the performance measurement and feedback process must be aligned with the organization's business strategy and organizational culture. For start-up firms, the performance-based pay system can be made more useful to attract external talents. By aligning personal interests with company objectives, performance-based pay system motivates workers to realize the strategic objectives of the HR function.

Jamrog and Overholt (2004) stated that HR executives need to know how all the HR subsystems interact so they can create and maintain alignment, rebalancing the organization as the market shifts particularly driven by the innovative competitors.

Aliza D. Racelis (2010), a PhD candidate of the College of Business Administration, University of the Philippines, conducted a study entitled "*The Influence of Human Resource Management Practices on Firm Performance: An Exploratory Study of Philippine Banks.*" The results for 33 banks provide modest evidence for the positive, significant relationship that exists between financial performance and such HRM practices as recruitment from topnotch schools, administering employment tests, assistance in career planning, and offering opportunities for professional growth.

Employees' Performance

Performance evaluation is a disputed management practice. Authors have contended that, to have an effective human resource system for organizations the use of an appraisal system which is reliable and accurate is needed (Armstrong, 2003; Bohlander and Snell, 2004; Desler, 2008).

Towers Watson (2014) defines performance evaluation as the art and science of getting it right.

Fletcher (2001) defines performance evaluation more broadly as activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. Previously, focus was on performance ratings and other limited and measured-focused issues, but more recently has broadened and currently addressed social and motivational aspects of appraisal. Fletcher's definition reflects this shift in focus.

Mondy et. al. (2002) define performance evaluation as a system of review and evaluation of an individual's (or team) performance and the process of appraising performance (who appraises and how is it done) within organizations. The emphasis on the organizations signals a further evolution in the nature of performance evaluation.

Jackson and Schuler (2003) describe it as evaluating performance based on the judgments and opinions of subordinates, peers, supervisor, other managers and even workers themselves.

Bohlander and Snell (2007) see performance evaluation as an annual regular undertaking developed to assist employees in understanding their roles, objectives, expectations and performance success conducted by a supervisor on subordinates.

Desler (2008) gives meaning to performance evaluation as any procedure that involves setting of work standards, assessing the employees' actual performance relative to those standards, and providing feedback to employees with the aim of motivating them to eliminate performance deficiencies or to continue to perform on above average level.

Vance (2006) explains that performance evaluation is intended to engage, align, and coalesce individual and group effort to continually improve overall organizational mission accomplishment. He stated that it provides a basis for identifying and correcting disparities in performance. Thus, according to him, performance evaluation is activities oriented. He added that it also may provide the basis for other personnel actions which typically include: (1) performance pay, (2) training and career development, (3) promotion and placement, (4) recognition and rewards, (5) disciplinary actions, and (6) identifying selection criteria. Its success depends primarily on the (1) system and measures (criteria), (2) culture, and (3) the perceived attitudes and needs of participants— i.e., their degree of —engagement with their jobs.

Reinke (2003) indicates that variables such as the relevance of the rating instrument, the length and complexity of the instrument, and the amount of training received on the appraisal system are less important than the level of trust between the employee and supervisor as the most important predictor of acceptance of the performance evaluation system. Another problem with disingenuous evaluations is that when they are used for SHRM, the data they provide are inaccurate.

Abu-Doleh and Weir (2007) describe performance evaluation or performance evaluation as a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives.

Grubb (2007) views performance evaluation as a deficient process because it is a costly, widespread and counterproductive activity. Performance evaluation according to him it is a useless activity even though it is administered with the intention to oversee and make better the performance of individual employees and to improve overall efficiency, effectiveness and productivity of an organization.

Varma *et. al.* (2005) compared the use of performance evaluation in manufacturing organizations in the USA and India using statistical analysis. They found that interpersonal affect (the like-dislike relationship between supervisor and subordinate) appeared to have no impact on performance evaluation ratings given in the USA but that in India supervisors inflated the rating of low performers. They suggest that this may be due to local cultural norms and a collectivist Indian culture as opposed to an individualistic US culture, and a greater concern in India for positive relationships.

Brown and Heywood (2005) in their analysis of the Australian Workplace Industrial Relations survey found that 70 per cent of establishments had formal appraisal systems for non-managerial workers. They found that Performance Appraisal (PA) was more likely to be used when workers had greater control over their own productivity; and that such practices were, not surprisingly, more likely to be used in larger organizations, and in organizations where there were complementary HR practices such as incentive-based pay and formal training. They also found that PA was more likely to be used for non-managerial workers when there was a lower rather than higher union density.

Desler (2011) states that, effective appraisal begins long before the actual appraisal. He put into detail the steps in appraising performance as follows: First, to make sure that employee's job and performance criteria are defined. Defining the job means making sure that the superior and subordinate agree on his or her duties and job standards and on the appraisal method that will be used. Secondly, appraising performance means comparing the subordinate's actual performance to the standards on the rating form. Finally, an effective appraisal process requires a feedback system, where superior discusses with the subordinate his or her performance and progress, and makes plans for any development required.

Armstrong (2006) defined Performance Evaluation as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting. While The Chartered Institute of Professional Development

(CIPD) has a more comprehensive and in-depth definition which argues that *Performance evaluation is an opportunity for individual employees and those concerned with their performance, typically line managers, to engage in dialogue about their performance and development, as well as the support required from the manager.*

Fletcher (2004) believes that the general aims of Performance Evaluation also include Motivating staff, Succession planning and identifying potential, promoting manager subordinate dialogue and formal assessment of unsatisfactory performance.

Khan (2007) states that the strategy objective of performance evaluation is to facilitate management in carrying out administrative decisions relating to promotions, firings, layoffs and pay increases.

Towers Watson (2014) states that only 58% of the 129 participating Philippine companies said they measure the effectiveness of their performance evaluation process. Linking performance to rewards remains one of the best ways to align employee behaviors with business objectives. A performance evaluation system when in line with its corporate strategy and business direction is an essential and powerful tool to create organizational values.

Gomez-Mejia, et. al. (2010) supported the theory that the practice of performance evaluation is constantly resisted as a hopeless method of attempting to improve performance because it is erroneous and degrading. This argument maintains that a performance not measured accurately and feedback that is poorly given; has costs that may exceed potential benefits in conducting the appraisal. They observed that some people perceived that performance evaluation should be eliminated as a practice in organizations because of the problems and errors in evaluating performance.

Mani (2002) found that raters were more lenient on the rating they gave to an employee when the performance rating was being used to determine an employee's pay as raters tried to avoid conflict with employees. However, his research focused on the rater, and not the ratees who are the primary reason as to why performance evaluation systems exist.

Coens and Jenkins (2000) state that performance evaluation is a mandated process, in which a group of employees' work performance and personal traits over a specified period of time are individually judged, rated and described by the rater of the group and the results of the evaluation are kept by the organization for future reference. Performance evaluation is normally a formal process and an important part of human resource management practices in organizations.

Hays and Kearny (2001) conducted a survey of the members of the American Society for Public Administration and International Personnel Management Association (IPMA) in 1998, the study suggested that the importance of performance evaluation systems in governmental sectors would increase in the future. The respondents of the survey indicated that the adoption of performance evaluation systems will continue to be widespread in the U.S. and that the importance of performance evaluations should be ranked first among human resource management practices in future years

The study conducted by Amie Farrell (2013) "*An Investigation into Performance Evaluation Effectiveness from the Perception of Employees in an Irish Consumer Services Company,*" revealed that overall the employees were happy with having to complete performance evaluation, but there is still some work to be done in improving the system and making it more successful and rewarding. The results show that there is a considerable amount of variety throughout the organization as to whether rewards and promotion are linked to the results of the performance evaluation or not. While there are arguments both for and against using performance evaluation for pay and reward choices, there is a substantial percentage of respondents who are unsure if it is a part of their appraisal.

In the thesis study conducted by Karen M. Katavich (2013) "*The Importance of Employee Satisfaction with Performance evaluation Systems,*" stated that performance evaluation satisfaction was determined by: managerial support, procedural fairness, increasing individuals' understanding as to how their role is helping the organization achieve its objectives, providing relevant and timely feedback, managerial commitment to the appraisal process, discussing career and personality development with managers, and fair and achievable goals.

The thesis "*The Employees' Perception of the Performance Evaluation System of the Local Government of Iloilo City, Philippines,*" of Phillip Bernard Capadosa in 2013 describes how performance evaluation is conducted in the Philippines. The research noted the opportunities and challenges of current system and made recommendations for their enrichment. Insights and considerations for future studies were also given.

Zachary Dechev (2010) in his research *“Effective Performance Evaluation – A Study into Relation between Employer Satisfaction and Optimizing Business Results,”* investigated the employees’ opinions about the performance evaluation and their attitude towards work. It was concluded that raising and maintaining employee’s engagement lies in the hands of an organization and requires a balanced blend of time, efforts, commitment and investment.

The dissertation of Yongbeom Hur (2007, University of Kentucky) *“Organizational Performance, Turnover, and Human Resource Management: Focusing on Municipal Police Services,”* investigated how human resources are critical to organizational performance in the public sector with the main question, “Do human resources really matter in the public sector, too?” Focusing on the crime control performance of municipal police departments, this research examined the relationships among turnover, police performance, and human resource management (HRM) characteristics by surveying police departments of the U.S. However, no significant relationships were found between commitment to HRM system (and individual practices) and organizational performance. The determinants of HRM practices in the public organizations are not likely to be the results of rational strategic decision-making processes, but are derived from institutional and political forces, thus, a positive relationship between HRM practices or characteristics and organizational performance in the municipal police departments is unlikely.

B. METHODOLOGY

i. Research Design

The research method of this study is descriptive-correlational. This method involves describing a state of affairs as carefully and completely as possible; this also involves determining the relationship between variables.

This research used a survey questionnaire to collect and gather the needed information and data to answer all the questions posed in the study.

A questionnaire is a highly structured data collection technique whereby each respondent is asked the same questions (McColl, 1993). It is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. The questionnaire used in this study is researcher-made. This was prepared through numerous considerations as follows: (1) Comparing and cross-checking with related studies questionnaires (2) Referring to human resource management references (3) Basing the questionnaire items on variables of the study (4) Integrating in the questionnaire the present GSIS Performance Evaluation System.

The researcher-made questionnaire was piloted and tested for its accuracy and completeness with the 13 employees of the GSIS Maasin branch as respondents. The pilot test conducted was able to provide important information such as: (1) adequacy of the research instrument; (2) pertinence of the research instrument in relation to the hypotheses tested in the study; (3) viability of the outcomes and; (4) comprehensibility of the questions/items to the research respondents. This research found the instrument suitable and relevant to achieve the objectives of the research.

The first part of the questionnaire was on the personal data or professional profiles of the respondents. The second part dealt with Strategies; specifically the questions implied the perceptions of the respondents with regards to the degree of implementation of vision, mission, quality policy, and strategic human resource management. This part evaluated and described the relationship between Strategies and Employees Performance. The third part included questions on HRM practices which could impact Employees Performance in the GSIS. The questions were on the following topics: (1) Job Design; (2) Work Stress; (3) Recruitment; (4) Selection and Placement; (5) Training and Development; (6) Career and Talent Management; (7) Compensation and Rewards System; (8) Creating a positive work environment. This part of the questionnaire addressed the second hypothesis about the correlation between HRM practices and employees performance. The fourth part focused on employees’ performance, specifically, the questions raised were about the performance evaluation system which explicitly includes indicators such as: (1) performance rating activities; (2) performance evaluation practices and; (3) performance evaluation standards. The last part of the questionnaire derived

recommendations from the respondents for the three areas, namely, human resource management strategies, practices and employees' performance.

ii. Research Locale

This study focused on the feedback of GSIS Region VIII employees particularly in Catbalogan, Borongan, Catarman, Maasin, Ormoc and Tacloban offices. Maasin branch employees were the respondents during the pilot testing of the survey instrument, and were excluded in the actual study.

GSIS Catbalogan is situated in Catbalogan City, the capital of Samar Province. The branch is categorized as small which is comprised of a membership coverage of 147 agencies with 12,012 active members and 3,269 pensioners.

Borongan is an extension office of Catbalogan branch. The office is located in Borongan City, the capital of Eastern Samar. The office currently covers 81 agencies of the Eastern Samar Province which is composed of 6,641 active members and 2,201 pensioners.

The Catarman extension office is also under the Catbalogan branch. The office is located in Catarman City, regarded as the first class municipality and capital of Northern Samar. Presently, the office manages GSIS operations of the government offices in Northern Samar with a total coverage of 129 agencies, 10,432 active members and 2,644 pensioners.

The Tacloban office is categorized as big branch having a total judicial jurisdiction of 353 agencies, 28,462 active members and 9,696 pensioners. The office is in the center of the first income class highly urbanized town and the capital of Leyte, Tacloban City.

The Ormoc extension office, on the other hand, is the extended office of Tacloban branch. The office is situated in Ormoc City which is considered as the capital municipality belonging to the 4th district of Leyte. At present, the office has a total jurisdiction of 83 agencies, 6,990 active members and 2,227 pensioners.

The Maasin branch office, categorized as small, was the area chosen for the pilot test of the research instrument, located in the capital of Southern Leyte. Currently, the office is managing the GSIS operations in the province of Southern Leyte and some areas in Leyte. The branch is handling a total coverage of 195 agencies, 10,050 active members and 4,522 pensioners.

Table 1. Distribution of respondents by location

Office Name	Division Chief	Team Leader	Non-Supervisor	Total
Catbalogan	2	2	12	16
Borongan	0	1	4	5
Catarman	0	1	3	4
Tacloban	0	0	22	22
Ormoc	0	1	3	4
Total Respondents				51

iii. Research Sampling

The respondents for this research were the employees of GSIS Region VIII. Six branches were included with the respondents classified according to positions held. A total of 51 employees were the respondents of this study composed of Division Chiefs, Team Leaders and Non-Supervisors.

Considering the limited population size of the employees of GSIS Region VIII, total enumeration was applied.

Table 2. Distribution of respondents by position

Position	No. of Respondents
Division Chief	2
Team Leader	5
Non-Supervisor	44
Total	51

iv. Data Collection

Before the actual collection of data commenced, permission was sought from the Vice President, Visayas Operations and Senior Vice President, Visayas and Mindanao Group. As soon as the permit was granted, the data gathering activity was conducted. The survey questionnaires were sent to the respective KMG Chapter Presidents in the Tacloban and Catbalogan branch offices. While in Ormoc, Catarman and Borongan extension offices, the survey instrument was sent to their respective extension office heads. The assigned administrators of the survey instrument were the union chapter presidents of the branches and extension office heads for the extension offices.

This research ensured effective data gathering through successful administration of the survey instrument in the Region VIII Branch Offices. The following responsibilities were undertaken to make sure that effective and appropriate procedure were observed during the conduct of the survey instrument: (1) Coordinated with the KMG Chapter Presidents and Extension Heads of the Region VIII branch offices for the successful conduct of the questionnaire survey; (2) Prepared specific guidelines for the conduct of the survey; (3) Ensured the integrity and validity of this study by following proper guidelines in the administration of the instrument; (4) Established the names of the respondents; (5) Prepared pertinent documents and other materials in the administration of questionnaire; (6) Managed the retrieval of questionnaires through the KMG Chapter Presidents and Extension Office Heads and ensured that the retrieved questionnaires were free from manipulations of any sort; (7) Coordinated with the respondents to validate the answers found in the accomplished instrument; (8) Scanned and encoded survey turnout regarding the recommendations of the respondents about the three areas of focus on this study; (9) Prepared documentation to summarize results and organize the raw data; (10) Drew findings with the aid of statistical tools and indices through the assistance of a professional statistician.

v. Data Analysis

All the accomplished questionnaires retrieved were checked and inspected to assure their completeness before they were coded for tabulation and analysis.

The degrees of implementation of human resource management strategies and practices and the indicators of employees' performance were presented through their computed means. Overall mean for each of the human resource management strategy was also presented to achieve a clear interpretation of the data.

The correlations of the variables on the degree of implementation of the GSIS strategies, human resource management practices and the performance of employees were analyzed using Spearman correlation coefficients. This statistical tool was used in order to achieve the reliability and objective interpretation of the results.

The data were tallied on a spreadsheet and processed using the Statistical Package for Social Science (SPSS) which is the most widely used software for analysis of quantitative data for social sciences and other related researches.

The following null hypotheses were formulated and tested at the 0.05 level of significance:

- (1) There is no significant relationship between Human Resource Management Strategies and Employees' Performance of the GSIS.
- (2) There is no significant relationship between Human Resource Management Practices and Employees' Performance of the GSIS.

C. Result

Degree of Implementation of the Human Resource Management Strategies of GSIS

Table 3 below shows the degree of implementation of vision statements of the GSIS with the computed means and corresponding interpretations.

Table 3. Perceived Degree of Implementation of Vision of GSIS as a Human Resource Management Strategy

Vision Statements	Mean	Interpretation
Within the past five years GSIS has been able to rebuild its institution as the premier pension fund and as a world class center for member service	3.31	Moderately Implemented
GSIS within the past five years has been transformed to be an organization that is transparent, autonomous, and beyond public reproach	3.31	Moderately Implemented
GSIS demonstrates a passion for providing the highest quality of service to its members at every level	3.41	Moderately Implemented
Overall	3.35	Moderately Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

It is shown that GSIS Region VIII within the last five years has moderately implemented its vision with the overall mean score of 3.35. The respondents perceived the current GSIS administration has been able within the past five years to rebuild the GSIS as the premier pension fund institution and as a world-class center for member service, transformed the organization to be transparent autonomous and beyond public reproach and demonstrated a passion for providing the highest quality of service to its members at every level.

The degree of implementation of the GSIS vision as a strategy is perceived to be due to the efforts of the current GSIS administration. The agency is currently putting its efforts in rebuilding the organization as the premier pension fund institution and as a world-class center for member-service. Its present thrust is to make the system more transparent, consultative and member-focused. In order to achieve its vision it has implemented various reforms to meet pensioners and members' needs. GSIS top management and executives have been successful in making the institution more responsive by instituting policy reforms that focus on the needs of members and pensioners. Part of its strategy is reviewing and revising procedures to make it more convenient for members to apply and claim their benefits and by taking measures to ensure the financial sustainability of the social insurance fund.

The degree of implementation of the mission statement of the GSIS is presented in Table 4. Each statement is evaluated through the computed mean with the corresponding interpretation.

GSIS is depicted as having highly implemented its social mission to promote an efficient organization that is fully-automated and member-focused with a mean score of 3.51. While, the respective mean scores of 3.47, 3.35, 3.18, and 3.31 indicated that the system moderately implemented its mission on continuous improvement, the system's financial viability and sustainability, staffs' recruitment and retention, and members' empowerment. The overall mean score of 3.36 indicates that the GSIS moderately implemented its overall mission.

Table 4. Perceived Degree of Implementation of the GSIS Mission as a Human Resource Management Strategy

Mission Statements	Mean	Interpretation
GSIS pursues its social mission to promote an efficient organization that is fully-automated and member-focused	3.51	Highly Implemented
GSIS relentlessly strives for continual improvement of its services driven by integrity, professionalism, and a culture of public service	3.47	Moderately Implemented
GSIS sustains the financial viability of the system and ensures its prolonged actuarial life, for the benefit not only of its existing members, but also the next generation of government employees	3.35	Moderately Implemented

GSIS restores the pride of the system through recruiting and retaining staffs that share this commitment	3.18	Moderately Implemented
GSIS empowers its members to enable them to participate in the evolution of the institution	3.31	Moderately Implemented
Overall	3.36	Moderately Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

Member-focused policies and programs are implemented by the system to fulfill the GSIS mission. Results of the policies are the improved services and benefits to pensioners and better access to GSIS loans. Additional Service Access Points (959 kiosks) are available for transacting members and pensioners and the renewal of partnership with the Land Bank of the Philippines. Sanctions are already waived for employees and agencies that are delayed, deficient in premium payments while at the same time adopting more clientele-friendly options in restoring membership status. Another is the more intensified implementation of the GSIS Scholarship Program with simplified and streamlined procedures and documentary requirements. It is observed that GSIS is now more committed to a responsible management of the members' investments.

Table 5 displays the means and the corresponding interpretations of the quality policy statements of the GSIS. The data depicts the degree of implementation of the quality policy of the system.

Table 5. Perceived Degree of Implementation of the Quality Policy as a Human Resource Management Strategy

Quality Policy Statements	Mean	Interpretation
GSIS is committed to provide quality service to its members for all their social security benefits	3.49	Moderately Implemented
GSIS embraced a culture of continuous learning through continued evaluation of its system and processes for effectiveness, efficiency, and compliance with legal and other regulatory requirements	3.33	Moderately Implemented
GSIS invests in the competence of its people through continued professional development.	3.08	Moderately Implemented
Overall	3.30	Moderately Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

The table above indicates that the GSIS moderately implemented its policy regarding quality service, culture of continuous learning and system development, and professional development. The 3.30 overall mean score specifies that the system moderately implemented its quality policy.

As a result of the efforts undertaken by the GSIS to justify its quality policy, majority of the branches under the Visayas Functional Group got excellent ratings during the Anti-Red Tape Act of 2007 (ARTA) Watch conducted by the Civil Service Commission in 2015.

However it is to be stressed that ARTA Watch is conducted to check and evaluate efficiency in the delivery of government service to the public by reducing bureaucratic red tape and preventing graft and corruption. The evaluation is usually focused on the efficiency of the frontline services of government entities. Support or backline services such as billing, collection and reconciliation quality are not among the criteria.

The following are the ARTA ratings of the branches:

Table 6. Civil Service Commission Anti-Red Tape Act of 2007 (ARTA) Watch Rating for GSIS Branch Offices in the Visayas

GSIS BRANCHES	2012	2013	2014	2015
BACOLOD	68.40	91.57	90.54	92.56
BOHOL	71.54	93.28	90.68	93.12

CATBALOGAN	87.19	N/A	94.20	93.69
BORONGAN	81.99	N/A	92.96	92.41
CATARMAN	84.81	N/A	92.19	92.17
CEBU	83.79	N/A	89.25	88.73
DUMAGUETE	76.15	89.85	94.27	92.32
ILOILO	83.34	N/A	86.51	93.45
AKLAN	66.17	89.10	92.17	92.05
ANTIQUÉ	74.10	92.70	83.05	94.63
MAASIN	81.10	N/A	88.17	93.86
ROXAS	67.08	86.12	93.58	92.78
TACLOBAN	80.43	N/A	93.86	87.75
ORMOC	78.03	89.71	88.68	87.79
Average	77.44	90.33	90.72	91.95

Data were taken during the Public Sector Union Dialogue conducted by Vice President Joseph Philip T. Andres in Maasin City on November 04, 2015.

Shown in Table 7 below is the degree of implementation of strategic HRM in the system. Presented are the computed means of the Strategic HRM Statements and the corresponding interpretations.

GSIS has moderately implemented one human resource management strategy of Strategic HRM regarding the system's capacity to link its strategies with the vision and mission of the organization. However, Table 6 indicates that the system failed to implement the 11 Strategies of Strategic HRM. The 2.77 overall mean score indicates that the system in totality failed to link its crucial strategies to human resource management.

Table 7. Perceived Degree of Implementation of Strategic HRM as a Strategy of GSIS

Strategic HRM Statements	Mean	Interpretation
Establishes policies, programs and practices that influence employees' behavior, attitude and performance	2.98	Not Implemented
Structures job and departments to maximize cross training and knowledge sharing	2.71	Not Implemented
Designs compensation system to reward efficiency	2.51	Not Implemented
Selects and promotes employees with versatile skills	2.59	Not Implemented
Designs compensation system to reward creativity and innovation	2.49	Not Implemented
Educates employees about product/service differentiating features	2.78	Not Implemented
Creates marketing campaign to promote special products features	2.86	Not Implemented
Recruits and selects candidates with strong customer service and customer relation skills	2.69	Not Implemented
Focuses reward strategies on customer satisfaction	2.86	Not Implemented
Emphasizes versatility and adaptability as products and services are subject to change	2.86	Not Implemented
Links strategies with the vision and mission of the organization	3.12	Moderately Implemented
Overall	2.77	Not Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

Majority believe that GSIS links its strategies to the vision and mission of the organization. However it should be noted that majority of the respondents are not as unanimous as to factors such as effectiveness of the compensation and rewards scheme, and the selection and advancement of employees in relation to skills. The result portrays the current situation of the GSIS, in which employees of the system are demanding for the immediate approval of the Compensation and Position Classification System (CPCS) and also the granting of additional benefits. In terms of selection and advancement, the result shows employees' perceptions regarding biases of the performance appraisal system, in which currently GSIS though it links performance to bonuses, merit increases and promotions, many of the respondents still perceive the current GSIS performance evaluation system as needing improvement to jettison some biases and inefficiencies.

The current changes in the GSIS policies, systems and procedures support the idea of Mathis and Jackson (2010) that organizational vision and mission should be responsive to changes in the internal and external environment in relation to the organization's strengths and weaknesses, and opportunities and threats.

Degree of Implementation of the Human Resource Management Practices of GSIS

The level of implementation of the job design as a human resource management strategy is shown in Table 8 below. The level of implementation is presented through mean scores and their corresponding interpretation.

The data reveal that the GSIS moderately implemented the strategies of Job Design with an overall mean score of 3.04. However, they show that GSIS did not implement strategies in the following: (1) job descriptions that describe what tasks are included, how and when the tasks are done; (2) information about factors that could affect work; (3) opportunities to grow by allowing employees to use different skills and talents to do a number of different activities in their job and; (4) giving employees the chance to make decisions in their jobs. The aforementioned Strategies have mean scores of 2.92, 2.84, 2.90 and 2.96 respectively.

The automation of the GSIS operating system greatly helped in improving the workflow and work processes in the GSIS.

Table 8. Perceived Degree of Implementation of the Job Design Practices of GSIS

Strategies of Job Design	Mean	Interpretation
Tasks in my job are effectively organized	3.08	Moderately Implemented
To provide employees with a thorough job description	3.00	Moderately Implemented
Job description describes what tasks are included, how and when the tasks are done	2.92	Not Implemented
To provide employees with information about factors that could affect my work	2.84	Not Implemented
To provide employees opportunities to grow by allowing me to use different skills and talents to do a number of different activities in my job	2.90	Not Implemented
Employees are able to see a completed product or project or some visible outcome that creates a sense of accomplishment	3.06	Moderately Implemented
The tasks that employees performed have some meaningful impact on the organization or the external environment	3.27	Moderately Implemented
Employees have some control over their job by given them the chance to make decisions on their job	2.96	Not Implemented
Job includes some opportunity to show that the tasks are done properly	3.18	Moderately Implemented
Employees understand business goals that are to be met	3.18	Moderately Implemented
Overall	3.04	Moderately Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

The Systems Applications Products (SAP) had helped in organizing the tasks, duties and responsibilities into productive units of work in the different functional groups in the GSIS. The SAP also enabled equal and effective distribution of workloads of employees. Since year 2007, GSIS adapted full-automation of all its business processes from the top down. Just recently GSIS implemented the Electronic Billing and Collection System (eBCS), eGSIS Mo (Members can now view their accounts through the Web), and payments through eCrediting Facility of Retirement and Life Insurance Benefits. These recent developments have helped in easing the workload of all the employees across GSIS. However, the respondents of this study still perceive the system as not clearly providing its employees in "black and white" a thorough description of their jobs, which sometime cause conflict among employees. Due to stiff control in the GSIS operating system, not all functions and processes involved to finish a particular piece of work can be performed by GSIS branch offices. For instance, a particular piece of work

still needs to be forwarded to various working units across GSIS before the work can be completed; such control, most of the time, causes delay in the processing of transactions. The limited access granted to program users in branch offices limit the capacity of the branches to expedite processing and this has also lessened the autonomy of the offices to make independent decisions to improve and manage their work performance. Currently, there are crucial functions that are being assigned to various offices in the GSIS home office; this business process dependency is limiting the capacity of the users in the branch to take total control of their performance.

Shown in Table 9 are the mean scores and the corresponding interpretations on the perceived degree of implementation of work stress management strategies in the GSIS.

It shows that GSIS failed to implement strategies of Work Stress Management in the system with an overall mean score of 2.70. It can be viewed that only one strategy of Work Stress was implemented by the GSIS. The mean score of 3.02 illustrates that GSIS moderately implemented compliance with all government and safety laws. GSIS has not implemented strategies of work stress regarding the management of: (1) physical arrangement and demands placed on individuals with special needs; (2) ergonomic problems and hazards; (3) cumulative trauma disorders and musculoskeletal and repetitive motion problems and; (4) risk management.

Table 9. Perceived Degree of Implementation of the Work Stress Management Practices of GSIS

Strategies of Work Stress Management	Mean	Interpretation
My workplace is designed and continually studied to accommodate physical demands placed on individuals	2.90	Not Implemented
Provides financial and other support to address work stress issues	2.47	Not Implemented
Gives employees opportunity to get involvement in reducing work stations' repetitive stress and cumulative trauma problems	2.51	Not Implemented
Reviewing jobs with ergonomics problems such as improper equipment, seating, lighting and other engineering problems	2.65	Not Implemented
Controls ergonomics hazards	2.59	Not Implemented
Managers and supervisors are trained to observe signs of cumulative trauma disorders and how to respond to employees' complaints about musculoskeletal and repetitive motion problems	2.47	Not Implemented
Maintains a safe workplace for all by seeking the safest working methods.	2.96	Not Implemented
Complies with all government safety laws	3.02	Moderately Implemented
Informs employees of any known risk and trains them on risk management	2.71	Not Implemented
Overall	2.70	Not Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

The struggle of the current GSIS administration to uphold the culture of competence and excellence in the organization also instigated the move to overhaul the old workplaces set up of GSIS offices. Currently, the current GSIS administration is directing managers to conform to the design of the Civil Service Commission in compliance with the ARTA. All employees are also provided with complete resources to be able to perform on their job and meet the standards of the organization. Although, it took GSIS more than six months to rehabilitate the Tacloban Branch in the aftermath of super typhoon Yolanda due to lack of qualified bidders, it should be noted that the office became more than restored and fully operative in less than a year when the tragedy happened.

Table 10 displays the degree of implementation of recruitment as a human resource management strategy. Also depicted are the means scores with their corresponding interpretations.

Table 10. Perceived Degree of Implementation of the Recruitment Practice of GSIS

Strategies of Recruitment	Mean	Interpretation
Establishes a policy for recruitment and hiring, including criteria, procedures, responsibilities, and applicability of diversity and affirmative action	3.02	Moderately Implemented

Engages in short-term and long- term strategic planning	2.94	Not Implemented
Identifies the applicable barriers to equal employment opportunity	2.75	Not Implemented
Ensures a communication network to reach interested persons including disabled people, older people and women	3.00	Moderately Implemented
Communicates the competencies, skills and abilities needed	3.02	Moderately Implemented
Accommodates special arrangements especially to physically challenged applicants	2.80	Not Implemented
Participates in career and job fairs and open houses	2.53	Not Implemented
Partners with organizations that have missions to serve targeted groups	2.75	Not Implemented
Eliminates practices that exclude or present barriers to minorities, women, people with disabilities, older people or any individual	2.84	Not Implemented
Overall	2.85	Not Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

The table indicates an overall mean of 2.85. This specifies that GSIS has failed to implement the strategies of Recruitment in the system. Specifically, GSIS did not implement the following strategies: (1) engages in short-term and long- term strategic planning; (2) identifies the applicable barriers to equal employment opportunity; (3) accommodates special arrangements especially to physically challenged applicants; (4) participates in career and job fairs and open houses; (5) partners with organizations that have missions to serve targeted groups and; (6) eliminates practices that exclude or present barriers to minorities, women, people with disabilities, older people or any individual.

The mean scores 3.02, 3.00, and 3.02 respectively signify that GSIS moderately implemented strategies such as: (1) establishing a policy for recruitment and hiring including criteria, procedures, responsibilities, and applicability of diversity and affirmative action; (2) ensuring a communication network to reach interested persons including disabled people, older people and women and; (3) communicating the competencies, skills and abilities needed.

The total corps of employees is composed of 50 or 62% females and 31 or 38% males. GSIS is currently advocating Gender Sensitivity and Awareness throughout the organization, all employees of the system are required by Human Resource Office to attend Gender Awareness and Development Seminars conducted by the Civil Service Commission. GSIS is also regulating policies to stop and prevent sexual harassment in the workplace. Detailed in Office Order No. 257-15 is the commitment of the GSIS to catalyze and accelerate gender mainstreaming within the organization, and to conform to the Philippine Commission on Women (PCW) Memorandum Circular No. 2011-01. The office order informed executives and all employees regarding the guidelines and procedures in the establishment of the Gender and Development (GAD) Focal Point System (GFPS) in the GSIS Branch Offices. Specifically, all were informed regarding individual participation to respond to gender gaps and issues faced by clients and constituencies, women and men employees, and marginalized sectors. The office order also mentioned that all personnel in the GSIS should be capacitated on GAD. While Office Order No. 247-14 enjoined all officials and employees to use gender-fair language in all GSIS official documents, communications, issuances, and publications. This is in compliance with the guidelines set forth by Civil Service Commission Circular No. 12 series of 2005 (CSC mc 12, s. 2005) issued on 31 March 2005 and consistent with the GSIS Annual Gender and Development Plan for Fiscal year 2014.

However, despite efforts of the GSIS current administration to overcome gender issues, the survey shows that factors involving diversity and special accommodation to minorities, people with disabilities, older people or any individual with special need in connection to Equal Employment Opportunity (EEO) are not given much emphasis by the system.

Indicated in Table 11 is the perceived degree of implementation of the strategies of selection and placement. Level of implementation was represented using the mean scores with their respective interpretations.

The GSIS has moderately implemented the strategies of selection and placement with the overall mean score of 3.17. The table shows that GSIS has not implemented background investigation of the candidates which has a mean score of 2.67. Specifically, the mean scores 3.18, 3.39, 3.27 and 3.33 respectively indicate that the GSIS moderately implemented strategies such as: (1) initial screening of candidates; (2) recruitment exam; (3) comprehensive interview; (4) medical/physical examination.

Due to the move of the institution to professionalize the GSIS workforce, the GSIS in the present administration has been strict with regards to sticking to qualification standards.

Table 11. Perceived Degree of Implementation of the Selection and Placement Practices of GSIS

Strategies of Selection and Placement	Mean	Interpretation
There is an initial Screening of Candidates	3.18	Moderately Implemented
Recruitment exam is conducted	3.39	Moderately Implemented
Comprehensive Interview is conducted	3.27	Moderately Implemented
There is Background Investigation of the candidates	2.67	Not Implemented
Medical/Physical Examination is required	3.33	Moderately Implemented
Overall	3.17	Moderately Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

During the Legislative Assembly on July 01, 2011, the GSIS current administration pointed out the need to professionalize the GSIS. The current administration realized that crucial to attaining the vision and mission of the institution is the need to upgrade the qualification standards of the system. The qualification standards on executives and employees should be enforced in the same way that GSIS members fully comply with the prescribed qualification standards in their respective agencies. Many employees who are currently aspiring and applying for division chief position are now pursuing master's degree as this is part of the qualification standards in the position. Division Chiefs also who are aspiring for managerial and executive positions are pursuing doctoral degree to enhance their leadership and managerial skills.

In the selection, placement and advancement of employees, people concerned are strict in the implementation of the policies pertaining to screening and evaluating of candidates and also in the compliance of the basic requirements for employment required by the Human Resource Office. However, since job fit and organization fit are crucial factors also in managing human resource for selection and placement, it is therefore necessary that GSIS should conduct background investigation of applicants for level entry positions and candidates for advancement.

Displayed in Table 12 are data on the degree of implementation of the strategies of training and development as perceived by the employees. The level of implementation was depicted using the computed mean scores with the corresponding interpretations.

It is indicated that GSIS failed to implement all the strategies of training and development with an overall rating of 2.67. The table shows that crucial practices of training and development were not implemented by the GSIS such as: (1) teaching new skills, knowledge, attitude and behavior; (2) assessment of training and development needs; (3) focusing training on individual jobs that will enable everyone's performance in their jobs; (4) development programs to prepare for future responsibilities; (5) mentoring and coaching; (6) assessment centers to enhance leadership and managerial skills; (7) diversity training; (8) simulations, lecture courses and seminars and; (9) maximizing work experience through job rotations, assistant-to-positions and committee assignment.

Currently, GSIS strives to provide its employees with training and development activities since these are crucial in achieving organizational goals. GSIS is now undertaking training and development programs on leadership, teambuilding and staff development.

Table 12. Perceived Degree of Implementation of Training and Development at GSIS

Strategies of Training and Development	Mean	Interpretation
Training involves teaching new skills, knowledge, attitude and behavior	2.98	Not Implemented
Assessment of Training and Development Needs	2.84	Not Implemented

Training is focus on individual jobs and will help everyone performs immediately on their jobs	2.76	Not Implemented
Implements development programs to prepare employees for future responsibilities	2.65	Not Implemented
Employees are given mentoring and coaching	2.51	Not Implemented
Assessment Centers are conducted to enhance leadership and managerial skills	2.51	Not Implemented
Employees are provided with diversity training	2.51	Not Implemented
Trainings are effectively conducted through simulations, lecture courses and seminars	2.82	Not Implemented
Maximizes employees' work experience through job rotations, assistant-to-positions and committee assignment	2.47	Not Implemented
Overall	2.67	Not Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

Executives and managers are given coaching and mentoring programs to develop their leadership and managerial skills. Trainers for these programs are highly profiled consultants coming from renowned consulting firms and institutions here in the Philippines and abroad such as iCLD Consulting Inc., Cornerstone Consultancy, Development Dimensions International and many others. Division Chiefs are provided with training on Fundamentals of Leadership, Building Effective Teams, Performance Management, Conflict Management and Negotiation, Problem Solving and Decision-Making and Competency Assessment. While rank and file employees are provided with training programs such as Self-Management, Self-Awareness, Mikropono (Communication Skills Development), Annual Staff Development Activities and Teambuilding. Annually, GSIS offices are also provided with a budget to conduct sports fest. Usually these sport activities are conducted region wide; specifically, this is for the purpose of developing sportsmanship and camaraderie among all the employees of the branch offices within the region.

Nevertheless, it should be stressed that although everyone in the system had experienced staff development, not all are given equal opportunity for training and development. Currently, the system focuses its training and development programs on executives, managers and division chiefs. Majority of the respondents of this study were rank-and-file employees, which probably led to the results and findings. Therefore, this study points out that there is a need for GSIS to maximize its training and development efforts by providing equal opportunity to all.

The level of implementation of the strategies of career and talent management as perceived by the respondents is shown in Table 13. The table also shows mean score for each of the strategy and the overall mean score for the strategies in general. Corresponding interpretations are also shown to depict a precise explanation of the data.

Indicates is a 2.62 overall mean score. This implies that in totality GSIS has not implemented the strategies of career and talent management. The table shows that GSIS was able to moderately implement the strategy which involved communicating of future goals and strategies to employees. Explicitly, the system failed to implement strategies such as: (1) career and succession planning; (2) offering financial assistance for tuition fees or allowances of employee undertaking personality development; (3) providing time for employees to learn; (4) career planning consistent with strategic and HR planning; (5) comparable growth and opportunities for minorities and women and; (5) helping employees to manage and achieve work life balance.

GSIS recently issued Policy and Procedural Guidelines (PPG) Nos. 290-15 and 291-15. Respectively, these PPGs specifically deal with the establishment of the Cross-Training Program for the Rank-and-File and Leadership Development Program for the High Potential and High Performance Employees.

Table 13. Perceived Degree of Implementation of the Career and Talent Management Practices of GSIS

Strategies of Career and Talent Management	Mean	Interpretation
GSIS communicates clearly future goals and strategies	3.02	Moderately Implemented
Conducts career and succession planning	2.61	Not Implemented

Offering financial assistance for tuition fees or allowances of employees undertaking personality development	2.29	Not Implemented
Providing time for employees to learn	2.55	Not Implemented
Career Planning consistent with strategic and HR planning	2.61	Not Implemented
Minorities and Women have Comparable Opportunities for Growth and Development	2.86	Not Implemented
Help employees manage and achieve work life balance	2.41	Not Implemented
Overall	2.62	Not Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

A cross-training program is established primarily for the purpose of providing the rank and file employees with opportunities for job enrichment and career development. The training program is established in order to (1) increase employees' appreciation of interrelationships between tasks of different functional units, thus, promoting work integration; (2) enable employees to gain new knowledge and/or varied application of present skills/knowledge which would enhance their abilities to respond to increasing complexities of current or future jobs; (3) promote a more holistic orientation by providing mobility across jobs and broadening the employees' exposure to various functions/tasks; and (4) provide a ready supply of human resources/replacements for vacancies that may exist in the future.

Whereas, PPG 291-15 is established based on the underlying fact that globally, leadership is viewed as the highest priority issue of executives, in the research conducted by Deloitte Consulting on Global Human Capital Trends, only 55% of managerial vacancies are filled internally, with the proportion of these appointments decreasing going from 58% for middle management and to just 50% for senior management. At upper management levels in particular, employees are struggling to find suitable internal candidates. In view of the former, there is a need to provide stability in leadership positions to ensure uninterrupted delivery of programs and services to GSIS stakeholders. The Leadership Development Program is primarily established to give the GSIS systematic process to identify talented employees and provide development opportunities to fill key or critical organizational positions. This program aims to achieve the following objectives as follows: (1) provide an internal source of replacement thereby expanding the pool of candidates, in case of vacancies in leadership positions; (2) ensure continuity in workflow process and management strategies to achieve long term objectives and goals of the system; (3) provide rewarding opportunities to high potential and high performance employees which shall encourage employee retention and cost control since developing internal talent is less expensive than hiring from the outside.

These career development programs are embodied in the Competency Framework of GSIS co-developed by the Human Resource Office (HRO) and the Development Dimensions International. This framework is relative to the aim of the organization of "Building Organizational Talent." Specifically this refers to systems and processes to attract, develop, engage and retain talented individuals; creating a work environment where people can realize their full potential, thus, allowing the organization to meet current and future business challenges. As reflected in the result, only one strategy is currently implemented by the system in relation to career planning and development. The aforementioned PPGs if fully implemented will partly resolve the issues on career and succession planning, and other issues pertaining to maximizing employees' full potential and work experience.

Illustrated in Table 14 are the perceptions of employees regarding the degree of implementation of the strategies of compensation and rewards. Computed mean scores and their corresponding interpretations are also presented in the table.

The table shows an overall mean score of 2.60. This connotes that GSIS in general was not able to implement the strategies of compensation and rewards. The system had moderately implemented strategies such as: (1) providing health/medical insurance; (2) providing life/disability insurance and; (3) providing effective retirement/pension plans.

Specifically, it is shown that the system was not able to implement strategies such as: (1) competitive compensation and benefits; (2) linking performance evaluation to compensation increases; (3) compensation increases are predetermined before appraisal; (4) conducting and discussing compensation review; (5) giving across-the-board-increases; (6) increasing pay scale annually; (7) conducting industry comparisons of compensation; (8) giving

holiday bonuses to all employees; (9) providing paid time off; (10) providing educational assistance for employees' children and; (11) providing work-life support.

Table 14. Perceived Degree of Implementation of the Compensation and Rewards Practices of GSIS

Strategies of Compensation and Rewards	Mean	Interpretation
Offers competitive compensation and benefits	2.55	Not Implemented
Links performance evaluation to compensation increases	2.59	Not Implemented
Compensation increases are predetermined before appraisal	2.49	Not Implemented
Conducting and discussing the compensation review	2.25	Not Implemented
Gives across-the-board raises	2.06	Not Implemented
Pay scales increased annually	1.98	Not Implemented
Conducts industry comparisons of compensation	2.29	Not Implemented
Holiday bonuses given to all employees	2.49	Not Implemented
Provides health/medical insurance	3.39	Moderately Implemented
Provides life/disability insurance	3.22	Moderately Implemented
Provides paid time off	2.86	Not Implemented
Provides effective retirement/pension plans	3.25	Moderately Implemented
Provides educational assistance for the employees' children	2.33	Not Implemented
Provides work-life support	2.57	Not Implemented
Overall	2.60	Not Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

Demand for salary increases, additional benefits and bonuses is the major issue currently confronted by the GSIS. Based on KMG's opinion, employees' resignation is caused by RA 10149 known as the GOCC Act of 2011. The law is consistently disregarding employees need and satisfaction. Below is the Human Resource Office records showing the data of employees who retired and resigned in the GSIS for the last five years.

Table 15. Data on Employees Who Retired and Resigned as of October 2015

as of 10/28/2015	2011		2012		2013		2014		2015		Total
	others	Visayas	others	Visayas	others	Visayas	others	Visayas	others	Visayas	
Retirement	4	2	13	-	19	-	24	1	22	-	85
Resignation	37	5	32	-	30	3	32	1	29	7	176
Total	41	7	45	-	49	3	56	2	51	7	261

Table 16 depicts the degree of implementation of creating a positive work environment. The degree is shown through the mean score of each strategy with the corresponding interpretation.

Table 16. Perceived Degree of Implementation of Creating a Positive Work Environment of GSIS

Strategies of Creating a Positive Work Environment	Mean	Interpretation
Creates a positive work environment	2.92	Not Implemented
Creates a culture of opportunity to contribute to organizational goals and experience personal growth	2.75	Not Implemented
Everyone is given equal chance to maximize work experience	2.73	Not Implemented
Employees are given freedom to unionize	3.04	Moderately Implemented

Employees have freedom of expression	2.76	Not Implemented
Overall	2.84	Not Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

The GSIS was not able to implement the strategies of creating a positive work environment to its employees with the overall mean score of 2.84. The table shows that GSIS has moderately implemented the strategy regarding the freedom of employees to unionize. The rest of the strategies with mean scores of 2.92, 2.75, 2.73 and 2.76 respectively were not implemented by the system such as: (1) creating a positive work environment; (2) creating a culture of opportunity to contribute to organizational goals and experience personal growth; (3) giving everyone equal chance to maximize work experience and; (4) giving employees freedom of expression.

The Kapisanan ng mga Manggagawa sa GSIS (KMG) is playing a big role in instigating and fighting for the rights and privileges of GSIS employees. The KMG is actively performing the following power and capacity: (1) protecting employees against subjectivity in management decisions regarding crucial human resource management practices; (2) representing union members during the deliberation in the selection, placement and advancement of employees; (3) representing the employees in the deliberation of performance appraisal rating and forced ranking; (4) has the power to recommend training and development programs to management and; (5) has the capacity to request for salary increase, additional benefits and bonuses. Employees across the organization are confident to express their sentiments and grievances knowing that they have their union to protect them against retaliation from management. The KMG is also a big factor in creating a positive work environment in the GSIS since management always recognizes KMG's voice when it comes to the needs of employees. However, with the recent change, due to the law enacted by the current Philippine administration, many employees in the system felt that their voice is not being recognized by the KMG and management; many are complaining and demanding for the immediate restoration of traditional benefits formerly enjoyed by GSIS workforce. Upon the enactment of RA 10149, the union has been struggling for equilibrium to resolve positions of employees and management. Basically, the major cause of the adverse findings in this area is the inability of the GSIS and KMG to resolve the demands of the employees to GCG and Malacañang.

The efforts of the current GSIS administration support the concept of Noe et. al, (2010) that human resource management practices such as designing job, recruitment, selection and placement, performance management, training and development, talent and career management, compensation and rewards system, and creating a positive environment would greatly impact employees' behavior, attitude and performance

Level of Performance of GSIS Employees

Data in Table 17 shows the level of performance of GSIS Region VIII employees in CY 2014. The data were taken from the records of the Human Resource Office of the GSIS.

Table 17. Level of Performance of GSIS Employees for CY 2014

Level of Performance	No. of Employees	Percentile
Outstanding	1	1%
Very Satisfactory	25	31%
Satisfactory	55	68%
Unsatisfactory	0	0%
Poor	0	0%
Total	81	100%

In CY 2014, only one employee got an outstanding rating, 25 employees obtained very satisfactory ratings while 55 employees earned satisfactory ratings. The distribution of the rating as to outstanding, very satisfactory and satisfactory in the GSIS branch offices depended upon the forced ranking distribution of the overall functional groups in the GSIS. The bases of the ranking were the ratings earned by the Executives leading the functional groups. The functional groups include Visayas, Mindanao, North Luzon, South Luzon, and all the responsibility centers and functional groups in the GSIS Home Office.

Detailed in Table 18 below is the distribution of the level of performance of employees as to age, gender, educational attainment and position.

It should be noted that the employee who got the outstanding rating belongs to the age range of 36-45. It is to be stressed that majority of the employees who belong to this group were born into an emerging world of technology and have grown up in the computer age with smart phones, laptops, tablets, internet and other touch screen technologies. Currently, managers in GSIS offices are very strict in giving outstanding rating to their subordinates as the human resource office requires them to submit various documents to justify the rating.

It should also be noted that the performance rating of employees showed the system's advocacy on gender equality and awareness. Male and female although not equal in number are receiving equal opportunities and treatment in the organization.

On the other hand, managers and division chiefs rank at the top of the list in the "very satisfactory" rating category. The result could be linked to the extensive effort of the GSIS in developing its executives, managers and division chiefs through mentoring, coaching and other developmental programs to enhance their leadership, managerial, decision-making, problem-solving and creative thinking skills.

However, employees under the age range of 46-55 occupy the lowest rank in the performance rating category "very satisfactory." According to Elissa Collier (2016), this group is regarded as stereotypes, expensive, difficult to manage, won't learn new skills, resist change, and aren't up to date with new technology. Most probably, this explains why this group is at the bottom of the list.

Table 18. Distribution of Level of Performance of GSIS Employees for CY 2014 as to Age, Gender, Educational Attainment and Position Held

Distribution	F	Outstanding		Very Satisfactory		Satisfactory	
		%	F	%	F	%	F
<u>Age Range</u>							
18-25	1			100%	1		
26-35	5			40%	2	60%	3
36-45	57	2%	1	28%	16	70%	40
46-55	13			23%	3	77%	10
56-65	5			60%	3	40%	2
<u>Gender</u>							
Male	31			32%	10	68%	21
Female	50	2%	1	30%	15	68%	34
<u>Educational Attainment</u>							
Bachelor's Degree	29			31%	9	69%	20
With Master's Units	13			23%	3	77%	10
Master's Degree	35	3%	1	34%	12	63%	22
With Doctoral Units	3			33%	1	67%	2
Doctoral Degree	1					100%	1
<u>Position Held</u>							
Manager	3			100%	3		
Division Chief	6			67%	4	33%	2
Rank and File	72	1%	1	25%	18	74%	53

Performance Indicators of GSIS

Table 19 presents the degree of implementation of the strategies of performance rating activities according to the respondents. The table presents the level of implementation through the computed mean scores and the corresponding interpretations.

Supervisors rating employees is the current method used by the GSIS. The table below shows that there is subjectivity and bias in the GSIS performance evaluation system. The mean scores 2.91 and 2.86 respectively indicate that: (1) employees are not contented with the ratings of their work performance and believe that; (2) their performance ratings do not reflect the real job performance of employees.

Table 19. Perceived Degree of Implementation of Performance Rating Activities

Performance Rating Activities	Mean	Interpretation
Supervisors rate employees	3.35	Moderately Implemented
Employees rate superiors	2.06	Not Implemented
Team members rating each other	2.04	Not Implemented
Employees rating themselves	2.43	Not Implemented
Outside sources rating employees	2.06	Not Implemented
Uses a variety of parties providing multisource, or 360-degree feedback in rating employees	2.10	Not Implemented
I am happy and contented with the result of my work performance	2.92	Not Implemented
My performance rating reflects my truest performance on the job	2.86	Not Implemented
Overall	2.48	Not Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

Hence, if objectives are unclear the appraisal may do more harm than good. This can include both individual and organizational level outcomes. Individual level outcomes may include de-motivation among employees and increased tension in the manager-appraisee relationship. Organizational level outcomes may incorporate a loss of credibility for the HR department and a loss of managerial focus (Torrington *et. al.*, 2008).

Shown in Table 20 is the level of implementation of the strategies involved in carrying out critical performance evaluation practices. The level of implementation can be determined through the computed mean scores and their corresponding interpretations.

Table 20. Perceived Degree of Implementation of Performance Evaluation Practices

Performance Evaluation Practices	Mean	Interpretation
Makes clear what the organization expects	3.06	Moderately Implemented
Provides performance information to employees	2.82	Not Implemented
Identifies areas of success and needed development	2.69	Not Implemented
Documents performance for personnel records	2.98	Not Implemented
Identifies expected performance levels	2.96	Not Implemented
Encourages high levels of performance	3.06	Moderately Implemented
Measures individual performance; then evaluate	2.82	Not Implemented
Provides assistance as needed	2.76	Not Implemented
Rewards or disciplines depending on performance	2.71	Not Implemented
Outcomes of performance include: pay increases, incentive or rewards, promotions or advancement, training and development, career planning, and disciplinary actions	2.80	Not Implemented
Performance appraisers are trained to handle performance feedback effectively	2.55	Not Implemented
Overall	2.84	Not Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

In general, GSIS was not able to implement the strategies of performance evaluation practices with only an overall mean score of 2.84. GSIS was able to moderately implement communication of what the organization expects from its employees and was able to encourage high levels of performance. Specifically, the table shows that the system failed to implement the following strategies: (1) providing performance information to employees; (2)

identifying areas of success and needed development; (3) documenting performance for personnel records; (4) Identifying expected performance levels; (5) measuring and evaluating individual performance; (6) providing assistance as needed; (7) rewarding or disciplining depending on performance; (8) outcomes of performance that include: pay increases, incentive or rewards, promotions or advancement, training and development, career planning, and disciplinary actions; (9) training performance appraisers to handle performance feedback effectively.

At present, GSIS uses two components in rating employees' performance. The first component is work output which is 60% of the overall rating. Output is determined through performance deliverables found in the performance contract. Each employee has specific duties and responsibilities to be performed. The rating in this area depends upon the quantity and quality of the output. The second component is for the critical job factors and is 40% of the overall rating. GSIS considers the fact that personal characteristics of an employee will enable him to perform his job well. For managers, division chiefs and rank-and-file employees, these are composed of five levels as follows: (1) Knowledge of the Job; (2) Creativity and Innovation; (3) Decision-Making; (4) Problem-Solving Analysis and; (5) Interpersonal Relations. While for executives, there are six levels as follows: (1) Company Advocacy; (2) Planning and Goal Setting; (3) Organization/Time Management; (4) Controlling and Delegating; (5) Staff Development and; (6) Judgment.

Presented in Table 21 is the level of implementation of performance evaluation standards. This is illustrated through the use of mean scores and the corresponding interpretations.

The overall mean score of 2.63 shows that GSIS was not able to implement all the Strategies of Performance Evaluation Standards. Explicitly, GSIS did not implement the following strategies: (1) performance appraisal based on job analysis; (2) applying formal evaluation criteria that limit managerial discretion; (3) using a rating instrument link to job duties and responsibilities; (4) performing documentation of appraisal activities; (5) training supervisors in conducting appraisals; (6) implementing a review process that prevents one manager, acting alone, from controlling an employee's career; (7) counselling to help poor performers improve; (8) the performance appraisal method specifies the performance goals that an individual and manager identify together.

Table 21. Perceived Degree of Implementation of Performance Evaluation Standards

Performance Evaluation Standards	Mean	Interpretation
Performance appraisal is based on job analysis	2.71	Not Implemented
Applies formal evaluation criteria that limit managerial discretion	2.69	Not Implemented
Uses a rating instrument that linked to job duties and responsibilities	2.65	Not Implemented
Performs documentation of appraisal activities	2.75	Not Implemented
Trains supervisors in conducting appraisals	2.59	Not Implemented
Implements a review process that prevent one manager, acting alone, from controlling an employee's career	2.63	Not Implemented
Counseling to help poor performers improve	2.37	Not Implemented
Performance appraisal method specifies the performance goals that an individual and manager identify together	2.69	Not Implemented
Overall	2.63	Not Implemented

Legend: 3.50 – 4.00 highly implemented, 3.00 – 3.49 moderately implemented, 1.00 – 2.99 not implemented

Currently, the system lacks the mechanism on providing performance feedback to employees especially to poor performers. Giving employees' performance information right after every appraisal period will provide employees relevant information to help them perform their job better for the succeeding appraisal periods. Not giving employees correct and honest information regarding their work performance will hamper them from knowing their inadequacies and the critical areas of their work that should be improved. Strengthening performance evaluation standards is one way to help improve organizational performance.

According Joan E. Pynes in her book Human Resources Management for Public and Nonprofit Organizations (2004), requiring documentation by raters is crucial if employees and supervisors are to believe in the integrity of the process. The way that an appraisal process is used may be affected by the cultural context in which it takes place.

Relationship between Employees' Performance and the Strategies Employed and Human Resource Management Practices

Reflected in Table 22 is the correlation between human resource management strategies and employees performance. The respective correlation coefficients were analyzed using the Spearman correlation coefficient.

As depicted, all the three components that comprise the performance of employees of the system have failed to show a significant relationship to vision as one indicator of the strategies employed by the system. Their respective Spearman correlation coefficients of 0.23, 0.19, and 0.20 show little association between the two variables. This means that vision as strategy indicator does not have a significant influence upon the performance of employees of the system. Quality policy as strategy indicator shows little association with the component performance rating, the correlation coefficient 0.24 illustrates that quality policy as strategy indicator does not demonstrate a significant influence on the performance rating of employees. However the two indicators performance evaluation practices and performance evaluation standards show significant correlations to quality policy with 0.51 and 0.44 correlation coefficients respectively.

Table 22. Relationship Between the Strategies Employed and the Performance Indicators of GSIS

Strategy	Employees' Level of Performance		
	Performance Rating	Performance evaluation practices	Performance Evaluation Standards
Vision	0.23	0.19	0.20
Mission	0.37**	0.34**	0.33*
Quality Policy	0.24	0.51**	0.44**
Strategic HRM	0.38**	0.61**	0.61**

* $p < 0.05$; ** $p < 0.01$

Legend:

- Single asterisk means that the result is significant and the null hypothesis is rejected.
- Double asterisks means that the result is highly significant and the null hypothesis is rejected.
- No asterisk means the correlation IS NOT SIGNIFICANT and the null hypothesis is not rejected.
- Correlation coefficients such as .37, .34, .33, .38 .44 are weak correlations
- Correlation coefficients such as .51 and .61 are moderate correlations

The two strategy indicators namely mission and strategic HRM, on the other hand, show a significant relationship to employees' performance. Their respective correlation coefficients indicate a positive association between the two variables. The correlation coefficients 0.37, 0.34 and 0.33 of the mission as strategy indicator illustrate a significant influence on three employees' performance components namely, performance rating, performance evaluation practices and performance evaluation standards. The respective correlation coefficients 0.38, 0.61 and 0.61 respectively demonstrate that strategic HRM as strategy indicator has a significant influence on all the indicators of performance.

Table 22 also illustrates that the correlation coefficients 0.37, 0.34, 0.33, 0.38 and 0.44 indicate weak relationships, while the correlation coefficients 0.51 and 0.61 show moderate correlations.

The correlations between human resource management practices and employees performance are presented in Table 23. Also reflected is the correlation coefficient for each of the human resource management practice.

It can be seen in the table that all components that comprise the performance of employees of the system and indicators of the human resource management practices have a significant relationship.

Table 23. Relationship between the Human Resource Management Practices and the Performance Indicators of GSIS

HRM Practices	Employees' Level of Performance		
	Performance Rating	Performance evaluation practices	Performance Evaluation Standards
Job design	0.41**	0.67**	0.52**
Work stress	0.44**	0.59**	0.61**

Recruitment	0.52**	0.72**	0.57**
Selection and placement	0.33**	0.49**	0.30**
Training and development	0.45**	0.61**	0.61**
Career and talent management	0.44**	0.62**	0.48**
Compensation and rewards	0.49**	0.65**	0.50**
Creating a positive work environment	0.52**	0.43**	0.57**

* $p < 0.05$; ** $p < 0.01$

Legend:

- Double asterisks means that the result is highly significant and the null hypothesis is rejected.
- Correlation coefficients such as .30, .33, .41, .43, .44, .45, .48, .49, .50 are weak correlations
- Correlation coefficients such as .51, .52, .57, .59, .61, .62, .65, .67, and .72 are moderate correlations

The Spearman correlation coefficients indicate a strong positive association between the two variables. This implies that human resource management practices have a strong influence and impact on the performance of employees of the system.

Respondents' Recommendations on Human Resource Management Strategies, Practices and Employees' Performance

Strategies

The GSIS strategies in sustaining the financial viability of the system and in promoting world-class service are commendable. However the GSIS current administration has forgotten the welfare of the employees who are working hard to realize the systems' vision, mission and policies. The current GSIS administration has neglected their responsibility to give their employees fair compensation. The system even removed some of the existing perks and bonuses for employees. Truly, the current GSIS administration has made a difference in the lives of the members and pensioners by enhancing their benefits but on the other hand, they have left all employees frustrated and begging for effective and just salary scheme. The GSIS should continue to improve strategies that will be beneficial to both employees and members. Many respondents recommend that the CPCS should have been approved earlier and compensation packages should always be continually studied to alleviate the financial capacity of all employees which could greatly impact their performance in the system. It was also recommended that benefits once enjoyed by the rank and file employees should be restored the soonest possible time. Another respondent recommends that suggestions with regards to strategies coming from the lowest level or position should be recognized and when it finds merit should be given opportunity for a feasibility run. Strategies should be doable but not to the extent of compromising work-family balancing. The GSIS Vision and Mission should be re-visited. To eradicate complaints about UMID card printing, management must find ways to fast track/expedite the generation of CRN from SSS and once CRNs are available, the operating unit concerned should cause the fast production of UMID cards and transmit these to the branches concerned. The current processing time of three months in the release of cards is causing too much stress on employees because of the complaints received from active members and pensioners.

Human Resource Management Practices

Employees' concerns and issues regarding HRM practices should not only be taken "in aid" of policy formulation or proposals but rather should be given priority which means it should be enforced immediately and whenever practicable in order to avoid demoralization among the employees. Alternate functions of employees should be specifically provided in the job description form, otherwise tasks that may be assigned to employees from time to time may make things complicated. GSIS should be enlightened in designing jobs in the Extension Offices (EOs) for it would be unfair that employees in the EOs are performing multiple and encumbered functions. For instance a Member Authorized Officer is assigned tasks as follows: (1) EO Head Assistant; (2) SOT Issuer; (3) Loan processor; (4) UMID Enrolment; (5) Home Visitation to pensioners; (6) Preparation of Reports; (7) Digitization of various documents; (8) Any other tasks assigned from time to time. Considering the numerous tasks assigned to these EO employees, they feel that they are not well compensated because their salary grade is at the lowest level. All employees should be given equal opportunity for training and development. Trainings provided should be work and position related. Passing the promotional exam should not be the prime requirement for promotion. HRM practices of the GSIS need improvement and must be employee-sensitive. GSIS must provide financial and

other forms of support to address work stress issues. All employees should be sent to competency trainings. Promotions should be performance-based. There are many policies related to HRM practices in the GSIS which are creditable but implementation and monitoring of these are not given much emphasis and attention. Those commendable practices should be felt and experienced across GSIS not only in the Home Office. The GSIS current administration should closely coordinate with the GCG regarding the approval of the CPCS.

Employees Performance

Both quality and quantity should be considered in evaluating employees' performance. Also, a case to case performance evaluation should be put in place taking into consideration the personal circumstances of the employees. Supervisors should rate their staff accurately and accordingly, not just giving them high rating because of some personal reason and any other prejudice as when the rating is based on criteria not related to performance. Employees should likewise rate their supervisors. It would not be fair and transparent if only subordinates are rated by the supervisors. The GSIS must be transparent in evaluating performance of employees. Result of forced ranking should be shown and explained to all employees. Results of Diagnostic Examination should not influence the supervisors' perception in rating employees. The performance appraisal system must be objective and transparent. There should be a fair rating procedure.

Summary of Findings

The following findings were drawn in this research:

1. Various strategies which are critical in carrying out the indicators such as vision, mission and quality policy were moderately implemented by the system. However, the system failed to connect these three strategy indicators to human resource management.
2. In totality, the GSIS is not effective and efficient in carrying out its Human Resource Management Practices. The result indicates that fundamental policies, programs and practices which are essential to influence the attitude, behavior and performance of people in the organization are not given emphasis by the system.
3. In entirety, the GSIS did not implement strategies concerning the three indicators of employees' performance, namely performance rating, performance evaluation and performance standards. Crucial activities and practices of performance rating and performance evaluation were not carried out by the system. On the other hand, standards to be applied in the conduct of performance evaluation were not also considered by the system.
4. Two hypothesized relationships were studied and tested in this research and it was found out that significant correlations existed between the variables. First, there was a positive correlation between employees' performance and Indicators of strategies namely mission, quality policy and strategic HRM. Second, a positive correlation existed between employees' performance and all the components of HRM Practices.
5. The respondents perceived that the system overlooked the need of the GSIS workforce. Although the system has been consistent in undertaking efforts to satisfy its stakeholders, employees felt that their efforts to support the system's advocacies are continuously disregarded. The culture of rewards to recognize employees' performance is not given attention by the system.

D. Conclusions

With the above findings in this study, the following conclusions are stated:

1. The current GSIS administration in formulating strategies to achieve its vision and mission had failed to integrate in the process the factors to be undertaken in connecting its people's management strategies toward the achievement of the system's goals. The system since 2011 has not been successful in relation to the rights and demands of the employees for suitable and effective human resource management.
2. Findings also reveal that the management of the GSIS is inefficient in the implementation of practices, policies and programs in the care of its human resource. This indicates that the current administration of the system has failed to establish practices to effectively respond to work stress management, recruitment, training and development, career and talent management, compensation and rewards, and in creating a positive work environment. It should be emphasized that these practices are essential for attraction and retention of talents.

3. Apparently, the findings have uncovered areas of inefficiency of the GSIS in the administration of performance evaluation system. Thus, it can be concluded that the system is inadequate in terms of meaningful goals, effective execution in the assessment of individual contributions and deficiencies, identifying and retaining talent, and rewarding employees on a meaningful, accurate basis.
4. The relationships advanced and tested showed positive correlations between the variables human resource management strategies and practices and the indicators of employees' performance. The results have led to the conclusion that the GSIS has the need to undertake reforms to design effective strategies and human resource management practices as these factors have significant influence over employees' performance in the system.
5. Finally, it is concluded that employees' requests have been consistently ignored by the GSIS. This could be a major reason for the system's increasing turnover rate of employees.

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THE EXPANSION OF ISLAMIC FINANCE IN EUROPE THE ITALIAN SCENARIO

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ABSTRACT

My presentation aims to analyse structure, risks and advantages of the imminent development of sharia compliant financial services in Europe, with particular regard to the italian scenario.

First of all, I will address the european conventional finance criticality, then I will illustrate why some european experts and scholars think that the implementation of islamic financial principles could be beneficial.

1. The Crisis of European Conventional Finance. The Italian Scenario.

In Italy, the proper performance of the financial market is protected by art. 47 of the Constitution, that, according to the evolutionary interpretation now asserted in legal literature, grants absolute protection not only to static savings but also to dynamic savings (intended as savings invested in the financial market).

Nevertheless, the italian system is still far from the United States of America model of perfect interchangeability of banking and non-banking financing in two respects. On one hand, italian savers prefer to entrust their savings to banks rather than to the financial market, on the other hand, businesses prefer to resort to bank finance instead of relying on the financial market.

However, the relationship between the business sector and the financial and banking market is about to be profoundly changed, if not inverted, by the implementation of the new credit impairment model required by the international accounting principle IFRS 9: by requiring banks to set aside an amount of capital equal to not only the incurred, but also the expected losses, it lays the foundations of a credit crunch that will inevitably lead businesses to approach the capital market *en masse*.

At that time, the financial market should be able to cover the massive liquidity demand coming from the units that are running at a deficit (the businesses) with the capital of the units that are running at a surplus (the savers). Therefore, it is necessary to encourage savers to invest their funds in the financial market and it is also necessary to attract foreign investors who have massive liquidity.

Considering that businesses appeal to the market in order to promptly satisfy their need for liquidity while savers prefer safe investments, according to some scholars the perfect solution to meet both demands could be seen in the implementation of islamic finance. In fact, the implementation of islamic finance instruments would ensure businesses the availability of Gulf Cooperation Council (GCC) Countries' petrodollars and, thanks to the ethical-religious principles on which all islamic finance is based, they would also give italian investors new confidence in the financial market.

2. The "Pillars" of Islamic Finance

Since Islamic religious principles are not applied only in the relationship between man and God, but as a general code of conduct, they influence every aspect of the "*homo islamicus*" life. Therefore, if the *homo islamicus* decides to become "*homo oeconomicus*", he has to comply with the only meaning given by the Qur'an to "economy" (*id est* "moderation") and to conform to the fundamental financial principles of *ribā*, *gharār*, *maysīr* and *ḥalāl*.

The *ribā* principle is not only, as some western scholars argue, the prohibition of usury, since it concerns all forms of unjustified enrichment.

With specific regard to the financial world, in fact, it has two distinct applications. As *ribā al-nasia*, it results not only in the interdiction of interest on debts accumulated over the time by creditors (*id est* usury), but also in the prohibition of financial transactions that violate the fundamental principle of profit and loss sharing (PLS).

As *ribā al-fadhl*, it prohibits any form of dishonesty in trade, such as the conclusion of unbalanced contractual agreements or the exploitation of unequal knowledge.

According to the *gharār* principle, every financial transaction should be free from uncertainty and ambiguities with respect to its essential elements.

The *gharār* principle is supplemented by the *maysīr* requirement, which prohibits the conclusion of excessively risky transactions.

Finally, the *halāl* rule prevents the islamic “*homo oeconomicus*” from investing, directly or indirectly, in activities prohibited by the Qur’an (*haram*).

3. Islamic Financial Products

The main non-banking financial sharia compliant services to which Europe (and Italy) aims to resort in order to attract foreign capital are shares, quotes of investment funds and sukuk.

3.1. Shares

Originally, islamic investors could only own shares in corporations whose activities were not in violation of the Sharia principles (*haram*), and that didn’t have relations with banks and other financial market participants who collected interest (according to *ribā* principle) and were not excessively in debt (according to *maysīr* principle).

In 1998 the Sharia Board of the Dow Jones Islamic Index, accepting the inevitability of *ribā* or *haram* elements in all western businesses, issued a *fatwa* allowing islamic market players to invest, albeit under certain conditions, in businesses characterized by a certain degree of “impurity”. According to this *fatwa*, it is now possible to invest in western businesses whose activities are “polluted” by *haram* elements, but only if the *haram* activities are not the core business of the corporations and the latter are not excessively in debt with banks collecting interest.

3.2. Quotes of investment funds

Despite the considerable limitations imposed by Sharia on investments, the islamic investment industry is worth several billion dollars nowadays. If the european conventional market really aims to attract the capital of islamic market players interested in investment funds, it is necessary to develop funds that don’t have in their portfolio financial elements that violate Sharia principles (with special regard to the *maysīr* principle, which prohibits excessively risky investments). This is the reason why european economists and jurists put pressure on the market participants to give preference to equity and commodity funds.

3.3. Sukuk

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the organization responsible for defining the guidelines applicable to the global management of islamic financial services, defines sukuk as «*certificates of equal value representing the ownership of tangible assets, usufructs and services or in the ownership of the assets of particular projects or special investment activity*».

Although they are often referred to as “islamic bonds”, the sukuk only share with the bonds the financing purpose, but they are deeply different from a structural point of view. In fact, while bond investors have credit rights in relation to the issuer, being entitled to a full return on investment and to the payment of the agreed interest, regarding *sukuk*, the titles are issued to finance real activities of which the subscribers become *pro rata* holders and the return of the investment is strictly linked with the result of the underlying assets, since *sukuk* subscribers don’t simply grant credit, but they fully invest in business projects, participating in profits and losses (in compliance with the already mentioned PLS principle).

Even though *sukuk* can have different conformations (*ijarah*, *musharakah*, *al-mudarabah*, *al-murabahah*, *al-istisna*, *al-salam*), the common structure follows the *project financing* scheme.

4. Risks and advantages

Despite the fact that behind the development of islamic financial products lies a significant terrorism financing and money laundering (TFML) risk, according to some european economists it is also undeniable that the implementation of islamic finance in Europe could also be beneficial.

In Italy, for example, scholars believe that the development of islamic finance would ensure businesses the availability of the massive liquidity made of petrodollars coming from the investors of the Middle East and would ensure the italian investors renewed faith in the financial market.

From a strictly economic point of view, on the basis of a macroeconomic perspective, it is undeniable that the european market would take advantage of the implementation of islamic financial instruments as the capital demand would be satisfied by middle eastern investors' petrodollars and the savers would be encouraged to entrust their savings to the capital market, thanks to the ethical dimension of islamic finance.

Moreover, according to some scholars, since the success of the attraction of investments from the Middle East depends on a sort of "economic blackmail" based on the respect of islamic economic principles by the market players, it is highly probable that the implementation of islamic financial principles in the European Countries would grant the affirmation of a standard business ethics policy that would be very useful for the important activity of the national market authorities (in the italian scenario: Consob and Bank of Italy) and would also effect a downturn in the applicability of criminal law rules and sanctions, thanks to the creation of an *ab interno* moral code of the market.

With specific regard to the italian context, for example, the general acceptance of the principle of *Ribā al-nasia* (the prohibition of interest on debts and the prohibition of the conclusion of purely financial transactions not linked to any real economic activity and in breach of the fundamental principle of profit and loss sharing) would lead to a reduction in the number of cases of usury.

Some european jurists argue that the implementation of the principle of *Ribā al-fadhl* (*id est* the prohibition of any form of misconduct in trade), could have positive effects not only from a civil law point of view (preventing several cases of the particular termination of the contract known in Italy as "rescissione"), but also from a criminal law point of view. In fact, it would be helpful in fighting the two main forms of dishonesty in the market, i.e. insider trading and market manipulation practices, and also two hypothesis of dishonesty within businesses, such as the crimes of breach of trust and corruption within businesses, provided for in Articles 2634 and 2635 of the italian civil code.

According to some scholars, the *gharār* principle, in requiring that every financial transaction should be free from uncertainty and ambiguities with respect to its essential elements, would support the *Ribā al-fadhl* principle in discouraging insider trading and market abuse practices.

The *ribā* and *gharār* principles, in turn, are supplemented by the *maysir* principle. By prohibiting the conclusion of excessively risky transactions, this requirement has the potential to give rise to a substantial progress in tackling bankruptcy and to indirectly assist the Public Authority responsible for regulating the italian financial market (*id est* Consob). According to some jurists, the activity of the latter would also be facilitated by the creation of a Sharia Board within businesses to support the action of the Supervisory Board.

Finally, the *halāl* rule prevents the islamic "*homo oeconomicus*" from investing in activities prohibited (*haram*) by the Qur'an. Because among these forbidden activities there is, for example, the pollution of the environment, it is highly probable that the acceptance of the *halal* rule would be beneficial for the implementation of green economy and could also determine a contraction of the number of environmental crimes in Italy.

5. The first steps of islamic finance in Europe

The first sukuk issuance registered in Europe took place in 2004 in the Saxony-Anhalt German Länder and was the basis for progressive development of Islamic finance in other European Countries, such as France, Luxemburg, Spain and the United Kingdom.

Until now, the United Kingdom has played the role of the most important European Islamic finance hub. However, according to the majority of experts, Brexit will profoundly change the current scenario, due to the fact that the interest shown so far by GCC Countries market participants in investing in the United Kingdom was related not only to the competitiveness of the national economy, but also to the virtues of EU membership.

With regard to the specific situation of Italy, the presentation of the legislative proposal n. 4453 of 2017 in order to develop the most appropriate tax treatment for Islamic financial instruments, demonstrates the will of the Italian Parliament to attract the petrodollars that will be progressively divested from the United Kingdom by Islamic investors.

6. Conclusion

Even if it is undeniable that behind islamic finance lies the MLTF threat and that there is no certainty that, thanks to the implementation of islamic financial principles, the economic crisis that has paralysed the european economy in the last decade would be finally solved and that the european businesses would instantly begin to act in the market according to the law, it is highly probable that the development of sharia compliant financial instruments would build a sort of *ab interno* moral code of the market through which business criminal law would take a step back, realizing the desire of the former President of the Italian Constitutional Court, Professor Giovanni Maria Flick, according to whom «*a good economic criminal law must be used economically*». Additionally, the implementation of islamic financial principles would reduce the need for criminal sanctions, allowing economic crime law not to betray its *extrema ratio* nature.

MEASURING CUSTOMER SATISFACTION IN THE E-SERVICE MARKET

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ABSTRACT

The purpose of this paper is to evaluate the level of satisfaction of e-service customers through identification of gaps between customer expectations and the degree to which such expectations are met by providers of online services. Towards this end the e-servqual method was employed, which enabled the measurement of customer expectations as to the quality of key aspects of online services relative to the actual degree to which customer expectations were met. This survey shows how respondents perceive the quality of online services and their preferences in this respect. Based on the seven dimensions of the e-servqual scale, i.e. contact, efficiency, reliability, fulfilment, privacy, responsiveness, compensation (Parasuraman, 2013), the present author proposed her own measures of e-services quality.

Keywords: E-servqual, Customer Satisfaction Measurement, Quality of E-Services.

Introduction

Today's business world is focused on customer satisfaction and understanding how to satisfy customers in the long run. The identification of customer satisfaction determinants is becoming a strong need among managers and represents the main topic of interest in scientific literature on marketing. Adequate recognition of attributes of e-services quality, analysis of e-customers' expectations as well as their effective management contribute to the building of a positive corporate image (Vu Minh Ngo, 2015).

Over the past three decades attempts have been made to recognise the best practices in the area of qualitative measurement of e-services (Asher, 1988; Dotchin & Oakland, 1994; Xie et al., 1998; Wisniewski, 2001; Candido & Morris, 2001, etc.). In 2001 Zeithaml and other researchers, building on the service quality investigation method (Servqual) that they proposed earlier, developed e-service quality measures that serve to evaluate the functionality of Internet services. They created their model in a three-stage process comprising an exploration groups phase as well as an empirical data collection phase and a data analysis phase. A smooth and efficient system for customer satisfaction measurement affects planning and implementation of corporate strategy and plays a key role in the management process. It is believed that in theory and in practice the recognition of the importance of measuring customer satisfaction came with Garlin's popular maxim: "what cannot be measured, cannot be managed" (Garvin, 1993, p. 78).

If a company wants to develop and achieve their expected market position, it should undertake actions based on cause and effect relationships with regard to customers and their satisfaction, and then it should plan adequate methods for the measurement of such actions in order to enable detailed analysis of their results (Niemiec et al., 2016). Such actions should be based on a detailed definition of the company's best customers as well as their requirements and behaviours.

The identification of elements that affect customer satisfaction will enable the transformation of a company into an ally and mentor who takes care of its customers' interests. In this way the company will satisfy the material and emotional needs of all its customers to a higher degree (Rudawska, 2005).

The purpose of this paper is to evaluate the level of customer satisfaction with e-services through identification of gaps between customer expectations and the degree to which such expectations are met by online service providers. In order to carry out this task the e-servqual method was employed.

Logistic Aspect of Electronic Commerce

At the end of the 1990s the sale of goods over the Internet in Poland was perceived as an innovation. The dominant reason for uncertainty linked with online shopping was the lack of customers' trust in e-services and difficult access to the Internet. Satisfaction was not fully attained because the majority of customers did not know their needs and were not aware what could be expected from a virtual service provider (Gajewska, 2009). Now, however, statistics show a significant change in this respect. Poland belongs to those countries where online shopping is becoming increasingly common and its popularity is growing virtually by the hour (GUS [Polish Central Office of Statistics], 2018). The growth of online shopping is also bolstered by logistics which plays the main role in building a high standard of e-services and consumer satisfaction. J.T. Mentzer, D.J. Flint and G.T.M. Hult (2001) draw special attention to the principle of "7R" which takes into account important elements of logistic services and is based on the provision to a specific buyer of the right product in the right time, at the right place, of the right quality, in the right quantity and at the right cost (Mentzer et al., 2001). In order to be able to apply this principle, first of all one needs a database of customer preferences and requirements. Companies that do not measure the quality of their e-services will not be able to deliver the right elements that contribute to customer satisfaction. As years go by, more and more logistic operators provide services that so far belonged to the courier sector. The most popular options include: placement of transport orders by customers using an application or a browser (web booking), monitoring of order fulfilment (web tracking), electronic confirmation of parcel delivery and transmission of the attached documentation by email, creating KPI reports, i.e. reports on corporate goal realisation measurement. These multiple purpose tools, when rightly introduced and tailored to a company's requirements, enable the remote management of parcels from any place in the world (Spychalski, 2012) and thus ensure the right quality of e-services.

Data collected by GUS indicate that over 14 million people in the age bracket 16-74 (48% of total population) shopped online (within the past 12 months) in Poland in 2018. In the years 2013-2018 the percentage of people ordering or buying goods or services over the Internet was growing cyclically. In this period this number increased by 14 percentage points. Compared to 2017 the highest increase in the number of Internet shoppers was recorded

in the 16-24 age group (by nearly 7 percentage points). In the years 2013-2018 men shopped online more often than women. It was recorded that in 2017 holders of higher education qualifications bought online more than other shoppers (76%). In 2018 the highest percentage of EU citizens shopped online (60%). Unfortunately Poland is 12 percentage points behind the EU in this respect (GUS, 2018).

Customer Satisfaction with E-Services

The natural environment of a business are its stakeholders, among whom customers play the most important role. It is for them that enterprises exist and the market position of organisations depends on their satisfaction. If a company wants to stay ahead of its competitors it must maximise its customer satisfaction. In online commerce customer satisfaction may be even more important than in traditional commerce because the retention of loyal customers in the e-services market is more difficult than in traditional commerce (Hazlina et al., 2011). In order to convert a prospect into a loyal customer dedicated to a company operating in virtual reality, it is necessary to ensure regular measurement of expectations to gain information about customer preferences and needs which should be properly satisfied to generate customer satisfaction, which is the most important value for any company. Customer satisfaction contributes to building emotional links that translate into loyalty which is vital for business longevity (Ward et al., 2007). Loyalty is understood as a frequency of selecting by the customer of a specific brand over other brands (s)he has used in a certain area as well as recommending that brand to other potential users (Verhoef, 2003).

Measuring E-Service Quality with the E-Servqual Method

L. Berry and A. Parasuraman, who focused on the psychological aspects of service quality measurement, developed the Servqual Method, which is believed to be one of the main milestones on the way to measure customer satisfaction precisely (Allen, 2004). The crux of this method is the representation of the difference between quality expected by the customer and the actual level of service quality offered by the company (Baki et al., 2009).

In the years 2000-2002 V. Zeithaml, A. Parasuraman and A. Malhotra developed the e-servqual (e-SQ) scale which was an upgraded version of the servqual scale for electronic services. The e-servqual scale consists of seven dimensions (Parasuraman, 2013, pp.30-36):

- efficiency: refers to easy entry into the seller's website, finding information with the least effort on the part of the customer,
- reliability: refers to operating mechanisms of the Internet domain, especially its accessibility and functioning in a convenient way for the customer,
- fulfilment: refers to keeping promises presented on the website, consistency of real products with their descriptions and delivery of products in accordance with delivery guidelines,
- privacy: refers to the security of personal data of customers and the availability of known and proven payment methods,
- responsiveness: means ability to adjust to customer's needs and provide knowledgeable answer to each question,
- compensation: refers to a compensation in case of problems, e.g. order cancellation by the server,
- contact: various variants of direct encounters with employees.

The first four dimensions determine the core of the service and the next three dimensions refer to customer recovery. They are of great importance where customers have questions or experience problems as a result of service faults, e.g. payment error on a shop's website (Parasuraman, 2013).

In the e-servqual method analysis of e-services quality is based on the discrepancy between customer expectations regarding e-service quality and their perceptions of actual e-service. The e-SQ model enables assessment to what degree an Internet service allows the customer to:

- shop efficiently,
- receive products and services in the right time,
- make a payment and respond to potential problems by applying satisfactory solutions created by the service provider.

Considering functionality of the seven dimensions according to which customers assess e-service quality, one may obtain the following results (Drafińska, 2011):

1. Delivery < expectations ~~lack~~ of satisfaction, discomfort (-)
2. Delivery = expectations ~~satisf~~action, neutral (0)
3. Delivery > expectations ~~delight~~, emotional satisfaction (+)

Service quality is measured by calculating the difference between actual service perception and an ideal (desired, expected) level of service quality. This also enables us to define the gap between expectations and service perception.

Methodology Employed in Author's Research

The purpose of investigating the quality of online shopping experience was to analyse quality gaps between e-customers' perception of e-services and their expectations in this respect. For the purpose of this study a questionnaire was prepared with 35 statements grouped according to seven dimensions (Table 1). The measuring scale was based on Parasuraman's paper entitled "Finding Service Gaps in the Age of e-Commerce." (Parasuraman, 2013).

The investigation of e-services quality in the city of Szczecin was carried out by means of a survey of 400 respondents using the e-servqual questionnaire. Women dominated among the respondents of whom 40% were male and 60% were female. Almost half of the respondents had a higher education (47%). Of the remaining respondents 32% had secondary education, whereas only 8% and 3% had basic vocational education and primary education, respectively. The largest age group were people at the age of 31-45 (44%). Respondents also included younger people in the 18-30 age bracket (26%), older people ranging from 46 to 60 years (19%) as well as senior citizens above the age of 60 (9%).

Since the respondents came from Poland, where five-point scale is usually used, it was decided that Likert's scale (Voutilainen et al., 2016) would be applied for the convenience of respondents and for ease of completing the survey. Therefore, the respondents were asked to give answers using a scale from 1 to 5, where 1 stands for very bad, 2 – bad, 3 – average, 4 – good, 5 – very good.

Tabele 1. Measuring scales used to measure the satisfaction of e-services customers

Rating		1	2	3	4	5
Efficiency						
1	Short website loading time					
2	Clear descriptions of various elements (e.g. buttons, fields) facilitating use of the website					
3	Ease of navigation					
4	Smooth order placement					
5	Visibility of results of consecutive operations, e.g. order fulfilment stage, delivery waiting time, refund of payment into bank account					
Reliability						
6	Company stability (positive opinions on the Internet)					
7	Prices lower than in traditional shops					
8	Various payment methods					
9	Delivery speed					
10	Technical advice					
Fulfillment						
11	Products delivered match descriptions on seller's website					
12	Precise delivery time					
13	Timely refund of payment into bank account					
14	Free delivery (no hidden costs)					
15	Free return (no hidden costs)					
Privacy						
16	Personal data protection					

17	Payment return only to owner's account						
18	Secure logging to user account						
19	Order confidentiality guarantee						
20	Proven and known payment methods						
Responsiveness							
21	24/7 response to enquiries						
22	Customisation						
23	Employees' knowledge about offered services						
24	Employees' response to customers' suggestions						
25	Aligning lowest prices of products and services						
Compensation							
26	Compensation for failure to deliver on time						
27	Discount coupons sent to compensate for technical problems						
28	Approval of complaints						
29	Option to return damaged products for up to 24 months						
30	Ability to regain a discount coupon in case of order return						
Contact							
31	Clear and accurate answers						
32	Problem-free telephone connection with the customer service department						
33	Speed of service and problem solving						
34	Sufficiently long conversation with the customer service department						
35	Various communication options: chat, Wechat, e-mail, telephone,						

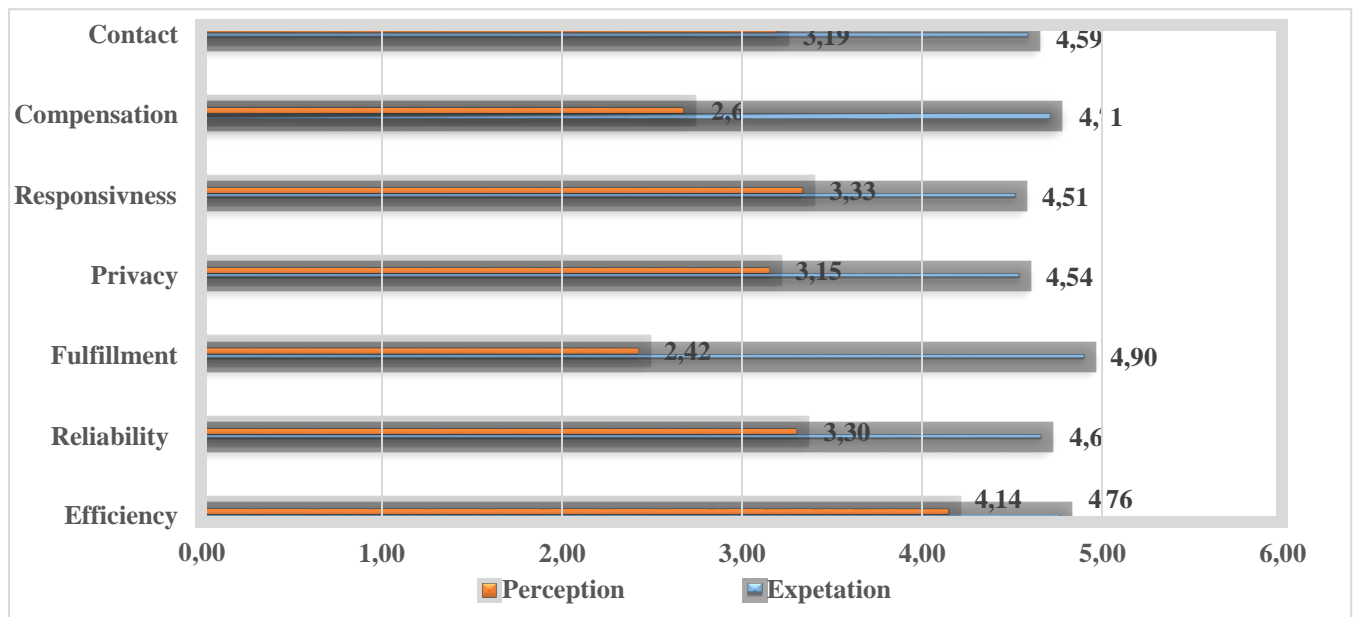
Source: Author's own.

Analysis of Survey Results

An analysis of the obtained results enabled the identification of quality gaps in e-services and showed that customer expectations were not fully met in all areas subject to analysis.

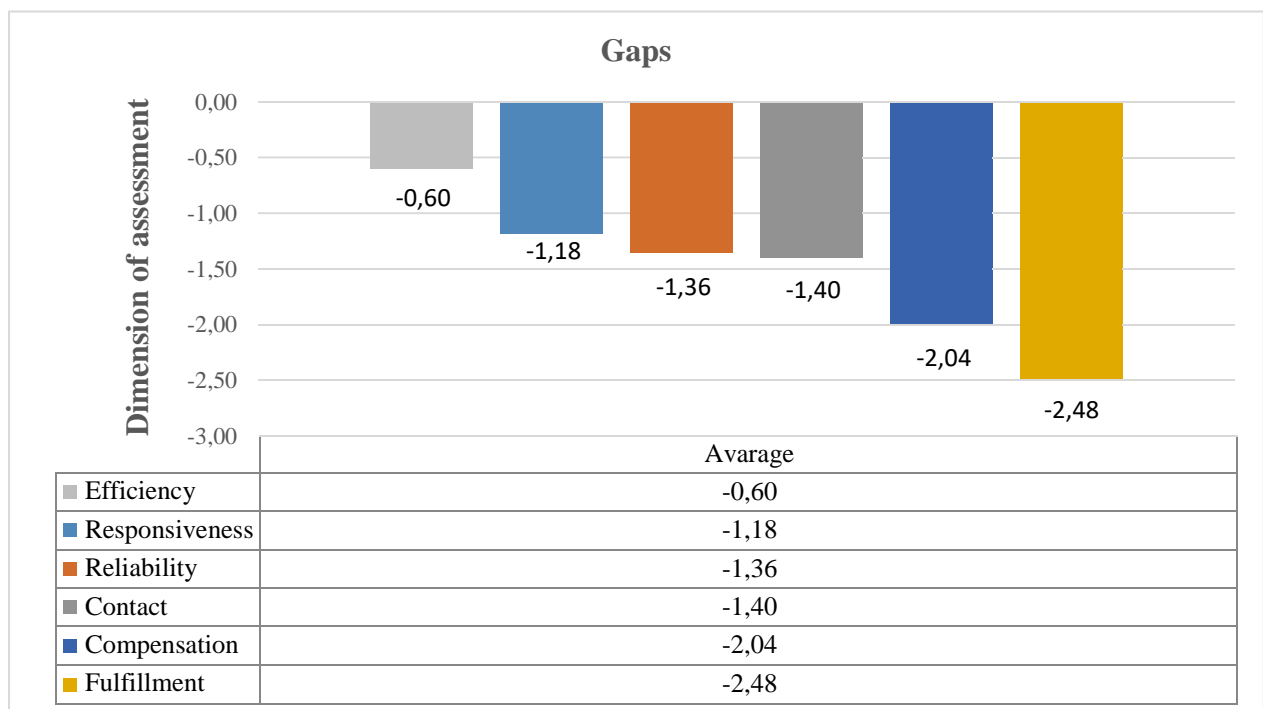
Diagram 1 shows the assessment of customer expectations and their perceptions of analysed dimensions.

Diagram 1. Assessment of expectations and perception of e-services



Source: Author's own, based on questionnaires

Diagram. 2 Evaluation of the gap between expectations and the perception of e-services



Source: Author's own, based on questionnaires

The first dimension presented in Diagram 1 (efficiency) shows high expectations of customers (4.76) and perception-wise received the highest score (4.14) out of all dimensions. The gap of (-60) (Diagram 2) between expectations and the assessment of e-services quality indicates that customers had minor reservations regarding the quality of e-services, i.e. time taken by the website to download, easy to understand descriptions of website's elements (e.g. buttons, fields facilitating navigation and use of the website), efficient order placement, ability to view current activities of the service provider (e.g. order processing stage, delivery waiting time, refund of

payments into customer's account, delivery information), stability of e-company, accepted payment methods, prices lower than in traditional shops or technical support.

The second dimension presented in Diagram 1 is responsiveness. This dimension refers to the ability to respond to customer's individual needs, provide an efficient service and a minimum response time to customer's question and adjust offerings to quickly changing customer preferences. Customer expectations were high in this area and scored 4.51 points as compared to 3.33 points (Diagram 1) given for perceived quality. The gap between expected and perceived quality is (-1.18) (Diagram 2), which indicates that customer expectations were fulfilled to a small degree. One reason for such a big gap may be the fact that customers received formulaic emails without complete answers to their enquiries. It should be underlined that improvement in this area depends both on the soft skills of employees and the management of the e-company who should implement an efficient information system focused on areas where customers receive tailored responses. The management should also consider additional training for employees in written and oral communication. This should help employees respond to customers' queries in a manner closer to their expectations. The research described in this paper leads to the conclusion that employees of e-businesses lack thorough knowledge about the services they offer. This may result from the fact that the management responsible for the corporate website tend to fulfil quickly changing consumer needs and modify promotions and the accompanying information on e-shops' websites without communicating such updates to their customer service department. The lack of established communication procedures leads to chaos in information circulation.

The third dimension of e-service quality presented in Diagram 1 is reliability. Analysis of collected data indicates that customer expectations are high in this area (4.66) whereas assessment of actual service quality appears to be low (3.33). This may be caused by additional fees for express delivery. Free delivery is usually offered for a standard delivery time of up to 5 working days. Long waiting times for a delivery may adversely impact the perception of the service by customers. It is often the case that an extra charge of up to 50 PLN needs to be paid for a delivery within up to two days which for a customer may be too expensive relative to the price of the item ordered. Our survey shows that the gap between expectations and perception is quite significant (-1.36) (Diagram 2).

The next dimension of e-service quality assessment is privacy (Diagram 1). Customer expectations in this respect are high (4.54). Low assessment of perceived e-service quality (3.15) indicates that customers have doubts whether their personal data is really protected from processing by third parties. Unfortunately, it still happens that credit card numbers are stolen to perform illegal financial transactions. In order to reduce the gap between perceptions and expectations (-1.37) (Diagram 2) in this area companies need to develop specialist security software and simultaneously make e-customers more aware about the functionality of such security mechanisms.

"Contact" is the next dimension of quality presented in Diagram 1. This item refers to various possible forms of communication between customer and e-companies as well as precise answers to customer enquiries. Customer expectations (4.59), among others, refer to problem-free telephone connections, problem solving speed and telephone conversations that should be as long as the customer needs and not shortened by customer's interlocutor. The low assessment of the perceived quality of this dimension (3.19) may result from the tendency of employees to shorten their telephone conversations with customers. This is caused by time limits imposed on employees by their employers. Such guidelines aim at cost reduction. Employees are forced to keep conversations with customers as factual and concrete as possible. This situation often leads to greater dissatisfaction of the customer and a feeling of not being understood. Hence the gap between expectations and perceptions of (-1.40) (Diagram 2). The results of the survey allow us to conclude that these are all important elements during the first contact with the customer. With regard to this dimension sufficient time devoted to conversation is the crucial element that shapes customer's perception of service quality. The management trying to reduce the perception/expectation gap in this area should pay attention to the quality, and not the sheer number of conversations conducted with customers.

In Diagram 1 the dimension "contact" is followed by "compensation", which was of great importance for the respondents. Customer expectations regarding compensation were rated at almost 5 points (4.71) (Diagram 1). This result was caused, among other things, by the high expectations of customers with regard to compensation for problems arising during the shopping process. Customers rated their perception of quality of this aspect of service as low as (2.67) which may be connected with the lack of company actions to remedy problems. While using e-services customers may experience a number of inconveniences such as errors in payment transactions; a double block of funds on their credit cards; disconnection from the website during payment; the product being sold out and the lack of possibility of ordering again; delivery of damaged/used products; delivery of a product that does not comply with the photograph presented on the website; delivery to a wrong address; personal data theft; late refund of payment; incorrect information on the website, e.g. expired promotions. There are many

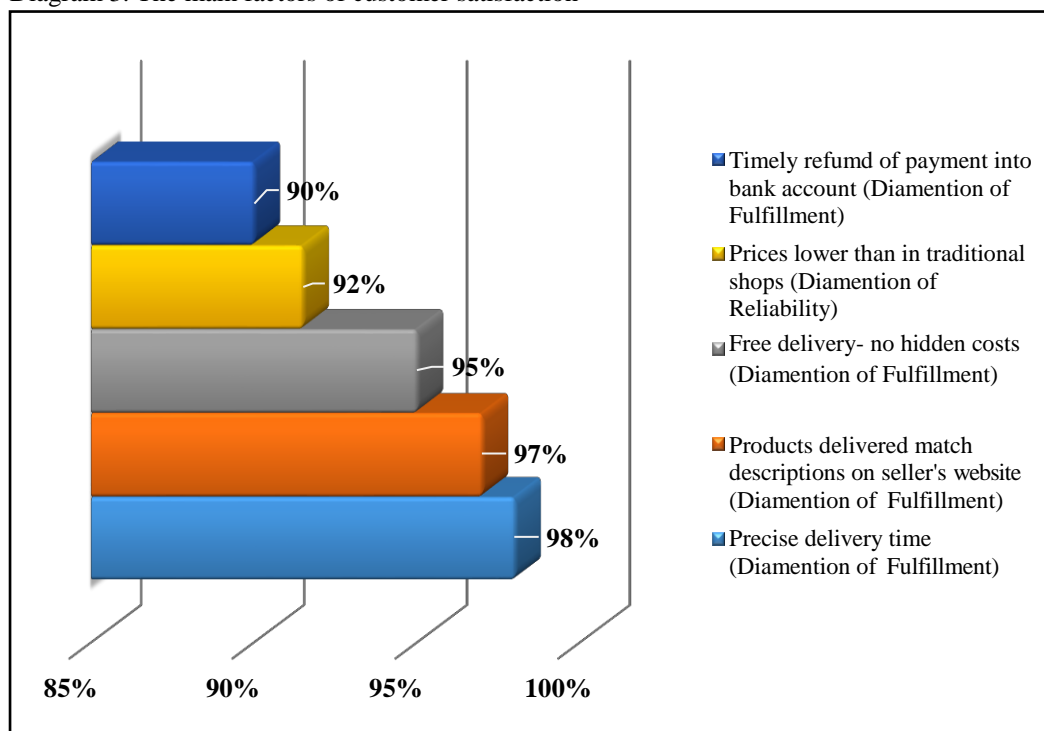
inconveniences related to e-services. Therefore, it is very important to undertake remedial actions to reduce the expectation/perception gap of (2.04) (Diagram 2). Companies that admit their faults and send discount coupons or customised offers to make up for their mistakes have the chance to rebuild relationships with customers and transform their negative experience into long term cooperation.

The last dimension in Diagram 1 is “fulfilment”. This aspect of service is most important for respondents and was rated at (4.90). Such a high score may have been caused, among other things, by high customer expectations regarding keeping promises made by companies on their websites. High customer expectations combined with a low score for customer perception of actual service quality (2.42) (Diagram 1) result in the biggest expectations/perceptions gap (-2.48) (Diagram 2). In order to reduce this gap companies should focus their strategy on free, speedy and precise delivery. By keeping promises presented on their websites and other communication channels, companies will fulfil the main needs of e-consumers and thus will increase their chances of winning loyal customers who are the highest value in any organisation.

Based on conducted empirical research we can determine the main factors that affect e-customer satisfaction. Each factor submitted to analysis in this survey within the framework of 7 key aspects of e-services was rated by 400 respondents. Attributes having the greatest influence on customer satisfaction are presented graphically in Diagram 3. Considering e-customer expectations it can be said that quality criteria rank as follows (in the order from least to most important):

- 90% respondents found free return to be most important for them,
- 92% respondents found punctual refund of payment into the bank account to be most important for them,
- 95% respondents found free delivery to be most important for them,
- 97% respondents found compliance of products delivered with their description on the website to be most important for them,
- 98% respondents found a precise delivery time to be most important for them.

Diagram 3. The main factors of customer satisfaction



Source: Own study based on the conducted research using the e-servqual method.

The decisive majority of factors that have major influence on e-customer satisfaction (Diagram 3) belong to the “fulfilment” dimension. They refer to punctual refund of payments into the bank account, lower prices than in traditional shops, free delivery and return (no hidden costs), compliance of products delivered with their descriptions on seller’s website and precise delivery time. Companies should pay particular attention to fulfilment of their promises regarding punctual delivery. Failure to comply with information placed on a seller’s website puts

the company in a bad light and may lead to loss of clients who use e-services. Quality assurance systems that require measurement of e-customer satisfaction are an important element that helps companies in such efforts.

Summary

The interest in e-services is growing year by year which means that expectations of e-customers will also be growing (Gus, 2018). Therefore, companies should make use of instruments which enable the measurement of customer satisfaction and which will be the basis for developing an effective corporate strategy. Due to the dynamic development of e-service market the expectations customers had a few years ago are now out of date. Therefore, it is important that customer satisfaction measurements are conducted regularly, taking into account fast changing expectations of e-customers. Only the rightly selected instruments for satisfaction measurement will help determine on what companies should focus. Many tools designed for services quality measurement are not adjusted to the unique dimensions of online e-services quality. Investigating the satisfaction of e-services customers is a huge challenge in terms of the methods to be employed due to the virtual environment in which such services are provided.

Summing up the results of the research, it can be said that for e-customers the most important determinants are those that refer to the logistic process, and particularly to precise delivery time. Collected data indicates that the biggest perception/expectation gap found referred to delivery time. Unfulfilled expectations of customers may result from the fact that at the time of order placement customers receive too imprecise information about delivery time which may range from 2 to 5 working days. This is a wide time bracket and after order placement customers cannot plan an exact delivery date. Sometimes e-companies offload their responsibilities regarding order tracking onto the shoulders of logistic operators which are their partners. Companies should focus on the improvement of logistic services, which are strongly linked with customer satisfaction in the e-services market.

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GAZPROM – POLITICAL WEAPON AGAINST POST-SOVIET COUNTRIES CASE: GEORGIA, ARMENIA, LITHUANIA

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ABSTRACT

How does Russia politicize energy resources and relations? How does the Kremlin employ Gazprom as a political weapon? How have countries neutralized the pressure from Russian energy policy? The mentioned aspect plays an essential role in the history of regulating the global energy market or international relations. Consequently, my work analyzes how Gazprom is politicized as an energy supplier against the post-Soviet countries using the examples of Lithuania, Georgia and, Armenia because the mentioned countries are of strategic importance for Russia in terms of transit location. Thus, this work provides an answer to the question: how have the post-Soviet states escaped Gazprom's energy pressure? Based on theoretical accents of the Neoliberal school, in my work, I analyze Russia's energy policy, the energy and financial schemes used by Gazprom, the current energy condition in Lithuania, Georgia, and Armenia.

In the research process, I have used qualitative research methods, the case study instrument. I have analyzed academic articles, works and literature, interviewed an expert of the corresponding field.

Keywords:

International Dependence Theory - Developed in the 1950s this theory promulgates that economic activities of the developed countries used to generate serious economic problems in poor countries frequently (Nye, 1996).

SCP – South Caucasus Pipeline – the natural gas pipeline from the Shah Deniz gas field in the Azerbaijan sector of the Caspian Sea to Turkey. It is located parallel to the Baku-Tbilisi-Ceyhan pipeline.

NSMGP - The North South Main Gas Pipeline (NSMGP) was built in the 1970s. The pipeline stretches from Russian to Armenian border (221 km) supplying Georgian and Armenian market with natural gas.

LNG - LNG is a bright, colorless and non-toxic liquid which forms when natural gas is cooled to -162°C (-260°F). The cooling process shrinks the volume of the gas 600 times, making it easier and safer to store and ship. In its liquid state, LNG will not ignite. (shipandtrades)

Gazprom - Gazprom is a global energy company focused on geological exploration, production, transportation, storage, processing and sales of gas, gas condensate and oil, sales of gas as a vehicle fuel, as well as generation and marketing of heat and electric power. (Ing2019)

TANAP – Project in order to bring natural gas produced from Azerbaijan's Shah Deniz-2 gas field, and other areas of the Caspian Sea, primarily to Turkey, but also on to Europe.

Gas Dispute - The gas dispute between Russia and Ukraine in January 2009 was by far the most serious of its kind. The two sides failed to agree a price for Russian gas supply to Ukraine and a tariff for the transit of Russian gas to Europe before previous agreements expired on 31 December 2008. (oxfordenergy,2009)

Shah Deniz Stage 2 - one of the most significant gas developments in the world, will help increase European energy security by bringing Caspian gas resources to markets in Europe for the very first time. (bp,2018)

Energy Diversification – To minimize risk, an investor will diversify their portfolio of investments as a number of different investments is less likely to fail than one large investment. This concept applies to the use of energy as well; relying heavily on one source can leave a country vulnerable to disruptions or shocks in that market. (energyeducation)

Super Power - a mighty and influential nation (used especially with reference to the US and the former Soviet Union when these were perceived as the two most powerful nations in the world)(dictionary.cambridge)

BCM – Billion cubic meters

1. Preface

Russia's energy policy makes an essential impact on shaping political and economic interrelations on the global arena. The influence of Russian "Super Power" on the post-Soviet countries increased after 1991, and this factor keeps threatening energy security. Gazprom, the most influential energy giant of this biggest country, holds not only energy mechanisms, but also economic and political instruments and it efficiently and multilaterally employs these mechanisms concerning the west. Namely, the post-Soviet space represents the most vulnerable and manipulated region in terms of natural gas resources since the 1990s. Consequently, this work analyzes how the post-Soviet countries (Georgia, Armenia, Lithuania) have carried out progressive energy policy with the aim to reduce their dependence on Gazprom.

The objective of this work is to outline that the diversification policy has played an essential role in the post-Soviet countries to escape the energy dependence on Russia. Georgia and Lithuania have achieved this goal through the gas market diversification and enhancing the international trade policy by energy resources. As to Armenia, this country remains dependent on Russian gas, and this factor makes Russia an influential political manipulator.

The mentioned issue is actively highlighted in the world. Various researchers and authors offer a wide range of theories regarding distinct aspects of this issue. These aspects are analyzed at the beginning of the topic. However, there is a lack of research works that would study the energy dependence of the post-Soviet countries on Russia immediately. The objective of the research work is to replenish the existing deficiency in this field. The foreign energy policy of Russia and the post-Soviet countries is interpreted through the Neoliberalism theory for international relations and these aspects are covered in the next part of this work. Part 4 of this work analyzes schemes and vectors of Russia's energy monopoly; Georgia's energy policy and its outcomes are discussed in Part 5 of this work. Part 6 examines Lithuania's energy policy after diversification and, Part 7 of this work spotlights the energy dependence dynamics of Armenia.

The work depicts the importance of Trans-Caucasian Gas Pipeline and Georgia's role in the energy security of Europe. The work evidently outlines Gazprom's negative attitude to the energy project of geopolitical importance, as it could compete with the monopolist through the Market diversification. At the same time, Iran's natural gas has important perspectives for Armenia, but this opportunity is thwarted by the Gazprom's factor. The mentioned case confirms that only energy market diversification leads to reduction of energy dependence. At the same time, energy dependence is interconnected with political and economic aspects and, the monopolist applies its energy policy to play with energy dependence factors. In the case of Lithuania, we should make emphasis on the dispute that the International Court initiated against Gazprom, as the Russia energy giant blocked Lithuania's opportunity for receiving natural gas from new donors.

In the research process, we have used the case study instrument, analyzed scientific and political literature, various other documents and taken interviews for research purposes. Russia maintains dangerous influence on the post-Soviet countries because dependence on Russian gas makes these countries political instruments on the international arena. Therefore, all three states should carry out consecutive energy policy with Russia.

2. Review of Literature

Researchers provide different considerations about Georgia's dependence on Russian gas and the dynamics of changes. According to Teimuraz Gochitashvili (Gochitashvili, 2015), the reliance on Russian gas significantly declined after the diversification of alternative gas sources in 2007 thanks to Azerbaijani gas. According to Ivliane Khaindrava (Khaindrava, 2015), there is a growing demand for gas in Georgia. Therefore, the country should diversify energy sources without Russia not to become an instrument of Russian "Energy Pressure" policy. Lina Jirvalidze (Jirvalidze, 2017) assures that Georgia carries out progressive energy policy. Therefore, the ratio of Gazprom may increase, but only up to 2020-2021, when gas extraction will start on the Absheron field, besides Shah Deniz Stage 2 and Umid fields. As a result, slight growth in dependence on Russian gas will be neutralized.

Researchers assert as if Lithuania almost repeats the Georgian case; however, their conclusions seem unilateral, to a certain extent. According to Konstantin Cherepaev (2017), Lithuania will zero its dependence on Russian gas in three years through buying American gas from Cheniere Energy, as the American gas is three times cheaper. Jean Claude Junker (2015) says that the Poland-Lithuania new gas pipeline will put an end to the energy isolation of the Baltic Countries. Gederts Gelzis (2016) also agrees with the opinion that the mentioned gas pipeline is efficient

for the neighboring countries of Lithuania and over time these countries will be able to entirely reject Gazprom supply.

The case with Armenia differs from Georgia and Lithuania. Armen Chatinian (2013) assures that Armenia's energy policy has failed after it sold strategic assets. The most evident sample was when the Authorities of Armenia transmitted the Iran-Armenia gas pipeline to Arm-Ros-Gazprom. Tamar Patariaia says (Heinrich Boll foundation) that there is energy asymmetry in South Caucasus. Armenia put an end to energy starvation through integration into the Russian network in the 1990s and its restraint to Europe inevitable grows its energy dependence on Russia.

3. Theoretical Point of View

Neoliberal Theory of Interdependence

International dependence theory is one of the influential directions among the Neoliberal theories, and it was clearly shaped by Robert Cohen and Joseph Nye. The dependence comprises a double effect, and this process includes both losses and benefits, they say.

Economic dependency may be dynamic. Dependent actors are sensitive to changes that bring detrimental effects and they try to take necessary steps to reduce the dependence. Cohen assures that there are positive and negative dependences. The positive dependence is oriented on mutual benefits, while the negative dependence nourishes the interest of a specific party. This theory precisely discloses sharpness of the Russian interest in the post-Soviet countries. As a result of the negative relationship, Georgia, Armenia and Lithuania turned out sensitive to the changes and therefore, they started carrying out the dependence reduction policy through diversification of supply sources. However, Armenia expanded its dependence on Russian gas and became a political instrument of the exporter of energy resources.

4. Vectors of Russia's Energy Monopoly and Political Weapons

After the collapse of the Soviet Union, Moscow had to play with democratic instruments for achieving political goals, because armed forces would be unfavorable to use. To this end, Moscow started recentralization of Gazprom for achieving foreign policy goals and for controlling the Gazprom's export strategy.

After Vladimir Putin was elected as a president, the Kremlin took efforts to expand its stake in Gazprom. At the same time, Putin was trying to transmit the company management to Alexey Miller and Dimitri Medvedev, but prior to Miller and Medvedev, Chernomirdin and Viakhirev resorted to the pricing system restructuration to regulate the tariff that Russian consumers used to pay for natural gas. Chernomirdyn and Viakhirev tried to regulate the price for industrial consumers. They submitted their own proposal to the Kremlin for gas exchange. According to the 2002 proposal, Gazprom could sell a part of its own product with unregulated prices. In this offer, Gazprom intended to sell the 10% stake with the aim to test the market. Despite their attempts, the Kremlin rejected the mentioned offer. Anyway, later, Putin accepted this offer for regulating the internal price structure in 2004, because Russia wanted to join the World Trade Organization (WTO). In "Power, Energy, and the New Russian Imperialism" AnitaOrban comprehensively analyzes the Russian strategy for exports of energy to Europe. According to Orban, Gazprom follows the 'three-pronged' strategy for exports expansion and protection. The crucial part of this strategy implies ownership of the transit pipelines and this strategy is revealed in the energy policy carried out to Armenia, Georgia and, Lithuania (Orban, 2008).

Today, Gazprom remains a crucial supplier of natural gas; however, the Russian giant does not own pipelines, unlike Armenia, and consequently, it has to pay the transit tariff. Therefore, the Kremlin aspires to not only ensure exports of its natural gas to the very Central European countries but also take control over pipeline infrastructure in certain countries.

The Idea of Energy Weapon, for the first time, appeared in the 1970s, when oil embargo was perceived as "the hazard that energy exporter countries could employ to influence energy supply with the aim to stage political pressure on clients. However, in the 1970s the mentioned mechanism was named as "Oil Weapon".

The Kremlin has frequently used the mentioned weapon efficiently, including for thwarting market diversification in "client" countries. Despite this factor, it should be noted that there is one important mechanism that somehow neutralizes the pricing games used by the Kremlin for political objectives. This mechanism is related to Russia's

WTO membership and, this factor obliges Russia to set natural gas tariffs due to the global market realities. Hence, it is very fascinating to examine the dynamics of development of energy relations and regulatory conditions (repository.library, 2012)

The European Union faced supply security problems in 2006 and 2009 when transit disputes arose between Russia and Ukraine and gas and oil supply was suspended. This factor sharply hit Eastern European countries. As a result, in 2010 the European Union adopted a new regulation with the aim to ensure gas supply security. This regulation was adopted on the ground of article 194 of the Lisbon agreement and it obliged to share information about the contracts that each member country had signed with the third countries on gas supply and infrastructure. This regulation compelled each member country to submit an action plan with the aim to prevent risks from available gas supply suspension.

Another problem in EU-Russian energy relations is that there is no joint approach for member countries that could assist each other amid emergency situations, as a result of different energy structures and national interests in different countries. In this respect, Lithuania was the first Baltic country that took practical steps and minimized its energy dependence on Russia.

It is also a serious problem that the number of suppliers is not diversified and this factor grows interdependence quality. This problem is sharper in Eastern Europe. Great Britain, Italy and, Germany have more diversified gas supply systems.

The Russia-EU interrelations could be described as an asymmetric process. Over the past 20 years the dependence on imports of energy resources has increased and the ratio of imported gas and oil is expected to attain 80% by 2035. The 100% dependence of some Eastern European countries on Russian energy resources makes their energy policy more vulnerable, however, the EU manages to implement such projects as imports of American shallow gas and LNG projects. At the same time, according to the European Commission forecasts, the ratio of renewable energy will rise to 18% by 2030. Everything depends on the energy policy of certain EU countries. In terms of LNG perspectives, Lithuania plays an essential role, as well as preconditions for Georgia's energy liberation on natural gas market of the post-Soviet space (Energypost, 2018).

5. Georgia's Energy Policy and Its Consequences

5.1 Background

Energy security plays an essential role in protecting the national interests of a country. Georgia's energy policy matters as its geopolitical location can promote Europe's energy security.

When discussing the energy policy of gas pipelines, it should be noted that Georgia's central gas pipeline system launched operation in 1959 after the South Caucasus' first main gas pipeline of Karadaghi-Tbilisi was put into exploitation. The Ordjonikidze -Tbilisi gas pipeline enabled the country to receive natural gas from two independent sources (Russia, Azerbaijan).

In 1967-1981 Georgia was actively building pumping stations.

The main gas pipeline system in Georgia comprises 9 gas pipelines and they ensure both gas transportation to various directions and natural gas transit to Armenia (energy, 2013)

Before 2006 Georgia used to receive only Russian natural gas. In 2007-2016 the natural gas supply increased by 32% and the volume ranged from 1.7 billion cubic meters to 2.2 billion cubic meters.

5.2 Pipelines

Two key transit pipelines cross the territory of Georgia – South Caucasus Pipeline (SCP) and North-South Main Gas Pipeline (NSMGP). The South Caucasus Pipeline (SCP) system transports gas from Shah Deniz field of Azerbaijan through Georgia to the Turkish city of Erzurum. The pipeline's transportation capacity is 8m³/s. As to the North-South Main Gas Pipeline (NSMGP), it transports Russian natural gas from Russia to Armenia. The pipeline is owned by JSC Georgian Oil and Gas Corporation (GOGC) and operated by LLC Georgian Gas Transportation Company (Development Strategy 2015).

5.3 Energy Dependence on Russian and Reforms Consequences

The ratio of natural gas in total power consumption grows. In 2013-2015 the rate rose from 28% to 33%. Georgia imports 99% of natural gas from abroad.

In 2016 Georgia and Gazprom signed an agreement, under which the transit fee is paid with money starting the second half of 2017 (previously, the transit fee was paid in the form of natural gas). Under the agreement, Georgia could buy 1000 cubic meter of natural gas at 185 USD, instead of 215 USD.

Before 2016, Georgia used to receive natural gas from only Russia and frequently, the supplier used to apply the gas resource as a political weapon. In that period Georgia's consumption was 1 billion cubic meters, but today 90% of Georgia's natural gas demand is satisfied by Azerbaijan. Dependence on Russian gas could not satisfy domestic consumption. Consequently, the country had to diversify the resources, especially, after Georgia-Armenia gas transit pipeline was exploded in North Caucasus in 2006 and Georgia's energy security faced severe threats.

It should be noted that Georgia received 10% from the natural gas transit to Armenia. This volume could satisfy the domestic demand in 2015, because the 90% supply from Azerbaijan was replenished by 11% additional resource, however, previously, Georgia had to import natural gas from Russia to satisfy the 6% winter peak demand (Strategy 2013).

In June 2015, the Parliament of Georgia adopted a new document of energy policy with the following principal directions: diversification of energy supply and the consecutive establishment of European market regulations (WEG, 2015).

In Winter 2016, Government of Georgia intended to receive alternative energy source (gas) from Russia, but, finally, refused it. Ivane Pirveli, director of the Gas Department of Georgian National Energy and Water Supply Regulatory Commission (GNERC), said: "In general, it is acceptable to receive natural gas from additional sources, because it reduces supply risks through diversification of resources. When SOCAR enjoys monopolistic condition in Georgia, it is not bad to attract Russian gas also and boost competition, but this is a very tricky issue, because Gazprom frequently uses natural gas as a political weapon. Georgia should not return to the period of energy dependence on Russia. At the same time, we should comprehensively and fundamentally explore Gazprom schemes, based on political and economic aspects" (Interview 1).

5.4 Role of South Caucasus Pipeline in Georgia and Europe's Energy Security

Before talking about the importance of the South Caucasus gas corridor, it is necessary to determine what the mentioned project comprises precisely. The South Caucasus gas corridor combines 4 various energy projects: 1) Shah Deniz Stage 2; 2) South Caucasus Pipeline from Azerbaijan to Turkey via Georgia; 3) Trans-Anatolian Gas Pipeline (TANAP) via Turkey; 4) Trans-Adriatic Pipeline (TAP), which will be connected with TANAP to supply natural gas to Greece, Bulgaria, Albania and Italy; At this stage, the South Caucasus pipeline, which is supplied from Shah Deniz field of Azerbaijan, supplies 8.6 billion cubic meters of natural gas to Azerbaijan, Georgia and Turkey a year.

The South Corridor gas pipeline represents an alternative source for diversification of the European gas. For European Union, the Nabucco-West, i.e. Turkey-Austria gas pipeline project is of crucial importance. The pipeline's transportation capacity makes up 31 billion cubic meters. Iraq, Turkmenistan, Egypt and Azerbaijan were supposed to be potential suppliers for the mentioned gas pipeline. In case of implementation of the Nabucco gas pipeline project, it would be exempted from the provision of the third party of the EU third package and it would enjoy the EU financial support. The Nabucco project's defect was that it had not specified the supplier and this is a problematic issue in case of gas pipelines. This is illogical fact. The mentioned project was questionable for another reason too: The Trans-Caspian pipeline was unprofitable and there were political unrests in Iran, Egypt and Iraq. Consequently, in June 2013 Azerbaijan gave preference to Trans-Adriatic gas pipeline, which would supply natural gas from Shah Deniz Stage 2 to Greece, Albania, Italy and western Europe through the South Caucasus gas pipeline (i.e. Baku-Tbilisi-Erzurum), operating along the Baku-Tbilisi-Ceyhan (BTC) pipeline, and Trans-Anatolian gas pipeline.

The mentioned pipelines cross 7 various countries and unite 12 or 13 gas companies and 9 buyers. Shah Deniz Stage 2 has the potential to supply additional 16 billion cubic meters of natural gas to 4 European countries served by TAP. The final investment decision on Shah Deniz Stage 2 project was taken in December 2013. At this stage, the second phase is being constructed. At this stage, natural gas is transported to Europe from the South Corridor through 3 pipelines, but challenges exist anyway.

The project has huge importance for connecting EU energy resources with Azerbaijani gas and other potential suppliers in the Caspian Sea basin. The substantiation of EU's Trans Adriatic corridor stresses the role of the South Caucasus energy corridor and represents this corridor as the decisive project serving the interests of a lot of countries.

Following the EU energy security objectives, a European country should have access to at least three energy suppliers. The South Caucasus energy corridor is able to fully perform this mission. At this stage, gas suppliers to European pipelines are not diversified, the new gas supply source from Shah Deniz 2 will generate competitive gas market prices. Natural gas offered for 43 USD (cubic meter) is competitive in relation to the USA liquefied natural gas sources.

It is evident that energy diversification in the contemporary world brings benefits to EU energy security too. EU remains fragile to external energy shocks and therefore, it needs efficient energy security strategy to enhance and expand its readiness to the future challenges in energy supply. There is an urgent necessity of the supply of alternative energy sources that will reduce Europe's 30% energy dependence on Russia. The very South Caucasus gas corridor enables to resolve this issue.

The potential supply of 10 cubic meters to south Europe bypassing Russia signifies that the South Caucasus gas corridor will be able to reduce Gazprom monopoly in the short-term perspective. And these perspectives may be promoted by expanding the pipelines from other sources such as Central Asia and Iran. In this way Europe will receive serious benefits in terms of energy security. It is worth noting that several countries in South Caucasus fully depend on one supplier and remain vulnerable to energy challenges amid uncompetitive tariffs. And some countries such as Albania remains out of the natural gas net. This country fully relies on coal and oil resources. TAP is expected to pave the way to new resources towards new markets and develop energy sectors.

Despite the South Caucasus gas corridor project is designed to narrowing Russian monopoly, it is facing challenges anyway in the form of the so-called frozen and unresolved conflicts. The Russian factor poses a threat to the South Caucasus region and the mentioned project. Therefore, it is the responsibility of NATO and the EU to take due measures for preventing destabilization attempts. Moreover, they should also enhance their efforts in the conflict resolution process.

Crossing Georgia, the South Caucasus gas pipeline will supply a specific volume of free or preferential gas to the country. According to experts, about 1 billion cubic meters of natural gas may remain in Georgia, and this would be of vital importance for economic growth and accelerating GDP growth paces.

Meanwhile, Iran is reported to be the world's major gas extraction country. This country strives to penetrate the European market through the Caucasian corridor. There is much probability amid political tensions with Turkey that Iran may activate cooperation with Georgia in the direction of Black Sea ports.

The mentioned opportunities and relations provide the best solutions for Georgia in the existing situation. These real opportunities imply the concept of Regional Hub. If Georgia manages to become the center of the intersection of north-south and east-west transit routes, it will make an essential geopolitical breakthrough (TANAP, 2018).

6. Energy Policy of Lithuania and Diversification Consequences

6.1 Background

In the 1990s Lithuania started building an independent country. Having announced independence, Lithuania received an essential asset on Ignalina nuclear power station that ensured efficient supply to this small Baltic country. However, following the EU instructions, Lithuania had to close the nuclear power plant.

Having closed Ignalina, Lithuania's dependence on Russian gas increased, because there were a few alternatives for electricity generation.

In 1999 Lithuania took part in the Helsinki Summit of Council of Europe. As a result, to implement gas initiatives, in 2001 Lithuania adopted the law on Gas. As a result, the State Gas Company (LietuvosDujos) was privatized.

In 2000 amid recovery from economic crisis in Lithuania, the dependence on Russian gas increased.

The years of 2001-2008 recorded hiking prices on heating, electricity and water as a result of growing imports of natural gas. The price of 1000 cubic meters of Russian natural gas rose to 345 USD from 85 USD. By the 2000s Lithuania depended on not only one exporter – Gazprom, but also on one pipeline coming from Belarus. Aspirations for diversification made liquefied natural gas of vital importance and Lithuania launched its first liquefied natural gas project at Klaipeda seaport and called it a symbolic name – Freedom.

6.2 Lithuania's Natural Gas Sector and Gas Infrastructure Formation

Lithuania's natural gas sector makes huge contribution to the state economy. A gas occupies 32.4% in Lithuania's primary energy consumption (Eurocomission, 2015). As a result of the merger of electricity and heating consumption sectors, natural gas constituted 39.7% in Lithuania's industrial energy consumption and 28% in Lithuania's civil commercial energy consumption (IEA Statistics, 2014); After inauguration of the Ignalina nuclear power plant project, gas consumption volumes increased further in the country, but the multiyear dependence on Gazprom, the only natural gas supplier, brought frustration. Even in 2013 Lithuania's energy dependence indicator was 78.3% and the gas sector was entirely dependent on Gazprom (by 100%) (EU Comission, 2015). New Norwegian and American projects outlined essential solutions for obtaining freedom in energy policy.

Besides gas consumption aspects, infrastructural issues are also very significant for natural gas transit. The Soviet invasion had entirely changed the general situation in the country. The infrastructure was developed with the aim to attach the Baltic States to Russian natural gas. The mentioned situation was maintained after the announcement of independence too. Natural gas supply was carried out from Belarus to Lithuania through only one pipeline and the final point of this pipeline was in Kaliningrad. This system was maintained for an extended period, because, initially, the newly independent Baltic countries were making accents only on military and security issues. On the other hand, Lithuania turned out an only Baltic country with transit functions, because Kaliningrad borders neither Belarus nor Russia (Svegздаite, 2016).

6.3 Energy Projects

The Klaipeda project was huge progress for Lithuania's energy independence. Today, the floating reserve and regasification unit is owned by Norwegian company Høegh LNG Ltd and they are located at warm seaports of the Baltic Sea. The first supply reached Lithuania in February 2016 and the operation was carried out by Norwegian company Statoil and its ratio in Lithuanian gas accounts for 50%. The annual storage capacity of Lithuania's gas storage tank makes up 4 billion cubic meters and this volume suffices to satisfy 75% of gas consumption in all three Baltic countries (Pavlenishvili, 2017).

According to the protocol signed with Klaipeda Rafta in 2017, the US shell gas of Cheniere Energy will enter the Klaipeda terminal with the 1.5-2.2 million tons of growing capacity. This deal is expected to fully satisfy Lithuania's gas consumption, which makes up 3 billion cubic meters a year (Enerpro, 2015).

6.4 Energy Dispute against Gazprom

Energy freedom aspirations triggered Russian reaction. The government of Lithuania had a multiyear dispute against Gazprom. The process started in 2004. An important fact was recorded in 2016, when the Main Administrative Court of Lithuania imposed a 36.5 million EUR fine on Gazprom, after the Russian energy giant refused to fulfill the agreement with Lithuanian company Lietuvos Energija on gas exchange. Consequently, the court approved the decision by the Lithuanian Board of Competition, which imposed the significant fine on Gazprom in the history of Lithuania.

The Board concluded that having refused to fulfill the gas exchange agreement with Lietuvos Energija, Gazprom was trying to thwart the Lithuanian company's plans for signing new contracts with other partners. As a result, Gazprom was violating the conditions for purchasing the 34% stake of shares in Lietuvos Energija (BM, 2016).

6.5 Consequences of Lithuania's Energy Policy – Diversification

Lithuania's energy policy has become a precondition for energy independence and this aspiration was enhanced in October 2015, when energy companies of Lithuania, Latvia, Poland and Estonia signed a document on delivering the 534-kilometer gas pipeline of Poland to the city of Ianush, southeastern part of Lithuania. The project's value is 558 million EUR, of which EU allocated 300 million EUR.

Ivane Pirveli, the director of Gas Company of Georgian National Energy and Water Supply Regulatory Commission (GNERC), noted: "The interconnector of Lithuania and Poland is designed for integration of natural gas markets of Baltic States, Finland and Poland with the aim to reduce dependence on Russia" (Interview).

As a result of final diversification, gas consumption of the Baltic countries has been satisfied by 90%. Moreover, according to the President of Lithuania, the state will attain full energy independence soon and, in case of unacceptable conditions, the country will reject cooperation with Gazprom.

Amid Lithuania's achievements in energy policy, we should recall that the European Commission has named this country among the most vulnerable "energy islands" (Kiaule, 2013).

7. Dynamics of Armenia's Energy Dependence

7.1 Armenia's Energy Policy Priorities

Following the collapse of the Soviet Union, significant investments were made in power sector, namely, in seeking new fields and building oil and gas pipelines. Implementation of new strategic projects was intensified starting 2006.

Unlike Georgia, Armenia lacks European aspirations and the country has preferred to get integrated into the Eurasian Union, which remains under the influence of the Russian Federation. Therefore, Armenia's energy sector development ways radically different from the experience of Georgia and Lithuania and this factor depicts the contrast between energy policies of various post-Soviet countries and enables to appraise the degree of the attainability of energy independence.

In Armenia, the nuclear power plant and the construction of a nuclear reactor are considered to be critical mechanisms for achieving energy independence (Europa, 2014).

7.2 Background

In the 1990s, Armenia was left without vital energy resources amid political tensions and unrests. The country had to determine the future priorities of energy policy.

When talking about the formation of Armenia's energy policy, we should mention its complicated relations with Azerbaijan and Turkey. This critical political environment puts Armenia in a discriminatory position. Therefore, Armenia has to remain wholly dependent on Russian natural gas to ensure its energy security (GHN, 2017).

Before 2009, Russia provided major discounts for Armenia on natural gas price. In April 2009 gas prices rose from 110 USD to 154 USD per 1000 cubic meters and in April 2010 the rate exceeded 180 USD. In April 2011 the price of imported gas in Armenia almost equaled to the market price, but this process was temporarily curbed as a result of Russia-Armenia negotiations.

On May 20, 2009 Russia and Armenia signed a long-term agreement, under which Russia was to supply 500 million USD to Armenia to help the country in overcoming outcomes of the global financial crisis.

On August 20, 2010, Armenia and Russia signed an agreement on extension of the 1995 bilateral agreement and amendments, under which Russia was entitled to employ the military base N 102 in Giumri near the Armenia-Turkey border till 2044.

This is additional sample of how energy dependence transforms the dependent country into a political weapon.

In December 2013 the Parties signed an intergovernmental agreement liberating Russia from exports obligations in the South Caucasus Region. At the same time, Gazprom assumed obligation to supply natural gas to Armenia in 2014-2018. Under the mentioned agreement, Gazprom will provide 2.5 billion cubic meters of natural gas to Armenia a year (globalsecurity, 2015).

In early September 2016 Gazprom shrank natural gas supply prices for Armenia, and the tariff declined to 165 USD from 189 USD per 1000 cubic meters (Arka, 2016).

7.3 Why Armenia makes no Use of Iran's Energy Potential

For over a year Iran was demonstrating the growing interest in Armenian direction with the aim to arrange natural gas exports to Europe. On other hand, Yerevan was also interested in these aspects and the country even engaged in large-scale projects. Since Russia is involved in the Turkish Stream and Gazprom holds monopoly over Armenian gas and major infrastructure, Iranian interests could not be implemented in reality.

On July 31, 2017 in his interview for the Iranian newspaper Sharh, President of Armenia Serj Sargsyan noted that Armenia was cooperating with Iran for supply of Iranian gas to Europe. It should also be stressed that Iran was one of the key suppliers of natural gas to Armenia, but not the biggest one. Consequently, the project could bring significant geopolitical and economic benefits to Armenia. Tehran's transit plans were conflicting with the interest of such countries as Georgia, Azerbaijan, Russia, the USA and other countries of Eurasia.

The Trans-Anatolian gas corridor is considered to be an alternative route for implementing Iran's natural gas supply project. This route connects Azerbaijan with Europe through Georgia and Turkey, while Europe intends to reduce its dependence on Gazprom through TANAP project promotion.

For the first time, Iran's interests in Armenia's transit opportunities appeared much earlier compared to the year of 2017. In June 2015 Azizollah Ramazani, the international relations director for the National Iranian Gas Export Company (NIGEC) noted that, among all available transit directions (Iran-Armenia-Georgia-Black Sea, Iran-Turkey, Iran-Azerbaijan-Georgia-Black Sea and Iran-Iraq-Syria-Lebanon), Iran considered Armenia as one of the vital transit opportunities for exports of its natural gas to Europe.

However, today, all perspectives for transiting Iranian natural gas to Europe via Armenia stay befogged. And the agreement with Georgia remains in test regime and the supplied natural gas is used for domestic consumption. As to another possible variant that is to transit natural gas via Georgia's Black Sea ports, there are two hindering reasons: 1. Georgia's strategic partnership with the USA that is unfavorable for Iran; 2) It is necessary that the mentioned natural gas be transited in a liquefied form, but there is no respective infrastructure yet.

The route via Armenia is the most favorable and convenient direction for delivering Iranian natural gas to the TANAP pipeline, but this project faces two major obstacles: 1. Azerbaijan's negative attitude, which aspires for the Karabakh conflict revision and 2. Imposed sanctions and negative international position regarding Iran's initiative. Namely, the Russian Federation has showed a very interesting position in relation to this issue, because Gazprom controls the whole natural gas network in Armenia. Russia is not interested that a new competitor such as Iran penetrate the EU market (Southfront, 2017)

7.4 Analysis of Energy Dependence on Russia

Today, Gazprom holds 80% stake in the Armenian company, the remaining part is maintained by the Government of Armenia. "This factor has led to full monopolization of the sector and allowed Russia to take control over other sectors too" (Interview).

At this stage, the Russian monopolist intends to raise natural gas tariffs for Armenia. As a result, Armenian consumers will receive Russian natural gas for European duties – 156 000 Dram (374 USD) for 1000 cubic meters instead of 132 000 Dram (Reporter, 2013). The higher natural gas tariff will lead to raising electricity price, because electricity in Armenia is generated by steam power plants. The 18% upturn in natural gas tariff will inflict severe economic damage to the country. Therefore, Armenia's energy policy could not neutralize energy dependence. As a result, the enhancement of dependence on Gazprom has also deepened political and economic dependence on

Russia. Moreover, infrastructural obstacles and Gazprom's negative attitudes have thwarted Armenia's intentions to diverse markets and the country remains entirely dependent on Russia as part of new classified agreements and as a result of implemented economic and energy policy.

Conclusion

Energy resources represent a cornerstone for all important influences in all countries worldwide. Russia is a country, which has received energy resources by inheritance and it applies these resources for economic growth and boosting exports potential in pursuit of political objectives. Hence, key aim of this work was to show up how efficiently the post-Soviet countries have managed to get rid of the influence of the energy giant Gazprom, as a political weapon. Since the post-Soviet States represent transit corridors between Europe and Asia, it is necessary that they efficiently use the market diversification mechanisms to avoid political and economic blind alley that may arise because of countries with huge exports potential.

Since the collapse of the Soviet Union, the post-Soviet countries have been trying to carry out different energy policies, due to their geographical location. Therefore, the cases of Georgia, Armenia, and Lithuania represent three different experiences of energy policy having brought full independence from Russian natural gas, partial independence on Gazprom and total dependence on the Russian gas giant.

Thanks to the diversification of resource markets and progressive energy policy, Lithuania managed to minimize its energy dependence on Russia. The case with Georgia is an experience of a transient process, which implies attracting and structuring new alternative resources. Thanks to balanced energy policy with Azerbaijan, Georgia managed to reduce energy dependence on Russia essentially. As to Armenia, the country had to enhance its reliance on Russian gas, and it sold the controlling interest of the gas distribution company to Gazprom. As a result, Armenia became 100% dependent on Russia's Gazprom and fell in economic crisis.

From Author

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Interview

Ivane Pirveli

Director of Gas Department of Georgian National Energy and Water Supply Regulatory Commission(GNERC).

ISSET, Tbilisi

March 10, 2019

Interview

Ivane Pirveli

Former Director of Gas Department of Georgian National Energy and Water Supply Regulatory Commission (GNERC).

ISSET, Tbilisi

10.03. 2019

1. What volume of natural gas did Georgia receive from Russia and could that resource satisfy the domestic consumption?

- In 1990 Georgia's natural gas consumption constituted about 6 billion cubic meters. Until 2006, Georgia used to receive only Russian natural gas. In that period the domestic consumption was about 1 billion cubic meters. Today, 90% of the natural gas consumption is satisfied by Azerbaijani natural gas and the remaining part is replenished from Russia. Domestic gas extraction makes up only 0.3% in total consumption. At this stage, Georgia's annual gas consumption constitutes about 2.4 billion cubic meters.

2. How would you appraise the current situation in Lithuania, prior to the agreement on building the first European gas pipeline?

- Lithuania was also dependent on Russian natural gas, like Georgia. The situation changed, when the country launched imports of Norwegian natural gas and implemented a 4 billion USD project for building a floating liquefied natural gas tanker.

3. What domestic and external factors have made Georgia reduce energy dependence on Russia?

- Russia used to apply gas as a political weapon. The situation worsened when Georgia-Armenia transit gas pipeline exploded in North Caucasus in 2006. As a result, serious threat was posed to Georgia's energy security.

4. How would you appraise the importance of Poland-Lithuania gas pipeline based on foreign and domestic political situation?

- The Lithuania-Poland interconnector is designed for integration of natural gas markets of Baltic Countries, Finland and Poland and reduction of energy dependence on Russia.

5. Last winter Government of Georgia planned to attract alternative energy source (gas) from Russia. Do you think this was a right decision and why have they refused this idea finally?

- In general, it is acceptable to receive natural gas from additional sources, because it minimizes risks through diversification of resources.

Amid SOCAR's monopolistic condition in Georgia, it is not a bad idea to import extra volumes of Russian gas and boost competition. However, this is a very tricky issue, because Gazprom frequently uses natural gas as a

political weapon. The issue requires comprehensive and universal exploration based on political and economic factors.

6. What would you say about the outcomes after Gazprom bought a 100% stake in Armenia's distribution company in January 2014?

- Gazprom has monopolized the whole sector and Armenia's dependence on Russia has been further deepened.

7. How would you characterize the perspectives of Russian energy policy development in the post-Soviet countries?

- Gazprom is expected to smooth the gas tariff policy, because renewable energy sources will gradually sharpen competition against natural gas.

ENVIRONMENTAL SUSTAINABILITY DISCLOSURES AND ITS USEFULNESS FOR SUSTAINABLE INVESTMENT

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ABSTRACT

This study evaluates environmental information incorporated in sustainability reporting of Thai construction companies under mandatory reporting regime of the Stock Exchange of Thailand (SET). Environmental sustainability reports responding to investors call for sustainable investment are examined. Data was collected through a review of annual reports of sixty-five Thai companies and ten international firms listed on the Stock Exchange of Thailand. Environmental improvement activities identified in the reports were analysed and the quality of the disclosures were evaluated against the Global Reporting Initiative (GRI) framework. Qualitative characteristics used as a benchmark to assess international reporting guidelines such GRI. The results indicate that while the mandatory reporting regime on the Thai construction sector has fostered the quantity of disclosures in annual reports, wide variations still exist in the information disclosed in the reports owing to management's considerable reporting discretion. The reporting practices show room for improvement with respect to enhancing informativeness of environmental disclosures to investors. Thai construction firms however are still going a long way to improving environmental information comparing with international firms listed in the Stock Exchange of Thailand.

Keywords: Environmental Information, Environmental Measure, Environmental Sustainability Reporting, GRI's Guidelines.

1. Introduction

Environmental sustainability disclosures remain largely a mandatory and voluntary practice. Companies are required to report environmental performance with a view to enhancing information disclosed to stakeholders. Thailand is a case in point where the government introduced regulatory requirements on construction companies to provide environmental sustainability disclosures. The efficacy of mandated disclosure requirements with respect to providing decision-useful information to stakeholders remains yet to be explored (Suttipun & Stanton, 2012). The Stock Exchange of Thailand (SET) has required Thai-listed companies to incorporate environmental sustainability in mandatory reports (SET, 2008; Suttipun & Stanton, 2012). Environmental issues associated with construction processes such as waste disposal, dust, noise, and environmental pollution have become increasing concerns for investors and other stakeholders (Watchaneeporn Setthasakko, 2010). Thai companies have largely responded by showing their commitment to environmental sustainability (Anuchitworawong, Leangcharoen, & Thampanishvong, 2012). This results in international markets are concerned about social well-being and environmental awareness of Thai companies (Kuasirikun & Sherer, 2004).

Nevertheless, environmental information provided by Thai companies appeared inadequate to appropriately identify how companies conserve the environment and improve the quality of life of employees and the community on a sustainable basis (Anuchitworawong et al., 2012). Environmental performance indicators were rarely made evident in the reports to identify how companies achieved environmental sustainability goals (Petcharat & Mula, 2013; Pipat Yodprutikarn, 2010). Demands have been placed on reporting systems to accurately identify and measure environmental information to incorporate in companies' annual reports (Ratanajongkol, Davey, & Low, 2006; Suthisak Kraisornsuthasinee & Swierczek, 2009). To address this issue, governmental agencies provided a framework for more effective business practices to enable identifying environmental performance in companies' reports. And, the Thai government has attempted to encourage environmental sustainability disclosures by issuing guidelines in 2010 (Initiative for Responsible Investment, 2014). The influence of the guidelines on disclosure practices of companies would enhance our understanding of the link between public policy and reporting behaviour of companies. This study examines environmental information incorporated in sustainability reporting of Thai construction companies under mandatory reporting regime of the Stock Exchange of Thailand (SET). Global Reporting Initiative (GRI) framework is employed to evaluate with environmental sustainability reports responding to investors call for sustainable investment.

2. Literature Review

Environmental information in sustainability reports aims to promote environmental responsibility and social well-being as a whole (Kuasirikun, 2005). Thai companies are required to implement and demonstrate greater concern of and responsibility for environmental problems (Pipat Yodprutikarn, 2010). Previous studies (e.g. Kraisornsuthasinee, 2006; Kuasirikun & Sherer, 2004; Lint, 2009; Petcharat, 2015) claim that the extent of environmental information in mandatory and voluntary disclosures by listed companies has not been clearly identified or measured using either set of international guidelines. Companies basically understand environmental and social responsibility practices, as well as recognize environmental information based on the corporate social responsibility guidelines of SET (2008). In addition, as a voluntary regime, little information on environmental factors was incorporated in the CSR disclosures in an informative form (Moisescu & Mihai, 2006; Petcharat, 2015). Companies failed to sufficiently incorporate environmental information in external reports while only few companies fully disclose their carbon emissions, energy and water consumptions, and total volume of waste productions externally (Thanatrakolsri, 2014). To deal with this matter, the Stock Exchange of Thailand (SET) has introduced new principles of corporate governance to listed companies to include economic, environmental, and social performance in mandatory and voluntary reports (Suttipun & Stanton, 2012).

In 2007, the Stock Exchange of Thailand has changed the voluntary approach by forcing listed companies to one of "comply or explain" their environmental performance (Suttipun & Stanton, 2012). Finally, social and environmental sustainability of listed companies was required to incorporate in voluntary disclosures in 2008 (Suttipun & Stanton, 2012). In this relation, the GRI provides essential indicators as appropriate guidelines that are widely used as a standardized sustainability-reporting framework (GRI, 2006). The guidelines enable companies to report environmental data sufficiently regarding the measurement of use of resource, energy efficiency, water consumption, emission abatement, and waste minimizations while driving better market performance as 'green' producers. One of the key challenges of the GRI guidelines is to enable a company to communicate with its stakeholders relating the three areas of performance (economic, environmental, and social)

and accountability beyond the financial bottom line (Willis, 2003). Incentives include subsidies to businesses to improve energy efficiency and emissions performance, and grants to protect wildlife, waterways and land used. Penalties are also applied through government-imposed taxes. The implementation of international measures such as GRI guidelines for environmental sustainability reporting has not been much of interests to the companies. The trend in identifying and measuring environmental data along with the GRI guidelines has risen since 2006 (PricewaterhouseCoopers, 2013). Meanwhile, due to the demand of stakeholders and the public in environmental sustainability reports, companies showed interest in disclosing their environmental performance significantly comparing with previous years (PricewaterhouseCoopers, 2013). Thai companies measure their environmental costs based on market mechanisms and applying environmental management programs to achieve their sustainability goals (Kuasirikun, 2005). Insisting on looking at a products or service life-cycle before procurement would identify if there is minimal impact on the environment due to contaminants, emissions, and wastes.

In Thailand, the construction market has remained stable for decades despite the a steady increase in costs of steel products, fuel and other construction materials (Mayer Brown JSM, 2008). During construction and renovation of building, wastes and dusts are becoming the main problems creating negative impacts on environment, society, and community in surrounding areas. Kofoworola and Gheewala (2009) studied construction waste generation and management in Thailand and reported that the management of construction waste is becoming significant concern of national integrated waste management plan. Recycling wastes and disposal of waste became a target of interest for reducing environmental damages of waste components from landfills (Kofoworola & Gheewala, 2009). The building construction sector, for example, creates many environmental problems from using high volume of materials (Wankanapona, Chindapolb, & Tantasavasdia, 2013) energy, and water. Housing constructions are also a major contributor to the environmental issues relating to the excessive resource depletion and destruction of environment and community where they operate (Wankanapona et al., 2013). Thanatrakolsri (2014) claimed that Thai property developers have not yet made the link to environmental sustainability regarding reducing risks or capitalizing on business opportunities based on a focus on one-off CSR activities. As Thailand's capital market for property development advances are opening globally, investors are increasingly becoming drivers of companies' interest to pursue suitability goals and to strategically maximize returns (Thanatrakolsri, 2014).

In addition, environmental issues of construction companies have grown along with increase in government regulation and enforcement. Construction waste, noise, and pollution are constituted as a major source of environmental issues measuring based on volume and weight (Kofoworola & Gheewala, 2009) to incorporate in a sustainability report (Suthisak Kraisornsuthasinee & Swierczek, 2009). The management of construction wastes has been of interest to construction firms as it creates potential economic, environmental and social benefits. Ashford et al. (2000) studied the design and construction of engineered municipal solid waste (MSW) landfills in Thailand. The study found that the management and current practices of engineered MSW landfills meet the international standards. Thus, when it comes to competitive differentiation in international 'green markets', companies were looking for ways to report their environmental performance based on international measures to add sustainable value (Suthisak Kraisornsuthasinee & Swierczek, 2009). They are seeking to be seen as 'green organizations' in international markets by promoting energy efficiency and minimizing wastes and disposal. Environmental issues relating to waste and dust management in sustainability reports aimed to promote how a company achieved its environmental sustainability (Suthisak Kraisornsuthasinee & Swierczek, 2009). However, appropriate environmental measures have not yet been introduced to construction firms to effectively manage and control recycling wastes and disposal (Kofoworola & Gheewala, 2009). A comprehensive set of metrics nor a general framework for reporting exists to guide firms in the disclosure of environmental performance. Thus, the usefulness of the environmental disclosures in Thailand remains yet to be evaluated. The possible sources of metrics for such an evaluation could be derived from the international sources such as the Global Reporting Initiative (GRI).

This study examines environmental sustainability disclosures of Thai construction companies and its usefulness when responding to investors call for sustainable investment. Environmental performance incorporated in annual reports can be regarded useful if it leads to better understanding of the reporting company's impact on the environment. Environmental information in sustainability reports enables *construction firms to build strong relationships with stakeholders when responding to investors call for sustainable investment* (P3) (Pirsch, Gupta, & Grau, 2007; Ratanajongkol et al., 2006; Suthisak Kraisornsuthasinee & Swierczek, 2009). Thus, systems of tracking and reporting environmental information improve physical quantities and management of environmental flows in production processes (Burritt & Saka, 2006). As the demands have placed on internal accounting systems in identification and measurement of environmental indicators (Ratanajongkol et al., 2006; Suthisak Kraisornsuthasinee & Swierczek, 2009), an international measure such GRI provide a company with a way to

identify and measure environmental information in relation to environmental management accounting perspectives. In this study, we address the following research question and its propositions:

RQ: To what extent environmental sustainability disclosures of Thai construction sector and its usefulness respond to investor call for sustainable investment?

P1: Environmental performance indicators in annual reports of Thai construction sector meet sustainability reporting standards of the Stock Exchange of Thailand

P2: Environmental performance in annual reports of Thai construction sector underlying the indicators of the GRI's guidelines create useful information in mandatory reports

P3: Environmental performance in annual reports of Thai construction sector enables to respond to investors' call for sustainable investment

3. Research Methodology

Qualitative research methods were considered appropriate for this study using purposive sampling methods to select sixty-five annual reports of Thai companies and 10 reports of international firms (construction sector) listed in the Stock Exchange of Thailand. Data was collected through a review of environmental performance incorporated in annual reports. Content analysis was employed to review throughout environmental information in annual reports of a sampling group. Coding analysis theme was set to classify information into each category of environmental impacts including environmental information, environmental measures, and environmental sustainability along with eco-efficiency from disclosing environmental performance to add shareholder value. The analytical approach was centred on review of the annual reports. Content analysis of corporate reports regarding environmental and social responsibility has been widely used to identify how companies promote their corporate social responsibility (Adams & Harte, 1998; KPMG, 1994; Kuasirikun & Sherer, 2004). In addition, descriptive analysis was employed to identify the reporting frequency of environmental information based on GRI dimensions. Analytical interpretations of the disclosures were then made based on the framework developed in the previous section of this paper.

4. Data analysis and discussion of results

4.1 Environmental information in sustainability reports

The review of annual reports shows that the policies of sampling companies aimed to disclose environmental information in annual reports and promote transparency. Environmental information in relation to environmental reporting procedures of 65 construction companies listed in the Stock Exchange of Thailand was counted. Coding analysis theme of environmental impacts was created from used of materials, energy consumption, biodiversity management, water consumptions, emission & wastes management, environmental impacts created from product & service, and environmental management and prevention. The results in Table1 answer the P1 that environmental performance indicators in annual reports of construction sectors meet sustainability reporting standards of the Board of Investment (BOI) (2014). Number of words of overall integrated reporting perspectives identified in the interview is shown in Table1.

Table1: Environmental information in annual reports

	Related words	Wordcounts
Emission & wastes management	271	236
Environmental management and prevention	178	173
Water consumptions	114	92
Use of materials	86	70
Environmental impacts created from products or services	76	56
Biodiversity management	72	45
Energy conservation	63	48
Total wordcounts	860	720

Total number of words	860
Relative count (%)	83.72
N= 65 annual reports	

The results answer to P1: Environmental performance indicators in annual reports of Thai construction sector meet sustainability reporting standards of the Stock Exchange of Thailand that construction companies in Thailand (236 of wordcount) reported emission and waste management including the methods to reduce and prevent dust created from building including sweeping and cleaning the construction areas, spraying the areas with water, providing safety nets used to curtain off the construction, straining dust derived from construction under the acceptable quantity, and inspecting engines and machineries for the construction areas [e.g. Bangsaphan Barmill PLC, Syntec Construction PCL & Supalai PCL]. Reducing noises generated from construction was reported on fixing the time for driving in the pilings not to be correspondingly coincided with the bed time of the people, particularly, the construction area located near the community and schools during daytime, use of engines or machineries that have regular maintenances to prevent excessive noise, and use of block fence line to prevent noises in the case when machineries are near to the community [Sino-Thai Engineering & Construction PCL]". In the reports, environmental management and prevention was disclosed to show how companies monitor and evaluate environmental improvement, expand factory green areas, give away fabric bags for community, develop process producing environmentally friendly, provide research and development for environmental improvement, provide construction signs for the purpose of versatility and safety of the traffic regarding to traffic management.

4.2 Environmental performance in line with the GRI guidelines

According to the analysis, sampling companies are at the lower end of the scales currently reporting regarding environmental performance disclosures according to the GRI guidelines. The analysis results answer to P2: Environmental performance in annual reports of Thai construction sector underlying the indicators of the GRI's guidelines create useful information in mandatory reports that Environmental indicators of the GRI guidelines were employed to help incorporate environmental performance in their annual reports. This includes energy consumptions (n=11(16.9%), followed by water consumption (n=7, 10.8%), environmental management and prevention (n=7; 10.8%), energy conservation (n=6; 9.2%), and biodiversity management (n=4; 6.1%) (Table 2).

Table 2: Environmental information in annual report and indicators of the GRI guidelines

Environmental information in the Reports	Environmental indicator of the GRI guidelines						
	Material	Energy	Bio-diversity	Water	Emission & Waste	Product & Service	Environmental management
Not related to the GRI guidelines	50 76.9%	36 29.3%	47 72.3%	50 76.9%	51 78.6%	51 78.6%	50 76.9%
Somewhat related to the GRI guidelines	5 7.7%	13 20%	7 10.8%	5 7.7%	7 10.8%	7 10.8%	5 7.7%
Closely related to the GRI guidelines	4 6.1%	5 7.7%	7 10.8%	3 4.5%	3 4.5%	3 4.5%	3 4.5%
Based on the GRI guidelines	6 9.2%	11 16.9%	4 6.1%	7 10.8%	4 6.1%	4 6.1%	7 10.8%
Total	65 100%	65 100%	65 100%	65 100%	65 100%	65 100%	65 100%

N = 65 companies

% = percentage of total number reported

The review of Annual reports represents that the CPN Property Development and Investment stated that ".....CPN incorporated the Sustainability Management Report to be a part of CPN's 2014 Annual Report, made for the third year, to publicize CPN's performance in economic, environment, and social aspects in 2014. The report writing method was based on Global Reporting Initiatives (GRI: G4) in accordance to core, which focuses on performance indicators that are in line with the company's strategies and are material issues for both the company and stakeholders [Annual report 2014: CPN PCL, 2014, p.96]. The implementation of the GRI guidelines provided the PCL with a way to accurately report its achievements in energy conservation and maximum energy efficiency, use of materials in production processes, greenhouse gas reduction, garbage and wastes management, water

management performance, environmental management and prevention, biodiversity and ecology management [Annual report 2014: CPN Property Development and Investment PCL, 2014, p. 79-84]. Some samples did not fully employ environmental indicators of the GRI guidelines to help incorporate environmental performance reporting. They attempted to report environmental performance closely to the guidelines.

4.3 Environmental performance responding to investors call for sustainable investments

Table 3 answers to P3: Environmental performance in annual reports of Thai construction sector enables to respond to investors' call for sustainable investment that environmental performance of Thai-construction firms (Samples) listed in the Stock Exchange of Thailand enabled to respond to investor call for investment decisions (61.92% of relative wordscount). Sample companies (Thai-constructions) indicated that environmental information was mainly collected from environmental management and prevention programs (50), followed by product & service (30). Only 14 of wordscount was found on water consumption, 11 of use of materials and emissions and waste management, 10 of energy consumption, and 9 of biodiversity management, respectively (Table3).

Table3: Environmental sustainability call for investment decisions

	Construction industry (Thailand)			
	Thai-listed firms*		International-listed firms**	
	Related words	Number of wordscount	Related words	Number of wordscount
Environmental management and prevention	53	50	108	106
Product & service	45	30	36	35
Water consumptions	26	14	32	28
Use of materials	35	11	51	48
Emission & wastes management	25	11	109	105
Energy consumption	19	10	91	81
Biodiversity management	15	9	16	14
Totals	218	135	443	417
Total number of words		218		443
Relative count (%)		61.92		94.13

*Thai-listed companies = 65 annual reports

**International-listed companies = 10 reports

It can be seen that Thai-construction companies could go a long way to improving data available to investors for decision making when comparing with international-listed firms listed in the Stock Exchange of Thailand. Construction companies listed in the Stock Exchange of Thailand were on their aims to take environmental responsibility into account while incorporating sustainability practices in the reports. Annual reports contained non-financial data such as on environmental management performance as per legislative requirements. Such environmental performance disclosures were identified from material, energy, biodiversity, water, emission and waste, and environmental management program and incorporated in the reports. The review of the annual reports shows that companies were intending to identify environmental performance indicators from environmental improvement activities and expenditures to disclose externally. Similarly, Charn Issara Development PCL & CH. Karnchang PCL states "...The Company has adhered to transparency, honesty and responsibility to create investor's confidence". For energy conservation, some companies stated that they received awards that promote environmental sustainability achievement including "In 2005, 2007, and 2008 the Company received an Outstanding Award for "Excellent Energy Conservation House" from the Department of Alternative Energy Development and Efficiency, Ministry of Energy" [Supalai PCL, p. 23]. This drives the ability to influence legislative and investment decisions in a manner that builds brand value as a corporate sustainability organization both immediately and in future.

Thai construction companies were intending to present Mechanisms of enforcement such as assurance ensures that the report is comprehensive with no major omissions. Perhaps there is no guarantee that they are not reporting selectively. However, some sample companies of Thai construction sectors covered in the set environmental sustainability policy to fulfil transparency into the environmental of their operations when promoting environmental sustainability achievement in 'green' market. Environmental sustainability of construction sectors

aimed to support management decisions in relation to taking action of environmental factors within construction processes. Companies focused on preserving the environment and reducing negative impacts on the environment that would lead to business sustainability in the short- and long-term. Environmental management policy and procedures were set to take responsibility to the community and the environment which it in turn meet environmental friendly organizations. The review of annual reports of 65 samples was benchmarked with international firms from the construction sectors. The Table3 illustrated that Thai-listed firms could go a long way to improving environmental information to enhance sustainable investment decision of investors. Based on the results, most Thai-listed companies may not be covering all the GRI indicators in their sustainability reports. Only small number of samples implemented environmental performance indicators of the GRI guidelines to identify environmental sustainability in their annual reports (Table2). The reviews of the reports found that companies either did not report according or did not report according to the GRI guidelines. The reports consistency also differs across the GRI dimensions.

5. Conclusion

This study has evaluated the environmental sustainability reports of Thai construction companies and its usefulness underlying GRI's guidelines and mandatory regime responding to investor call for sustainable investment. Based on the review of 65 annual reports, the results indicate that while the reporting guidelines tended to fostered the quantity of disclosures in annual reports, management's reporting discretion has led to disparity is observed in the information content of the reports gauged against GRI guidelines and desired qualitative characteristics of conventional financial reports, namely, representational faithfulness, verifiability, comparability. The reporting practices show room for improvement to with respect to enhancing in forma and consistency. Some construction companies established in Thailand identified and measured environmental performance indicators and incorporated in annual reports. Based on the indicators of the GRI guidelines, environmental information of the companies was incorporated in annual reports related to the Material, Energy, Biodiversity, Water, Emission and Wastes, Product and Services, and Environmental management programs. Companies aimed to take environmental issues into account by providing benefits to community and the environment. The information disclosed along with the indicators of the GRI guidelines aimed to improve data available to respond to investors call for sustainable investment.

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MAINTAINING THE MOMENTUM WHILE GROWING STUDENT NUMBERS: THE CASE OF PEARSON COLLEGE LONDON

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ABSTRACT

The recent CBI's Education and Skills survey (CBI, 2018), conducted in the UK, determined that 44% of employers are not satisfied with school/college/university graduates' aptitude and readiness for work. Furthermore two thirds of employers questioned stated they were not confident with accessing high-skilled employees in the future (CBI, 2018). As a result, the president of the UK division of Pearson PLC, one of the world's largest education companies, outlined: "it is impossible not to notice the primary trend that persists - the gap between what is taught in schools, colleges and universities and what is valued by employers" (CBI, 2018). Despite having a degree, many students are graduating from traditional universities unprepared for work. This raises the question of the purpose of higher education and how to measure its quality and effectiveness.

Established in 2012, Pearson College London (PCL) is the only higher education institution in the UK to be part of a FTSE 100 company, Pearson PLC. PCL's approach attempts to tackle the concerns raised by employers by offering degrees that are "designed, developed and delivered by industry" standing together "shoulder to shoulder" with academia. This paper identifies recommendations in order to facilitate achieving PCL's aim of gaining degree awarding powers and 'university' status in the UK, while at the same time fulfilling the need to increase student numbers, for cost purposes, without losing the USPs that make the private higher education provider a disruptive innovator in UK higher education. With rapidly growing student numbers, PCL, has now exceeded the 1000 student milestone. However, without continuous innovation beyond that of their competitors, the resultant effect could be stagnation or even 'decline' due to other competitors interested in also offering employability focused degrees, including well-known and highly desirable brands such as Apple and Google (Griffiths, 2016).

The private higher education sector in the UK has commonly been misconceived as 'small', 'homogenous', "poor quality" and "irrelevant" (Woodfield, 2014). PCL, as a newly formed UK private higher education provider is evidence of this misapprehension. Based on recent Quality Assurance Agency (QAA) reports, the independent body entrusted with monitoring and advising on standards and quality in UK higher education, PCL was awarded the "highest possible rating for the quality of [their] education." The question is how can PCL maintain the balance between quality whilst achieve its ambitions to grow student numbers. A key requirement for a private provider given the cost of its operations as well as the competitive threats which might emerge from the likes of Apple and Google.

The academic literature on service quality revolves around the 'GAP' model, which offers the acronym RATER for service quality metrics. The notion that "service quality is more difficult to evaluate than product quality" is explored by Parasuraman et al. (1985). However only general service quality is discussed. There is no reference to higher education requiring different metrics, particularly for non-traditional offerings such as PCL. The GAP and RATER frameworks offer service quality metrics without providing any recommendations and thus an organisation is by consequence, responsible for setting scientific criteria and enforcing control. Accordingly, this

study aimed to resolve the lack of a service quality framework for higher education providers. Assisting PCL in monitoring and evaluating its higher education service quality as it grows.

The research took two main forms. A semi-structured telephone interview with PCL's principal, Roxanne Stockwell. As well as a questionnaire of 'concurrent embedded design' (Saunders et al., 2012), completed by PCL students and staff. The investigation used QAA's recommendations as themes and encompassed previous research conducted by the authors in the field. The GAP model is a supporting framework for the analysis however the results of the study resulted in redefining a new service quality framework, termed PLACES, in order to measure service quality with higher education.

Keywords: Higher Education, HE, University, Business School, Private Higher Education, Education, FTSE 100, GAP Model, Quality.

Introduction

Pearson College London, the only higher education institution in the UK to be part of a FTSE 100 company, Pearson Plc., has the long-term ambition to become “the leading industry focused higher education institution in the UK” (Holt, 2017), with gaining degree-awarding powers (DAP) their aim over the next 18 months. With other FTSE 100 companies such as Apple and Google wanting to offer degree programmes, and the recent introduction of the highly-anticipated Higher Education and Research Act 2017, the process to achieve DAP is set to get easier and more competitive. The Teaching Excellence Framework (TEF) puts pressure on universities to place a greater focus on employability, with “more than one in three graduates in low or medium skilled jobs” (Viña, 2016), due to a “growing skills gap” (CBI, 2016); a core Pearson College London purpose. Simultaneously, Pearson College London convinced on applying for DAP “the long way round” (Bristow, 2017) via the former method to gain recognition for quality, maintaining the momentum of innovation in education is crucial in order to further differentiate (Porter, 1980).

The research conducted encompasses both student and staff viewpoints; through questionnaires facilitating a wider comparison of the large body of quantitative data, followed by a semi-structured management-perspective interview with the Dean of the Business School and a focus group with five third-year students; having the most experience of Pearson College London academia, operations and all three campus locations, to generate a holistic yet in-depth qualitative understanding (Saunders et al., 2014). Following the introduction of the new MidTown campus - Pearson College London’s showcase innovation as the “most advanced workspace for Pearson globally (Stockwell, 2016) - and rapidly increasing student numbers, Pearson College London face the internal issue of a “cultural shift” (Johnson et al., 2012), cited by 92% of staff - “a different dynamic” (Holt, 2017) and 65% of students. Interestingly, the campus itself was rated higher by staff (7.33/10) than students (6.85/10) and in all other areas except ‘collaboration’ - one of the key workspace aims (Stockwell, 2016); including working environment 7.33, 6.85; culture 6.33, 5.80; and student experience 6, 5.46; by staff and students respectively.

For the higher education sector, the research - using Pearson College London as the precedent - contributes a re-defined ‘Gap’ (Parasuraman et al., 1985) framework with research-approved ‘PLACES’ metrics to measure service quality, compatible with TEF. For Pearson College London specifically, strategic recommendations are provided, including the importance of introducing a selective-referral student recruitment system in the evolution of a “professional and ambitious culture” (Shakouri, 2016), capable of attaining academic excellence; the employment of an ‘operations manager’ - to improve day-to-day communication, quality and promote innovation - and the implementation of an ‘Entrepreneurship Masters’ programme for intellectual development and further industry exposure. By supporting growth whilst maintaining service quality, Pearson College London will increase the likelihood of sustainability producing high-achieving, ‘workplace-ready’ graduates for long term success.

BACKGROUND / PROBLEM / OPPORTUNITY

Established in 2012, Pearson College London is the only Higher Education (HE) institution in the UK to be part of a FTSE 100 company, Pearson Plc. “the world’s learning company”. (Pearson Plc., 2017). With an ambition to tackle the dissatisfaction expressed by employers at students graduating from traditional universities without the skills and capabilities required to succeed in the workplace. In January, the Association of Graduate Recruiters reported that a staggering 52% (AGR; Inside Government, 2017) of employers were unable to fill all of their graduate positions last year, simply because they did not find the appropriate candidates to fill them. Pearson College London offers the ‘best of both worlds’ experience as a pioneer in integrating industry engagement within their academically rigorous degrees; taught by industry professionals within the Central London offices of their parent company and validated by Top 20 Universities.

Designed, developed and delivered by industry. - Pearson College London

In addition to weekly lectures and seminars, students at Pearson College London have the opportunity to attend workshops at the Headquarters of Industry Partners, including Unilever⁴, IBM, Salesforce and the 1 Ministry of

⁴ Industry day write-ups on Unilever <https://www.linkedin.com/pulse/unilever-industry-event-were->

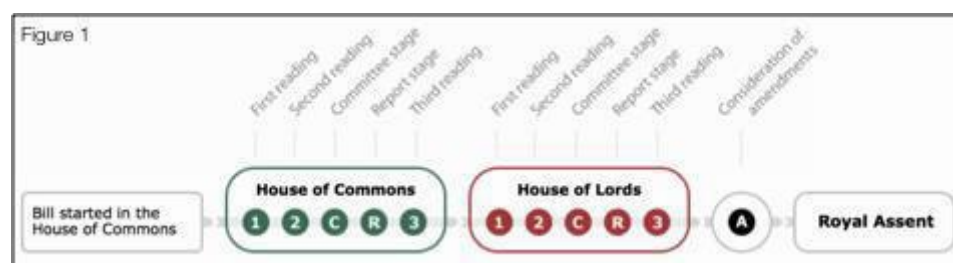
<https://www.linkedin.com/pulse/ibm-industry-day->

<https://www.linkedin.com/pulse/pitching-ceo-pearson-plc-paloma-shakouri> and Pearson Plc. <https://www.linkedin.com/pulse/pitching-ceo-pearson-plc-paloma-shakouri> can be read via the links.

Defence. In addition, all students (subject to meeting academic and professional requirements) will receive a guaranteed offer of an internship opportunity.

As a testament to the early success of Pearson College London, companies such as Apple and Google have expressed an interest in offering their own courses (Sunday Times, 2016) and so it is crucial that Pearson College London maintains the momentum of innovation in education in order to stay ahead of the curve. Pearson College London's mission in the long-term is to become the "UK's leading university for in-depth industry engagement". (Pearson College London, 2017). In the short-term, having surpassed the minimum requirement of being established for at least four years,

Pearson College London are in the process of applying for degree awarding powers. Dependent on their application, an assessment panel will be put together by the QAA and Pearson College London will undergo one academic year of inspections, taking place as often as weekly. (Stockwell, 2017) If Pearson College London are successful, they would ultimately gain authorisation from the Privy Council (QAA, 2016) On 27th April 2017, the widely-anticipated Higher Education Bill received Royal Assent (figure 1).



The 'Higher Education and Research Act 2017' has been described as "the most significant sector legislation in 25 years" (Times Higher Education, 2017) and will make the process easier for institutions to award their own degrees, to allow for greater access to "high quality university education" (GOV.UK, 2016) and information on the institution's teaching standards - through the Teaching Excellence Framework (TEF) - and employment prospects.

It is important to note that whilst Pearson College London have been aware that a new HE bill would be coming into force, there was no indication as to when or what exactly it would include. In March, Pearson Plc. 2 President and Core Markets, Rod Bristow, explained how Pearson College London are happy to go about gaining university status "the long way round" and that the (now former) process is a tough, but useful experience and helps prove the quality provided. (Bristow, 2017)

Despite having only been operating for seven years, Pearson College London has grown in numbers, from an initial cohort of 8 students and one Bsc (Hons) Business & Enterprise course, recruitment numbers have doubled each year, to currently just over 500 students on 8 undergraduate courses (including degree apprenticeship programmes) and two masters programmes, with more in the pipeline.

Current students fear that if Pearson College London grows too quickly they could lose their USP, damage the student experience and facilitate a 'cultural shift' (Johnson et al., 2014) and thus it is crucial that this is formally investigated through my research. On a corporate strategy level; when questioned by Nick Gibb MP as to why Pearson College London desire to remain a "boutique university" (Stockwell, 2016), Rod Bristow responded that Pearson College London are "not about numbers, but quality". (Bristow, 2017).

New for the academic year 2016-2017 is the MidTown Campus (figure 2), located on the first and second floors of Pearson Plc. offices at 190 High Holborn. Designed to encourage "innovation and collaboration" (Stockwell, 2016), interestingly this is also the first time the two - albeit very different - Business and Creative Industries (Escape Studios) schools have shared a space, creating a "different dynamic" (Holt, 2017).



In 2016, I conducted a research project on Understanding the link between environment and behaviour when planning a development for Pearson College London work-space within the central London Holborn office of the FTSE 100 parent company, Pearson Plc.

Again, with employability at the heart of Pearson College London, the new MidTown campus (figure 3) was designed to emulate the ‘modern workplace’ (Shakouri, 2016) and include facilities optimum for student learning; a “contemporary” HE institution, with a “professional edge”. (Stockwell, 2016)



Through consultation with key internal stakeholders involved, the Major Project provides an opportunity to follow-up and build on my previous research and investigate whether the MidTown campus development has been successful in comparison to expectations and support of Pearson College London’s future ambitions.

Furthermore, crucially, I will be able to investigate whether there is any truth to the suspected mismatch between desired strategy and implemented strategy. If necessary, also a chance to realign the strategy – through resultant recommendations - based upon what the management and students want and regulation requires; thus providing long-term sustainability for Pearson College London.

LITERATURE REVIEW

The following literature review will follow an order, not of chronology from when the pieces were written, but in order of applicability with regards to the overall Pearson College London timeline; starting with Early Development and Aims of ‘University Status’ and ‘Filling the Skills Gap’, then moving towards the medium and long-term ongoing considerations of ‘Reputation’, ‘Strategy’ and ‘Culture’ for Pearson College London to have a sustainable and successful future, exploring academic theory and previous research throughout.

Early Development of Pearson College London as a Higher Education Institution

The *QAA Review (Plus) of Pearson College London* provides a useful insight into the infrastructure and development in the first two years of Pearson College London (formally Pearson College). A two-day investigation was conducted on 19-20th May 2014 by Dr Julie Andreshak-Behrman and Dr Alan Howard from the Quality Assurance Agency (QAA) to determine whether Pearson College London meet expectations with regards to ‘academic standards’ and ‘learning opportunities’ (of which it did), alongside providing recommendations with individual deadlines dating from September 2014 to April 2015. Whilst there have been many changes since the review was conducted - the addition of a new student campus at 190 High Holborn as the primary teaching space (2016), the introduction of 12 new courses in Business & Management (with multiple disciplines) law and accounting (rather than the BSc (Hons) Business & Enterprise being the only course available in 2014), and the consequential rapid expansion of the college – the main “theme” of “Student Employability” (QAA, 2014) running through Pearson College London is still core to the institution and thus the role of degree concept team in developing new programmes, identified by the review team as “good practice” (QAA, 2014) was incredibly promising, given the since advancements even in this area for Pearson College London.

Aim - University Status

It follows that during the three years that have passed since this review took place, the QAA recommendations have already been satisfied. *The Educational Oversight: report of the monitoring visit of Pearson College Ltd in May 2016* explains the changes implemented since the 2014 visit. The report also refers to Pearson College London’s ambition to gain degree awarding powers and highlights the institution’s understanding that “robust systems for internal programme monitoring will be essential”. (QAA, 2016)

Therefore, my research needs to bring the 2014 and 2016 reviews up to date and able to yield new recommendations which can support and guide the ongoing development of Pearson College London.

Aim - Filling the Skills Gap

The Harvard Business Review Article Who Can Fix the “Middle-Skills” Gap? endorses Pearson College

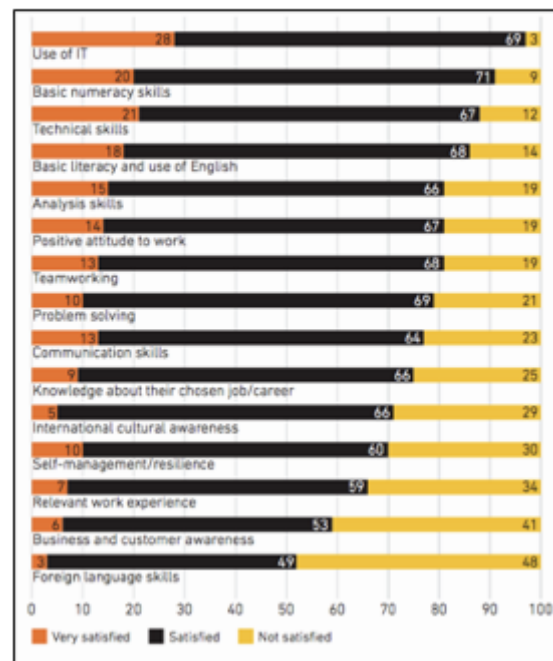
London’s purpose, but further highlights the need for graduate skill development. Kochan et al., stated that (at the time of print in 2012) 48% of the workforce (69 million people) in the US were working in “middle-skill jobs”

and that 47% of “job openings” between 2010 and 2020 will require middle-skills. It was also noted that there

had been a 36% decrease in the number of apprenticeship programmes in the US during this time. It is

important to note that the article was written in the same year as Pearson College London was established, whose parent company Pearson Plc. has also published findings on this subject (figure 4) with 41% of employers not satisfied with graduates’ “Business and Consumers” awareness and 34% with their relevant work experience” (CBI Education and Skills Survey, 2016). It follows that the research supports the aim of Pearson College London as a valid one. Despite this, there is a fundamental contrast since the methodology conducted by Kochan et al. was based on the US, whereas Pearson College London operates in the United Kingdom. This does not necessarily discredit the information in the article since the UK (Cadman, 2016) and US (Rosenberg, 2017) economy are predominantly (80%) tertiary sectors and will likely experience similar issues and recommendations. Kochan et al. conclude that closing the middle-skills gap will require “leadership and innovation” from both business and education; of which Pearson College London demonstrates the ideal blend of the two. (Wild, 2015) This does however, highlight the need for a UK based investigation to determine whether this is the case, of which I would like to include in my own research.

Figure 4: Employer satisfaction with graduates' work-relevant skills (%) (CBI Education and Skills Survey, 2016)



Ongoing Considerations:

Reputation/Perception

The Higher Education in the United Kingdom: Myths and Realities entry from the International Higher

Education Journal aims to dispel the following common misconceptions:

1. Few Private Providers
2. Private Providers are a Homogeneous Group
3. Private Institutions Provide Poor Quality Education
4. The Private and Public Sectors are Separate

Without intervention these can of course lead to a poor perception (and eventually, reputation) of private higher education and thus have the potential to damage the sector’s prospects. (Ratcliffe, 2016)

When exploring the myth ‘Private Providers are a homogeneous group’, Woodfield state that there are “no elite private universities in the United Kingdom”, however I would like to question this point. There are private universities which charge extortionate prices per year, such as the University of Buckingham’s plans to charge students £35,000 on their first cohort of medical students (Parr, 2014). However, despite their comparatively high

course cost, if they are not perceived to be “elite” (Woodfield, 2014), then is this status something Pearson College London could consider, in order to further differentiate (Porter, 1980) themselves from any potential competition.

When drawing upon arguments as to why the myth ‘Private Institutions Provide Poor Quality Education’ exists, in addition to the small number of private institutions offering “fraudulent qualifications”, Woodfield highlighted that independent providers are not currently “required” to offer “complete data”, such as via the National Student Survey (NSS) to measure student satisfaction levels. Despite this, in practice they are not always able to. For example, in February 2017, third year Business & Enterprise students at Pearson College London attempted to complete the National Student Survey at the end of a seminar, but were unable to due to the technicality of being ‘top-up’ students of the BSc degree course validated by Royal Holloway (a public university). The survey responses from those students, who had had the most experience at Pearson College London might have provided insightful information, which could have helped shape the Pearson College London strategy and developments moving forward.

This raises the critical concern that if, for a private provider, not having ‘university’ status stifles their development, how can they ultimately achieve the requirements (QAA, 2016) to become a university? This therefore provides an incentive to conduct the research project in such a way, which enables the gathering of the feedback that might have otherwise been lost and provide recommendations facilitating long-term goals, without compromising on quality.

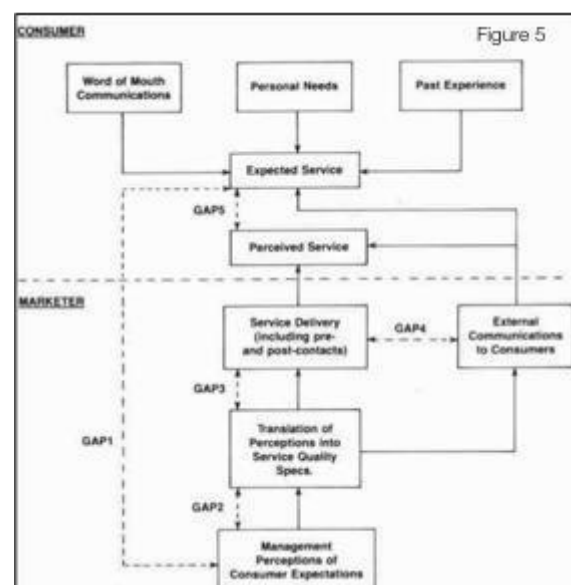
Despite being six years old and dated prior to Woodfield’s article, the 2012 *Higher Education White Paper: Students at the Heart of the System* explains the intention of the government to create a strong, high quality HE sector that has the ability to adapt to the student requirements and requests. (BIS, 2012) This aligns well with the Pearson College London student-centric approach to HE experience.

“We put our students first and keep their interests at the centre of our thinking. Our aim is to do all we can to give our students every opportunity to develop a strong foundation for their future, and to include them in the design, delivery and enhancement of their degrees.” - Pearson College London

Interestingly, whilst not directly quoted, ‘Pearson’ was in fact a “respondent” whose views were represented in the document; thus emphasising their support and desire to contribute to the improvement of higher education.

In *A Conceptual Model of Service Quality and its Implication for Future Research*, Parasuraman et al. highlight that prior to the Journal of Marketing article (1985), there was very little academic research into service quality due to the difficulty in quantifying. Having conducted an analysis using four services as case studies, none of which included higher education, the authors propose a model (figure 5), encompassing metrics which they believe to be key to achieving high service quality.

Whilst it is crucial for an institution to strive for high quality, it must also understand how their customers specially define ‘quality’ in order to be able to achieve it, whilst implementing consistent measurement and monitoring for optimum effectiveness; rather than assume the 32 year old Conceptual Model of Service Quality can be generalised (Saunders et al., 2012) for all those operating as services today. For this reason, I believe that understanding how students and staff at Pearson College London define quality would be a useful inclusion to my research.



Higher Education Application of the Gap Model - My Interpretation	
Consumer (Students)	
Word of Mouth Communications	<p>Customers might have received an insight into Pearson College London from current (or previous)</p> <p>students or employees. Pearson College London hosts open days, whereby prospective students can</p> <p>speak to 'Ambassadors' (current students) regarding their experience.</p>
Personal Needs	<p>These are individual to every customer, however some might be more common than others. I would like to investigate what those are (with regards to HE) throughout my research.</p>
	<ul style="list-style-type: none"> • If students have previously attended another HE institution, their experience might affect the service expected (good or bad) from Pearson College London. Ideally, I will include at least one such student in my research. • The students' former school experience could also form an expectation of higher education, due to cultural and societal influence (Obst and White, 2006)
Expected Service	<p>An aggregation of the previous contributions (words of mouth, personal needs and past experience) to determine what the student should anticipate from the higher education experience.</p>
Perceived Service	<p>This is how the actual service received sits with the customer (student); positive, negative or neutral. The perceived service is usually compared to the expected service to reveal the 'gap'.</p>
Marketer	
Service Delivery (Including Pre- and Post- Contacts)	<ul style="list-style-type: none"> • The amount of information sent to students prior to starting at Pearson College London (from the application stage, through to the induction day). • Data collection on the destination of graduates, measures to maintain communication.
<i>External Communications to Consumers</i>	<p><i>For Pearson College London this could refer to prospective students, industry and/or academic partners.</i></p> <ul style="list-style-type: none"> • <i>Marketing channels</i> • <i>Emails, invitation to open days, follow-up, prospectus.</i>
<i>Translation of Perceptions into Service Quality Specs.</i>	<p><i>I would argue that the translation of this element of the gap model in to the existing metrics is not</i></p> <p><i>currently achieved to the optimum level for effectiveness. Therefore, I will create my own metrics and</i></p> <p><i>investigate them in line with perception (opinion from key stakeholders).</i></p>

<i>Management Perceptions of Consumer Expectations</i>	<ul style="list-style-type: none"> • <i>Communication</i> • <i>Feedback</i> • <i>Improvement Methods</i> • <i>Innovation</i>
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“There is only one winning strategy. It is to carefully define the target market and direct a superior offering to that target market” - Philip Kotler

Strategy

Porter’s Generic Strategies as Determinants of Strategic Group Membership and Organisational Performance (JSTOR) details an investigation into whether the generic strategies - differentiation, low-cost and focus - proposed by Porter are relevant and useful as categories in business. In doing so, the research was conducted in three phases; a field study, a panel of experts, and the CEO’s perceptions. Whilst the methodology resulted in the collection of a large body of data, encompassing theories such as Mintzberg to understand whether the intended strategy was appropriate for the orientation within the industry, this took place 33 years ago in 1984 with no reference to HE, and thus requires additional research to be conducted in order to add value to bring it up to date. I would therefore like to include in my investigation specifically where on the Porter’s generic strategies triangle Pearson College London management believes they are placed, and how this compares to the reality. There is a concern that they have perhaps found themselves moving more towards the centre of the triangle, the ‘danger zone’ (Porter, 1980) for companies. Therefore, if this is the case, it would be crucial to modify and manage the strategy closer towards one of the three points moving forward.

The author of **What They Don’t Teach You in Harvard Business School** (Book), Mark H. McCormack (Founder of International Management Group - the first sports management company) aims to provide the reader, through a series of organised anecdotes, with a level of "wisdom" that can ordinarily only be gained through practical experience in business and is therefore not taught by traditional business schools such as Harvard.

This raises the question for universities as to whether it is possible to condense the learning / experience curve (Boston Consulting Group, 1960) for students at university. Is it possible to learn second hand, from a book (McCormack, 2014) or when the lecturer shares their experiences from industry? (Pearson College London, 2017) Or does the most effective learning takes place when the graduate starts to work and gain practical experience first-hand? Must students undergo 10,000 hours of practice in order to become an expert in their field? (Ericsson, 1993) Do innovative (The Economist, 2009) teaching methods have an impact on the students’ level of capability (and effectively replace time) above those who have attended a traditional University for example, or must all students (and HE institutions) reside to the fact that career development cannot be accelerated and will ultimately take ten years of “intense practice” at the very least. (Ericsson, 1993) I would like to investigate this concept through a secondary data analysis.

Fundamentally, the advice offered - forming the foundation of the (McCormack, 2014) book - is based on his own reflection of the events, through a series of anecdotes. Is the successful execution described therefore open to subjective interpretation? (Saunders et al., 2012) If for example, the aim of the company was to improve the reputation of their clients, how can this be scientifically measured (Crowther and Lancaster, 2012) in order to be tested? Would his advice be (inductively) generalised to work in any other instance, other than those described? (Saunders et al., 2012) Could the teachings only be relevant to the sports (management) Industry?

Given that the author is writing from the perspective of a company operating in the US, it raises the question as to whether the advice is only useful for doing business in the US, rather than UK, based on the notion that cultural differences lead to a difference in business conduct. (Knight, 2015) For example, the definition of success differs; in the US, a high salary symbolises (financial) success, whereas in the UK, position and network size is more impressive, culturally. (Elzaibak, 2015) Although, if analysing the book from a more general angle, the final chapter ‘For Entrepreneurs Only’ (McCormack, 2014) on the realities of starting a business, might however provide useful advice for Pearson College London students.

I would like to investigate whether Pearson College London provides a service which disproves the author's message, by offering a way through their integrated industry experience for students to gain an understanding of "everyday business life" (McCormack, 2014) beyond the academic theoretical education?

“Culture eats strategy for breakfast” - Peter Drucker, Ford.

Culture

The Deficit-Discourse Shift: University teachers and their role in helping first year students succeed in the new university culture describes a change in the demographic composition of students attending university; higher education is no longer reserved for the “elite”, giving rise to the “contemporary Australian university” (Lawrence, 2003). This raises the question of generalisability (Saunders et. al, 2012) and thus whether a perceived change in culture at UK-based Pearson College London is due to a change in the demographics of the student-body. Whether intentional or incidental, it is a crucial line of investigation for student recruitment and their possible change in chosen strategies implemented over time. It could also be interesting to determine whether there has been a change in marketing strategy, which has resulted in targeting (or appealing to) different student demographics.

Lawrence highlights the importance of academics and their role in developing successful students, by clearly stating their expectations from the start. The inclusion of topic objectives, lecture notes and having PowerPoint slides available to students prior to the lecture are recommendations listed in the paper, however it is important to note that Pearson College London already satisfy those through their purpose-built online learning environment (OLE), powered by Blackboard.

The author argues that there is a “confrontation” between “scholarly ideals” and “entrepreneurial, corporate, business practice” (Lawrence, 2003). Surely, Pearson College London by definition proves that education and business can be compatible, complementary, even; offering the ‘best of both worlds’ experience for its Students.

In my previous research project **“Understanding the link between environment and behaviour when planning a development for Pearson College London work-space within the central London Holborn office of the FTSE 100 parent company, Pearson Plc.”** (Shakouri, 2016), Pearson business students were described as hard-working, ambitious and mature, with a culture of empowerment and a drive for success. I would like to investigate how does Pearson College London itself define ‘success’ for their students upon graduation from the higher education institution. Their marketing material uses the phrase “workplace ready” (Pearson College London 2017). Although, I would like to delve further and understand whether there is a preference for the type of work secured. Does Pearson College London want their graduates to become directors of their own company, go into management or secure work requiring only menial tasks? I would also like to assess the data on the destination of Pearson College London graduates to determine the effectiveness of their current strategy with regards to their alternative (Morgan, 2017) approach to education. This would be an investigation which has not previously been conducted. At the time of the **QAA Review (Plus) of Pearson College London in 2014**, no students had yet graduated, since the institution was only two years old.

It follows that the research previously conducted does not provide a full and in-depth understanding of the current level of progress of Pearson College London from key stakeholders (student and staff) perspective on its overall journey, alongside a (now outdated) short, medium and long-term goal-driven vision. This is likely due to its unique nature as the only HE institution in the UK to be part of a FTSE 100 company, and to embrace industry experience as core, not only in the physical environment and culture, but even for course-design. Furthermore, the literature reviewed and the ‘Gap’ SERVQUAL model only offers a generic perspective to service quality and thus, I propose a tailored **Service Quality Model for the Pearson College London Industry-Focused Approach to Higher Education**, complete with relevant metrics forming the acronym ‘PLACES’.

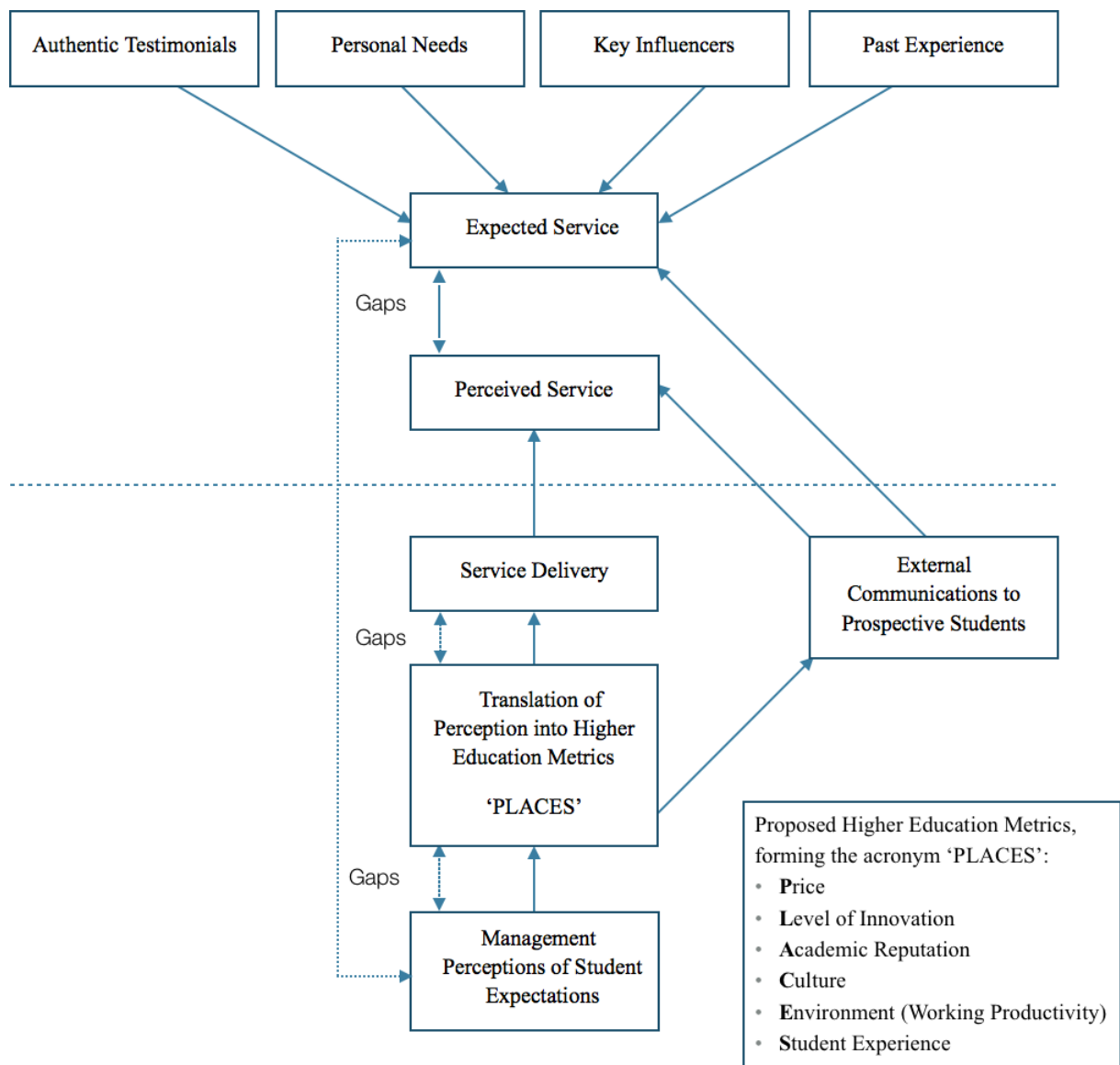
Desired changes to the ‘Gap’ model:

Figure 6

Original	Proposed
Word of Mouth Communications	Authentic Testimonials

[Did not previously exist]	Key Influencers (E.g. Prospective students' family and school expectations)
Translation of Perceptions into Service Quality Specs.	Translation of Perception into Higher Education Metrics
SERVQUAL	PLACES (see below)

Figure 7: Model for Higher Education Quality



Therefore, it is crucial for my research to practically investigate the aforementioned (proposed) metrics, in order to provide recommendations for an optimum calibre, relevance and usefulness for Pearson College London to make fully informed strategic decisions moving forward; creating a sustainable institution pre-university status and beyond.

RESEARCH AIMS AND OBJECTIVES

Aim: To determine Pearson College London's current position on their overall 'journey', including whether the recent MidTown campus development was beneficial. I plan to identify recommendations for Pearson College London in order to facilitate gaining 'university' status and fulfil their rising student demand; without losing the USPs that make Pearson College London a disruptive innovator in education.

Objective 1: To critically review the literature concerning service marketing and customer (student) Satisfaction.

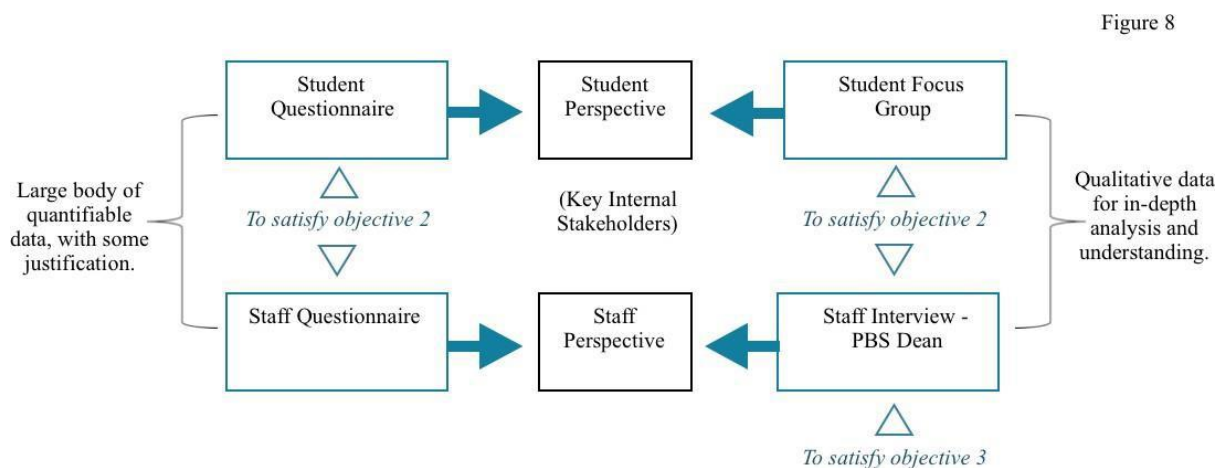
Objective 2: To investigate the current student and staff perception of the new MidTown campus.

Objective 3: To identify the overall vision for Pearson College London; in short, medium and long-term goals.

Objective 4: To discuss the implications and provide recommendations to Pearson College London.

Research Methodology

The diagram below (figure 8) displays a visual representation of the four pieces of research methodology to be conducted during this investigation; student and staff questionnaires, student focus group and a staff interview.



Questionnaires

In order to investigate the current student and staff perceptions of the MidTown Campus (objective 2) and in doing so, being able to yield a large body of quantitative data for statistical analysis and qualitative data to add depth to the responses, two questionnaires (surveys) of "concurrent embedded design" (Saunders et al., 2012) were administered; one for students to complete and one for Pearson College London staff. The logic behind creating two separate questionnaires was facilitate the comparison of responses against each segment - rather than all participant data being collected in one anonymous database - and ultimately determine whether there is a mismatch between the staff perception of the MidTown campus and that of the students, and how to improve (objective 4) moving forward.

Student Focus Group

In order to yield a more detailed “bottom-up generation of concerns and issues” regarding the student perception of the MidTown Campus (objective 2) I will conduct a focus group with students at Pearson College London. Saunders et al., 2012 state that for best practice, focus group should include 4-12 participants and be selected through non-probability sampling. In light of this, ideally I would like to speak to third year students as they will have had experience of all three Pearson College London campuses and thus provide a well-informed comparison. With regards to demographics, I would also like to include a mixture of male and female students, on a variety of degree courses, educational paths and experiences.

I will conduct the interview from within the MidTown Campus at 190 High Holborn, in order for the participants to feel relaxed and conformable during the one-hour focus group. I will book one of the silent meeting rooms to ensure there is no likelihood of interruption or being overheard. The seating will be arranged in a circular fashion to facilitate the response contribution to the discussion and be able to provide conclusive recommendations (objective 4) for future innovation and improvement.

Staff Interview

To gain a more detailed insight into the staff perception (beyond the questionnaire) of the MidTown Campus (objective 2) and to identify and discuss the short, medium and long-term vision for Pearson College London moving forward (objective 3) I will be conducting a semi-structured interview with Will Holt, Dean of Pearson Business School. There will be clear topics and questions, but with the added flexibility to discuss interesting notions further and allow for organic suggestions and recommendations to be put forward (objective 4). As with the focus group, again following the best practice of Saunders, the interview will take place in a meeting room, silent for both confidentiality (avoid anyone overhearing information discussed, especially with students in the vicinity) and for a clear audio recording, booked so no chance of interruption.

With “student employability” being a main “theme” (QAA, 2014), a question raised from the literature review was how does Pearson College London define success for its graduates? This will therefore be asked during the interview with the Dean and to the students in the focus group.

Secondary Data Analysis Technique

It is important to be able to benchmark Pearson College London’s definition of success against how the Government defines ‘employed’. Therefore in order to be able to measure competitive advantage, that, in combination with following will be researched:

- Does graduate income reflect the level of expertise gained?
- Graduate salary versus university (or HE institution) ranking.

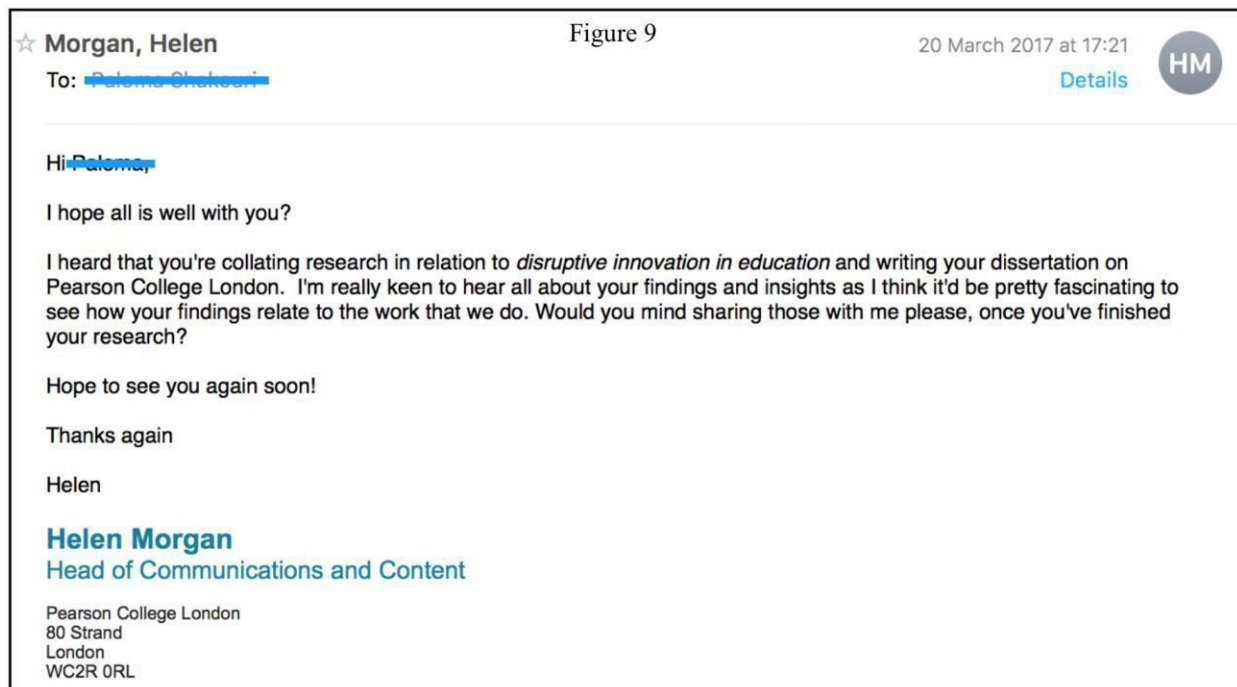
Furthermore, where appropriate I will also be including data collected from my previous research investigations conducted over the three years whilst at Pearson College London, based on an understanding of the unique and crucial nature of the subject matter for the long-term sustainability of Pearson College London.

Questionnaire Distribution Method(s)

The student questionnaire was first posted on the private Pearson College London and later on the PCSA (Pearson College London Student Association) Facebook page, for maximum engagement. Whilst all members of the pages receive a notification, there is less pressure to complete than it would had I approached students face-to-face and avoids any experimenter bias (Gross, 2010) in selection methods. Whilst a more ethical approach whereby participants provide consent by actively choosing to respond, had the questionnaire been compulsory for current Pearson College London students - forming part of an official survey for example - then based on the number of students it would have received 10 times the number of responses. Through Facebook, the student questionnaire yielded just 20 responses. Concerned with the generalisability of my findings and aware that a request from an “authoritative” and respected (Ketchen and Burgh, 2007) figure (Will Holt) might be more persuasive than a fellow student, particularly with regards to encouraging students to provide feedback that will genuinely be used to aid in the improvement and maintaining the momentum of disruptive innovation at Pearson College London; I requested to add a link to the student questionnaire in the Pearson College London ‘News of the Week’, a digital newsletter which is emailed to current students every Friday, signed by the Dean of the Business School, Will Holt. In doing so, the questionnaire would be accessible to all those on the student database, rather than just those who have

‘joined’ the Facebook pages. There was a 30% increase in responses as a result.

After having posted the student questionnaire on the Pearson College London Facebook group, I was contacted by Helen Morgan, the Head of Communications and Content, by email expressing an interest in my research and a request to discuss the findings with her (figure 9).



This fits in directly with the overall aim of my investigation; to be genuinely useful to Pearson College London.

Helen's interest has created an additional opportunity to present the overall recommendations developed within this major project report. In my reply, I leveraged this to request the distribution of the staff-orientated Questionnaire.

Justification of Specific Questions

Questionnaire Question	Student Questionnaire	Staff Questionnaire
Course Information; Course Price	<ul style="list-style-type: none"> Whether the lower course price promoted by Pearson College London yields a positive or negative perception compared to other HE choices. Possible positive skew on responses due to selecting to study at Pearson College London. 	N/A
Rate the level of innovation; Recommendations for improvement.	<ul style="list-style-type: none"> Innovation progress level - directly related to the research question. -10 to 10 options to reduce the chance of cognitive bias. +ve and - 	

	<ul style="list-style-type: none"> • ve ratings for positive and negative opinions, respectively. • Qualitative justification - inform recommendation to 'maintaining the momentum of innovation'. • Recommendation optional in case of a 10/10. 	
3 words to describe the MidTown campus	<ul style="list-style-type: none"> • Generate impression of the new development and compare. • Conduct a sentiment analysis - a numerical measure of how positive, negative or neutral their views • are, in addition to having the adjectives for context, rather than just asking for a ranking. • Ordering: First question in the MidTown Campus section to avoid cognitive bias in responses. 	
Culture: Tick-box selection of adjectives.	<ul style="list-style-type: none"> • Investigate 'cultural shift' speculation with the MidTown campus, and the integration of the two schools (Business and Creative Industries). • Adjectives selected from a previous research question, prior to the completion of the new workspace to determine whether the • attitude towards the development had changed. 	
Working Environment	<ul style="list-style-type: none"> • A MidTown campus main objective was to provide the students with the optimum working environment (Stockwell, 2016), largely through the design of the surroundings and the facilities available. (Shakouri, 2016). • Question included to determine productivity level - success factor. 	<ul style="list-style-type: none"> • Staff understanding whether students' productivity had been affected by the MidTown campus.
Perception Expectation v	<ul style="list-style-type: none"> • Data collected to be directly deductively generalised (Saunders et al., 2012) to the redefined Gap model (Parasuraman, Zeithaml, Berry, 1985). • Staff might rate the MidTown campus higher due to greater involvement in the planning element of the development, and thus understand why certain decisions were made, e.g. the Hoxton-eque (Stockwell, 2016) coffee shop/modern workplace design would not be a surprise as it might have been for the students. (Shakouri, 2016) 	
Campus Clarification	<ul style="list-style-type: none"> • Crucial as each year group of students at Pearson College London have experienced a different campus for their first year of study - and therefore upon application; the third years (level 6) have studied at the 80 Strand (when the teaching space was just one classroom), 190 High Holborn before the development located in 	

	the basement and most recently the MidTown campus; the second years (level 5) at the latter two and the first years (level 4) at only the MidTown campus.	
Industry Engagement / Campus Comparison?	<ul style="list-style-type: none"> For Pearson, with five years of experience operating a Higher Education institution, I wanted to determine how they are positioned (Dess and David, 1984) amongst competitors (including other universities). 	
Student Experience	<ul style="list-style-type: none"> Improving the ‘student experience’ was a supporting argument for the new MidTown campus (Shakouri, 2016) and therefore included in order to determine whether the metric had been satisfied. Provides a more up to date progress analysis than the QAA2014 Review of Pearson College London for which the recommendations have been satisfied. Furthermore, ‘student experience’ can be used as a metric for HE service quality, rather than the generic criteria used in A Conceptual Model of Service Quality and Its Implications for Future Research (Parasuraman, Zeithaml, Berry, 1985). 	
Do you have the chance to meet prospective students?	N/A	Asking prospective students about price and impressions of the MidTown at an open day might yield a more useful insight in to factors contributing to the application (or non-application) decision than asking current students.

Focus Group Questions	Justification
How did you find out about Pearson College London?	Insight into student recruitment and marketing channels - did students pro-actively search for a non-traditional institution?
Which Campus? Describe	<ul style="list-style-type: none"> A direct link to the student survey question, except providing an opportunity to expand on the participants’ impression of the ‘original campus’ during the focus group.

impression	<ul style="list-style-type: none"> • Another insight into the marketing message and student recruitment. • Summarised with a categorical measure - positive / negative / neutral experience.
Comparison to the MidTown Campus	<ul style="list-style-type: none"> • Directly related to objective 2 - to determine, in detail, how students feel about the new MidTown campus, whether it is suited to their needs, was it what they expected? • Summarised with expectation v perception - data to be fed into the 'Gap' model (Parasuraman, Zeithaml, Berry, 1985) with qualitative justification from the in-depth responses.
HE Definition of Quality	<ul style="list-style-type: none"> • To understand from a student perspective what they looked for in a HE Institution and how to determine whether a high-quality service is being offered, again linking to the 'Gap' model (Parasuraman, Zeithaml, Berry, 1985). • The responses could be cross-referenced with Pearson College London's current offering and generate recommendations if appropriate (objective 4).
Metrics	In the literature review conclusion, I proposed a modified version of the Gap Model (Parasuraman, Zeithaml, Berry, 1985) for service quality, (uniquely) applicable for HE. The focus group will cover the proposed metrics and request feedback.
1. Price	To determine whether course price reflects a measure of quality in HE and whether it is an important factor when deciding with HE provider to apply to.
2. Level of Innovation	Directly related to the research title: maintaining the momentum of innovation in education; determining the current display of innovation at Pearson College London and any recommendations to improve and further innovate in the future (objective 4).
3. Accommodation	Whether accommodation would add value.
4. Culture	To ultimately determine whether there has been a cultural shift (as feared) over the last three years and if so, what could be done to improve (objective 4).
5. Environment	Whether the MidTown campus environment is beneficial working and productivity and again any areas for improvement (objective 4).
6. Student Experience	Summary metric - slightly more difficult to determine as everyone could be looking for different qualities which contribute to whether their experience has been a positive or a negative one; but important to determine whether Pearson College London is satisfying their vision (objective 3)
Definition of "success" upon graduating.	To allow for a comparison between the official definition of success, management's (Will Holt) and also to determine whether Pearson College London are providing what students actually want out of HE (objective 3 and 4).

Interview Question	Justification
Describe the Vision for Pearson College London	To satisfy objective 3, split up into short, medium and long term goals.
What do you look for in a PBS applicant?	An insight into student recruitment and potentially, the maintenance of culture.
How does Pearson College London ensure quality when growing?	<ul style="list-style-type: none"> • Directly related to the concerns raised in the introduction, whether Pearson College London is growing too fast and losing its USP and compromising its culture. • An objective question, rather than to state the concern and risk receiving an unintentionally defensive response. • Opportunity to generate recommendations (objective 4), depending on the data collected.
Reason behind the MidTown campus?	<ul style="list-style-type: none"> • Building upon the information gathered from my previous research project on the MidTown campus (Shakouri, 2016). • To define the 'expectation' part of the Gap model for service quality.
Culture Change?	A softer approach, but required to understand whether the staff are aware of a possible change in culture or whether it is only a student-wide perspective.
Reason behind merging the two schools?	An action which confused many students at Pearson College London, question asked in an attempt to dispel this.
Perception v Expectation	<ul style="list-style-type: none"> • Data collected directly links to the Gap model for service quality (Parasuraman, Zeithaml, Berry, 1985). • This question would be asked in the student focus group, and both the student and staff questionnaires, to allow for a full comparison.
Price	<ul style="list-style-type: none"> • Reasoning, as described in the focus group section above. • Responses from both the focus group and the interview with Will Holt, will be compared against each other, to ultimately determine whether they are importance factors (metrics) in measuring and determining quality.
Level of Innovation	
Culture	
Environment	
Student Experience	
Definition of	<ul style="list-style-type: none"> • To understand how management perceives success for their institution and its

‘Success’ for PCL and its graduating students	<p>students, important to strategically understand Pearson College London’s actions.</p> <ul style="list-style-type: none"> To be able to compare responses to determine whether definitions from both students and staff are aligned.
Data collection	Measurement of graduating students ‘success’, useful for student recruitment and Pearson College London marketing campaigns if a high proportion of students satisfy the definition of success, having studied at Pearson College London. This would help to ultimately indicate whether the non-traditional, industry focused method of education is innovative and beneficial in reducing the skills gap.
Explanation of the term “Workplace ready”.	<ul style="list-style-type: none"> “Workplace ready’ is featured heavily in the Pearson College London marketing to prospective students. An understanding of specifically what Pearson College London means by this, can also add to their definition of success and satisfaction of their own institutional goals.
Plans for future innovation at Pearson College London?	This refers back to the title of the investigation; helping to determine whether Pearson College London have any plans to maintain the momentum of innovation, or whether they have reached the peak both in terms of development and potentially even their life cycle.

Figure 10: Data Analysis	
Questionnaires	Google Forms
<ul style="list-style-type: none"> Quantitative Data 	Analysed using Tableau and Excel
Interview and Focus Group	Transcribed using Trint software
<ul style="list-style-type: none"> Qualitative Data 	Sentiment analysis using IBM ‘Tone Analyzer’

FINDINGS

Participant Demographics

Figure 11

Student Questionnaire	57% female, 38.5% male, 3.8% prefer not to say; 46.2% first year, 19.2% second year, 34.6% year.
Focus Group	5 students; 3 male, 2 female; all third year students; 2 from Business & Enterprise; 3 on Business & Management; one with Global Industries and

	another with Marketing.
Staff Questionnaire	33.3% male, 58.3% female, 8.3% prefer not to say; 8 departments; Marketing, Student Recruitment, External Relations, Academic Team, Student Support, Student Services and Lecturing; experience at Pearson College London ranging from 1 year to 4 (out of a possible 5)
Interview	Will Holt, Dean of the Business School (Management)

The Pearson College London Vision

Figure 12: Management Perspective (Interview)			
Short Term	<ul style="list-style-type: none"> Gain degree awarding powers 	<ul style="list-style-type: none"> Maintain position as a 'boutique premium business school' Become more relevant and flexible for business directly 	Ongoing
Medium Term	<ul style="list-style-type: none"> Gain 'University' title 		
Long Term	<ul style="list-style-type: none"> Become the leading industry focused HE provider in the UK 		

Student Recruitment

Figure 13

Student Interview	Recruitment method: Meet academic requirements, proactive - want to learn and seek opportunities.
Staff Questionnaire	91% of staff surveyed meet prospective students. of which 100% stated that the MidTown Campus had a positive impact on recruitment. "It is easier to promote our degrees to potential students" - Head of Student Recruitment.

MidTown Campus

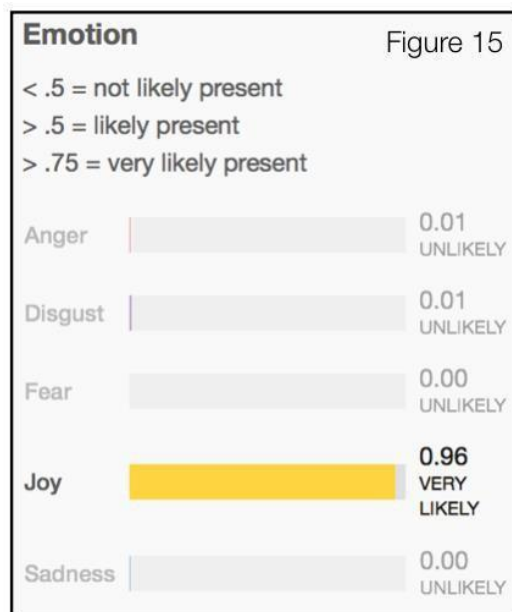
Average Ratings/10

Figure 14	Student	Staff
Overall Opinion	6.85	7.33
Working Environment	5.80	6.75
Culture	5.80	6.33

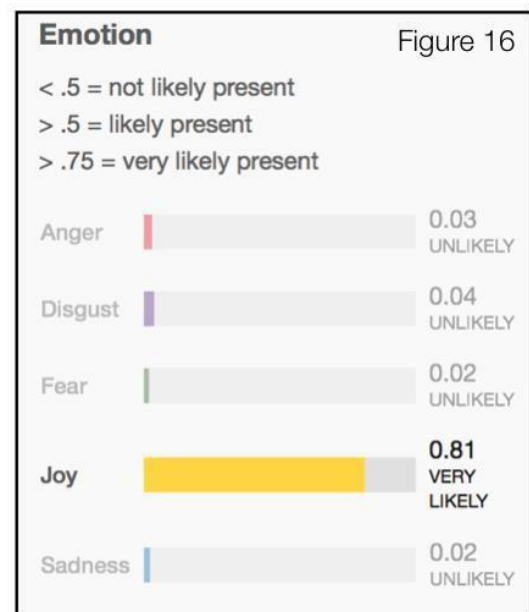
Level of Collaboration	6	5.75
Student Experience	5.45	6

‘Three Words to Describe the MidTown Campus’ Sentiment Analysis:

Students



Staff

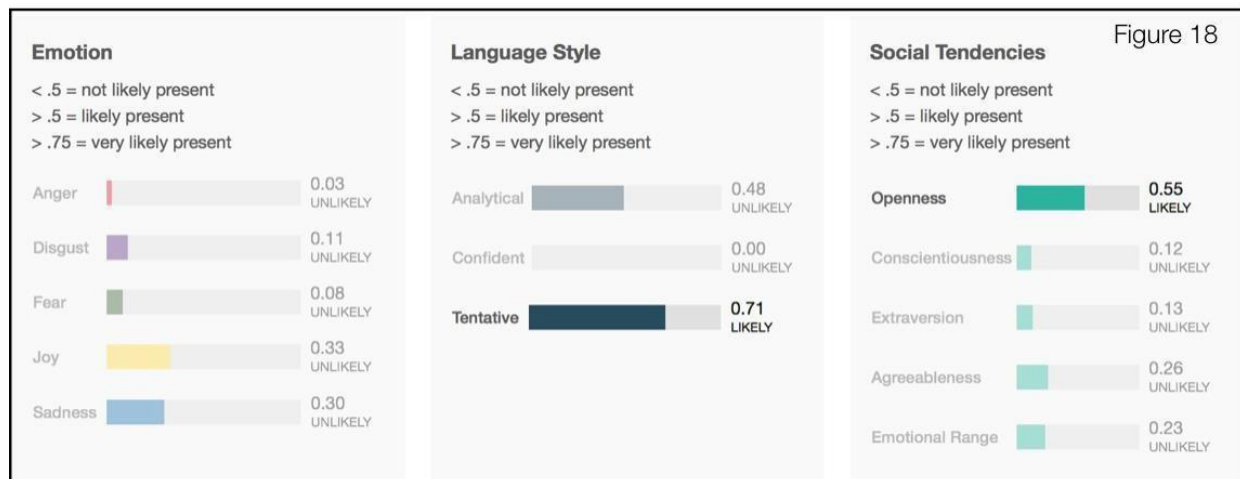


Expectation v Perception

Figure 17	Perception > Expectation	Perception = Expectation	Perception < Expectation
Student Questionnaire	38%	38%	23%
Staff Questionnaire	41.6%	50%	8.4%
Student Focus Group	80%	20%	-
Staff Interview	100%	-	-

Focus Group: Students expressed disappointment at having been shown the 80 Strand campus on open days/personal visits (liked the corporate feel which they feel has now been “lost”), but studied mostly in 190 High

Holborn, however participants stated that the building was not of course the only reason for applying to Pearson College London; the USP of industry engagement was a largely contributing factor.



Quality (Proposed 'PLACES' Metrics)

1) Price

Figure 19

Average Pearson College London course price:	£6.160
Maximum fee per year:	£9,000 - £9,250
Minimum fee per year:	£0 (co-creator position or apprenticeship)

2) Level of Innovation

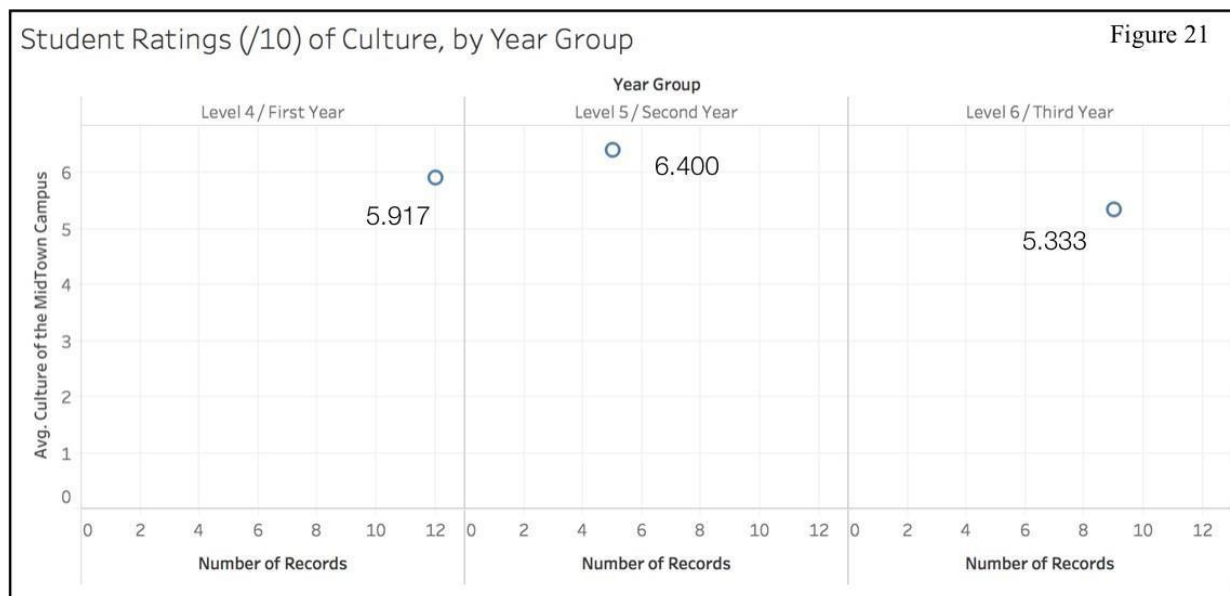
Figure 20

Student Questionnaire	Current level of innovation: 4.38/10
Staff Interview	Student proposals can be actioned - Incubator example.
Focus Group	Pearson College London highly innovative as a concept, its building and settings, but less so on a day-to-day/ operational basis - "one big constant throughout".
	Need for an improvement in 'comms'.

3) Academic Reputation

- Pearson College London only 5 years old so very little data available to constitute a ‘reputation’.
- Staff Interview: New HE Bill and TEF beneficial to Pearson College London; Alumni Manager employed to collect data.

4) Culture



Student Questionnaire	<ul style="list-style-type: none"> • 65.4% of students stated there had been a culture change at Pearson College London, with 61.5% perceiving this as positive and 15.4% as negative. • Splitting the responses by year group (figure 21), the second years rate the culture higher at 6.4, followed by first year at 5.9 and the lowest ranking comes from the third year students at 5.3/10.
Both Questionnaires	<ul style="list-style-type: none"> • Staff (92%) are more aware of a culture change than the students (65%). • Students (62% positive, 15% negative) describe the culture change to be slightly lower than staff (92% positive, 0% negative).
Focus Group	<p>Third year students in the focus group expressed their dissatisfaction with the increasingly “casual” culture, citing the merge with Escape Studios as a facilitator; however liked the level of collaboration.</p> <p><i>“The biggest problem that I found is because now we merged with Escape Studios is there's been a complete culture shock and culture change”.</i></p>

Figure 22

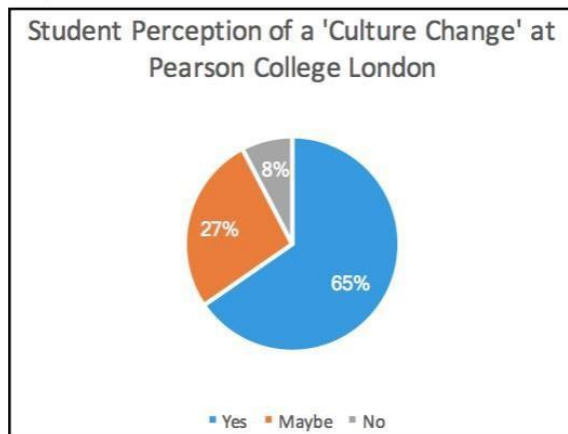


Figure 23

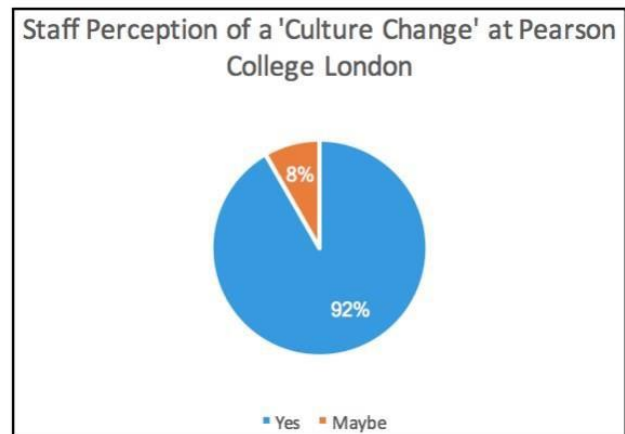


Figure 24

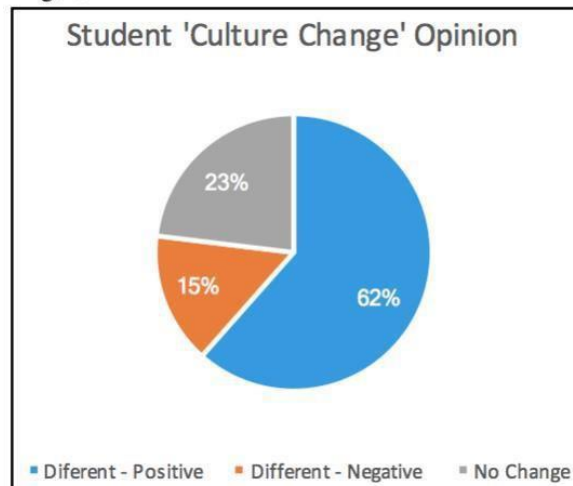
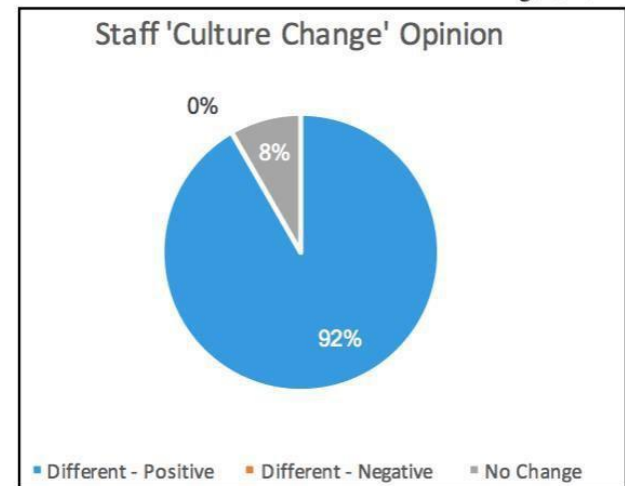


Figure 25



A positive correlation between culture and overall opinion of the MidTown campus (figure 26).

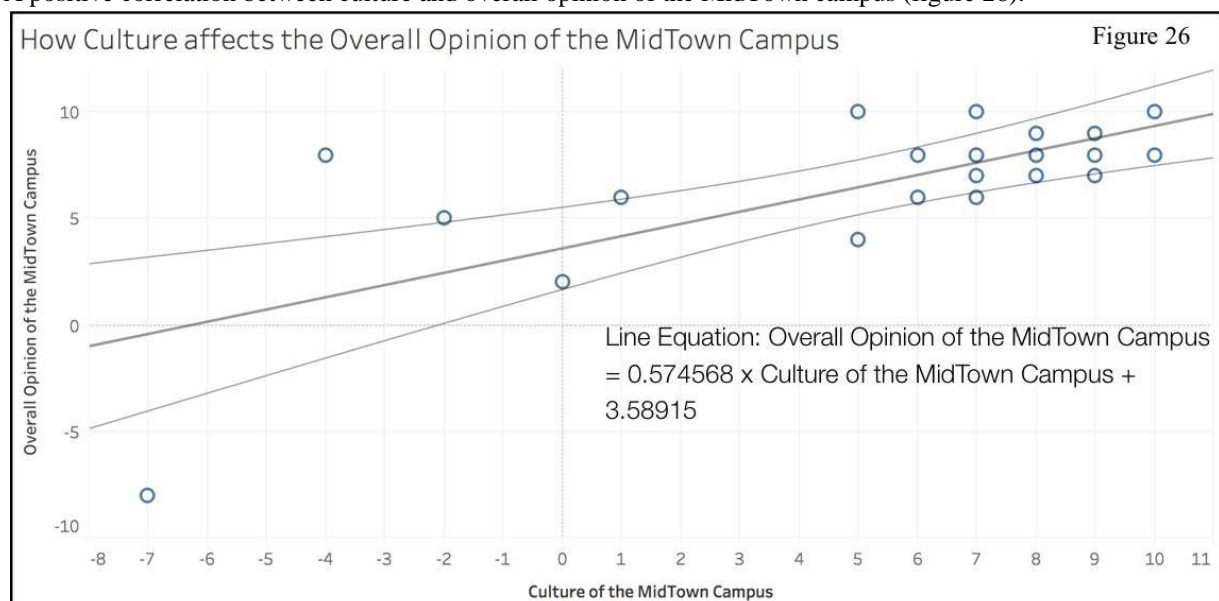


Figure 27: A positive correlation between culture and student experience.

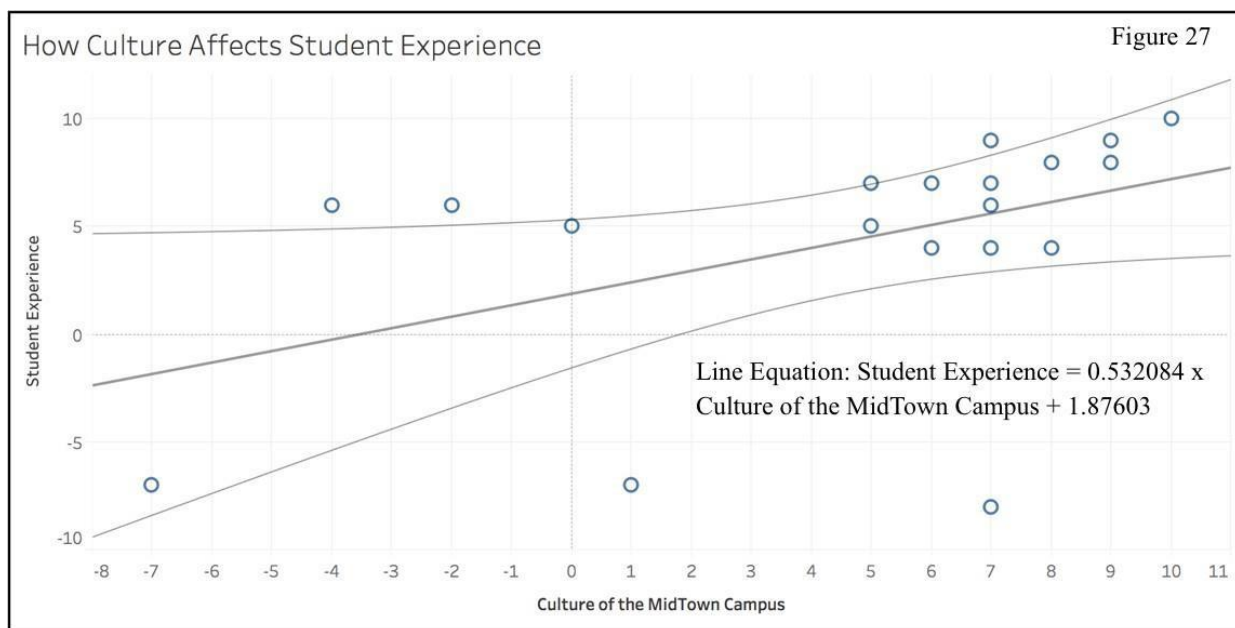


Figure 28

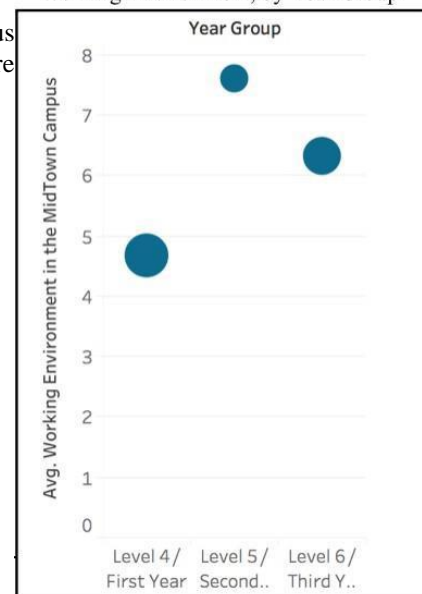
Questionnaires	<ul style="list-style-type: none"> • The MidTown campus environment is ranked higher by staff than students, at an average of 6.75 and 5.80, respectively. • 76.9% of students cited a change in working environment with the introduction to the MidTown Campus, 73.1% stated it as a positive one..
Focus Group and Interview	Students raised the open-plan design as being difficult for independent and undisturbed study.

5) Environment (Working Productivity)

Taking into consideration that each year group will have had different previous experience for comparison, average rankings displayed by year group (figure 29).

(NB: bubble size reflects relative quantity of responses).

Figure 29: Student Ratings (/10) of Working Environment, by Year Group



6) Student Experience

- Figure 30: Link between the MidTown Campus and Student Experience (Positive Correlation)

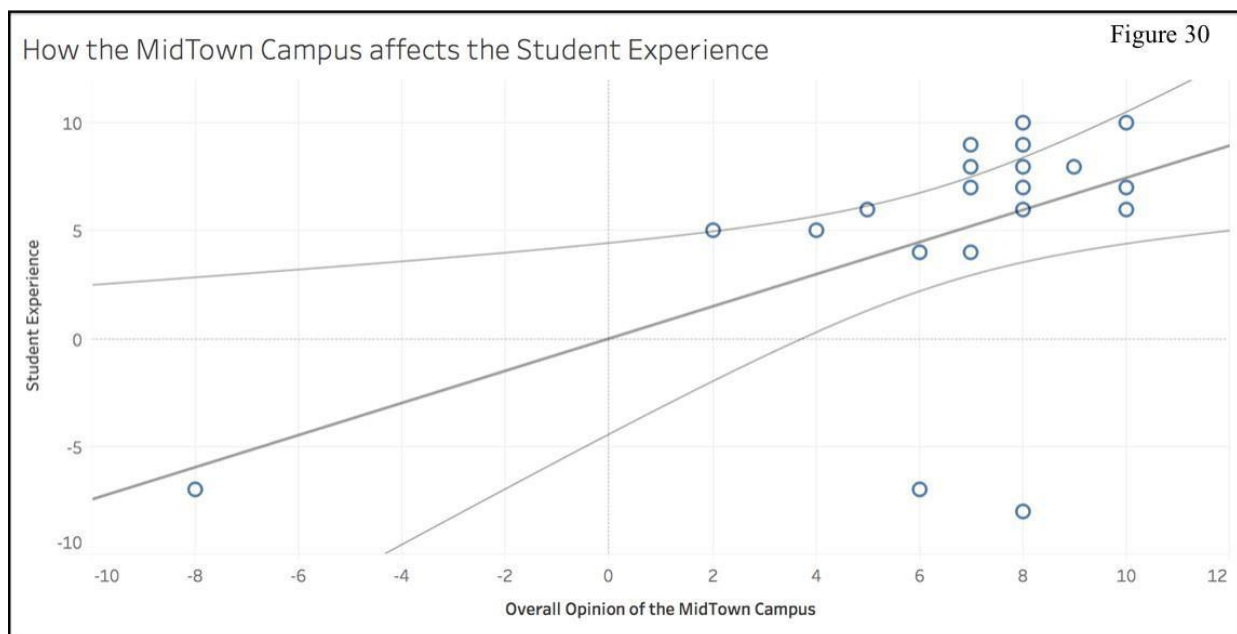


Figure 31

Questionnaires	The staff perception (6) of the students' experience is on average higher than the how the students (5.46) have rated.
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Staff Focus Group	Staff Interview: Ultimately reliant on student feedback in order to improve; SSLC student representatives feedback during half-termly meetings with staff; use of NSS and internal topic surveys.
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Success Upon Graduating from Pearson College London

Figure 32

Student Focus Group	<ul style="list-style-type: none"> To be on an equal (if not better) playing field to Russell Group graduates when applying for jobs. In an enjoyable job, be able to actively contribute and demonstrate skills learnt at Pearson College London and develop them, feel valued.
Staff Interview	<ul style="list-style-type: none"> Academic Excellence: A good degree (a 2:1 or a first) Employability: Secure the next step - good job, graduate position.

Secondary Data:

Figure 33

Official definition of graduate employment	<p>5 Categories:</p> <ol style="list-style-type: none"> 1. Traditional Graduate Employment (e.g. Medicine) 2. Modern Graduate Employment (e.g. technology) 3. New Graduate Employment (e.g. Marketing) 4. Niche Graduate Occupations (e.g. Nursing) 5. Non-Graduate Occupations (All others which do not typically require a degree)
Does graduate income reflect the level of expertise gained?	“More than one in five graduates in low or medium skilled jobs” (Viña, 2016) from traditional universities due to a “growing skills gap” (CBI, 2016).

Figure 34: Graduate salary (Which?, 2014) versus university (or Higher Education) ranking (The Complete University Guide, 2017)

University (in order of earnings)	Average Earnings in Thousands (£)	League Table Position
1) LSE	28.9	4
2) Imperial	28.5	5

3) St. George's (Independent)	27.5	53
4) University of Cambridge	25.4	1
5) University of Oxford	25.1	2
6) UCL	25	7

DISCUSSION

Having collected the appropriate data from student and staff questionnaires, focus group and interview, guided by the points raised from the literature review (figure 35), the following discussion will encompass all areas of analysis to ultimately satisfy the objectives (figure 36) and aim of the assignment; to maintain the momentum of innovation in education at Pearson College London moving forward.

Figure 35

Research Requirements	Associated Literature
Bring 2014 & 2016 QAA reviews up to date	QAA (2014, 2016)
UK based investigation	Who Can Fix the “Middle-Skills” Gap? (Kochan et al., 2012)
Innovation - Current level	Porter’s Generic Strategies as Determinants of Strategic Group Membership and Organisational Performance
MidTown Campus evaluation	AS501 Research Project (Shakouri, 2016)
Student and Staff definitions of quality	<ul style="list-style-type: none"> Conceptual Model of Service Quality and its Implication for Future Research Higher Education: Myths and Realities QAA (2014, 2016)
Modified ‘Gap’ model metrics (PLACES)	
Importance of ‘Price’	Higher Education: Myths and Realities
Culture: description and possible change.	The Deficit-Discourse Shift: University teachers and their role in helping first year students succeed in the new university culture
Student and Staff definitions of success // Condensing the learning curve.	<ul style="list-style-type: none"> What They Don’t Teach You in Harvard Business School (McCormack, 2014) QAA (2014, 2016) AS501 Research Project (Shakouri, 2016)

Figure 36

	Objectives
1	To critically review the literature concerning service marketing and customer (student) satisfaction.
2	To investigate the current student and staff perception of the new MidTown campus.
3	To identify the overall vision for Pearson College London; in short, medium and long-term goals.
4	To discuss the implications and provide recommendations to Pearson College London.

Short, Medium and Long Term Strategy (Objective 2)

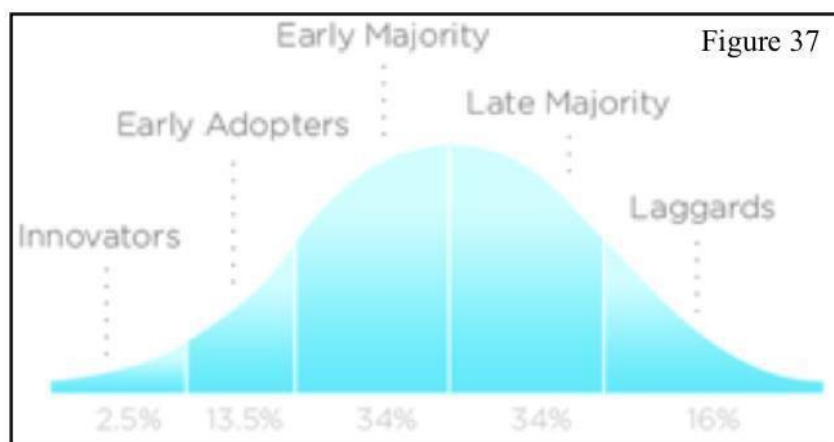
Pearson College London's primary aim in the short-term (18 months) is to gain degree-awarding powers (Holt, 2017), assessed by the Quality Assurance Agency (QAA). In the medium term, Pearson College London want to receive 'University' title, whilst maintaining their position as a "boutique premium business school" (Holt, 2017), reaching a maximum of 2000 students (Stockwell, 2017), and increasing B2C interaction, to ultimately become the "leading industry focused HE provider in the UK" (Holt, 2017). This places Pearson College London at the 'growth' stage of the product life cycle (Hooley et al., 2011) and given the introduction of the new HE Bill (May 2017) making degree-awarding powers easier to achieve and thus increasing level of competition in the industry (Porter 1979), it is all the more crucial for Pearson College London to maintain the momentum of innovation in education, particularly if Pearson College London want to achieve it through the former "more complex and longer route." (Holt, 2017)

Innovation

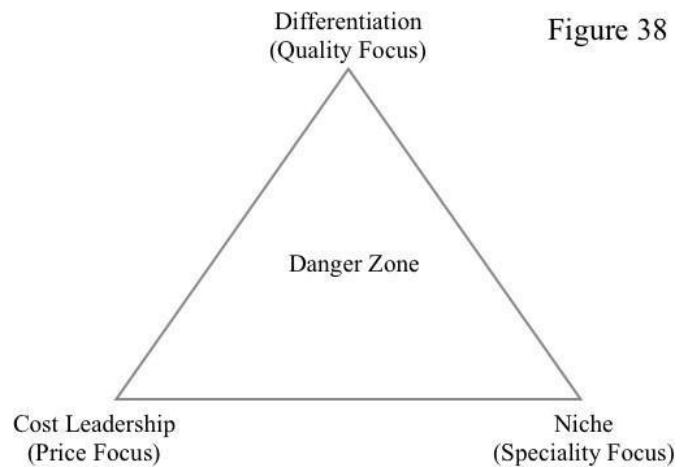
Focus group participants described Pearson College London as innovative in terms of the overall purpose, citing the industry embedded degree programmes as their main research for selecting to study at Pearson College London. However day-to-day innovation was described as "constant" (figure 37) (Robinson, 2017), with teaching structure (lectures and seminars)

consistent with traditional providers. When the wider student-body was consulted via questionnaire, the level of innovation was rated at an average of 4.38/10, supporting the claim. Concerned about the increase in competition following the HE bill and the interest already expressed by companies such as Apple and Google wanting to offer degrees (The Sunday Times, 2016), when this was raised during the interview with the Dean of the Business School, the participant

was confident in Pearson College London's offering being "so niche and specialised" - suggesting a perceived 'differentiation' (Porter, 1980; Dess 1984) strategic position (figure 38) - that Pearson College London are "keen



to encourage [...] other alternative providers coming in to into the sector” and that it is a “good thing from an innovation point of view”. (Holt, 2017) When asked about plans for innovation moving forward, the Dean explained that “there's an awful lot we want to do but we can't necessarily do” until degree-awarding powers are granted, due to validating partner-imposed restrictions. Looking towards the future, one focus group participant stated his belief that Pearson College London “are a bit confused as to where they are trying to take things, on the one hand we're trying to stay very small but trying to go very large at the same time.”. This raises the concern as to how Pearson College London will continue to differentiate from potential competitors to avoid entering the ‘danger zone’ (Porter, 1980) during the 18 month-degree awarding application process.



MidTown Campus - Objective Two

With the “buildings and setting” being described by the focus group as innovative, taking into consideration the third year participants have experienced all London campuses, including a year in 80 Strand; the most recent innovation-development is the new MidTown campus, launched in September 2016.

Described as the “most advanced workspace for Pearson globally”, the MidTown campus is a recognition of wider Pearson Plc.’s commitment to education and “gaining a greater understanding of higher education” (Stockwell, 2017) With regards to expectation, the new premises were created primarily to cater to the growing Pearson College London student population - with the “previous resources” only a short-term solution (Holt, 2016). However the campus was designed to “encourage different types of collaboration and different types of working” (Stockwell, 2016) to create a “sophisticated” environment for working productivity. (Stockwell, 2016)

Across all research conducted, staff consistently ranked the perception of the MidTown campus higher than the students (figure 17), suggesting a mis-match between staff and student perception (customer satisfaction).

This is likely to due to their high level of involvement (employee empowerment) in the design process for the development, “contributing to the success of the enterprise” (Juran and Godfrey, 1998). This is supported by the Dean’s statement: “I think we were very pleasantly surprised that actually the space did look like it was portrayed to us beforehand through the pictures” (Holt, 2017), placing perception > expectation in application of the ‘Gap’ model (Parasuraman et al., 1985).

It follows that based on the research conducted, the MidTown campus has been largely successful in line within initial management expectations, but not perfect. “Perceived improvement in environment, culture and working environment, this wasn't quite achieved, maybe as a result of growing too quickly, or incorporating design students into a business space” (Student Questionnaire Respondent). Students agree that the space is “collaborative”, however a totally different atmosphere to 80 Strand, which for 42.3% of students was the campus visited upon application to Pearson College London and thus the feelings of dissatisfaction through might be due to post-purchase dissonance (Santos and Boote, 20013), having a negative knock-on effect on the student experience.

Quality

For the sector as a whole, ensuring Pearson College London offers a high-quality service is crucial in order to dispel the myth that “HE is poor quality” (Woodfield, 2014). For Pearson College London specifically, one of the degree-awarding powers application criteria involves displaying to the assessors that they “reflect and learn” (Holt, 2017), which is currently actioned using a “continuous improvement” method (figure 39) (Deming, 1989).

From the management-perspective, success for Pearson College London graduates involves two pillars of achievement; ‘academic excellence’, whereby students gain a 2:1 or a first in their degree and ‘employability’ - the ability to pursue their desired career upon graduation, whether that be through a “graduate position” - mostly likely category 1-4 (figure 33) - or “run their own company”. (Holt, 2017) With the accelerated (two-year) programmes, this can be achieved faster; condensing the learning curve. (Boston Consulting Group, 1960) This was supported by the student-perspective, which was mostly centred around gaining employment, whereby they are able to “actively contribute” and demonstrate (and develop) the skills learnt at Pearson College London and ultimately feel “valued”. The level of alignment here is promising, with both sides striving towards the same objective. Looking towards the medium-long term students desire the recognition that as Pearson College London graduates they are on an equal (if not better) playing field to Russell Group graduates when applying for jobs. It follows that moving forward, reputation development is vital.

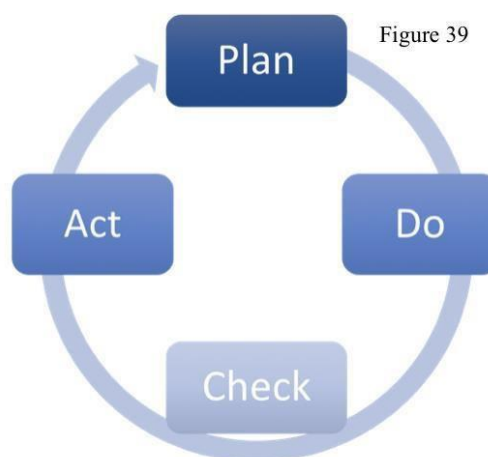


Figure 39

Since Pearson College London is just seven years old, they do not quite have the “history of data” to enter League tables and the newly introduced Teaching Excellence Framework (TEF), however “intend” to when they do. In light of the growing number of Pearson College London graduates, the institution has recently employed an Alumni Manager to “form much deeper relationships” with former students and follow their career journey. With graduates securing positions in companies such as IBM, Nestle and Goldman & Sachs, the Pearson College London model certainly provides an inclination that business and education can be compatible (McCormack, 2014) - to the benefit of the students and employers - and poses an interesting analysis moving Forward.

Proposed framework: The ‘Gap’ Model for Service Quality, redefined (figure 38)

Having discussed the proposed ‘PLACES’ metrics (figure 40) in-depth during the focus group and interview, they received unanimous support on their relevance and usefulness in assessing higher education. Given that ‘Level of Innovation’, ‘Academic reputation’ and ‘Environment’ have already been referred to within the discussion, the applicability of ‘Price’ and ‘Student Experience’ will now be explained, followed by a spotlight on ‘culture’.

Price: Current students shared an interesting analysis regarding the course price, with 38.5% citing the price as having little “influence” (focus group participant) due to the government student loans system, meaning students are not required to make an up-front payment upon application; instead re-paying the course cost and maintenance

loans when they embark on employment. By contrast, survey respondents on the apprenticeship or co-creator programme stated their delight with their full scholarship “I was given a full scholarship through the co-creator programme, making the whole deal much more appealing that I would be able to have a say as well as have no debt!”

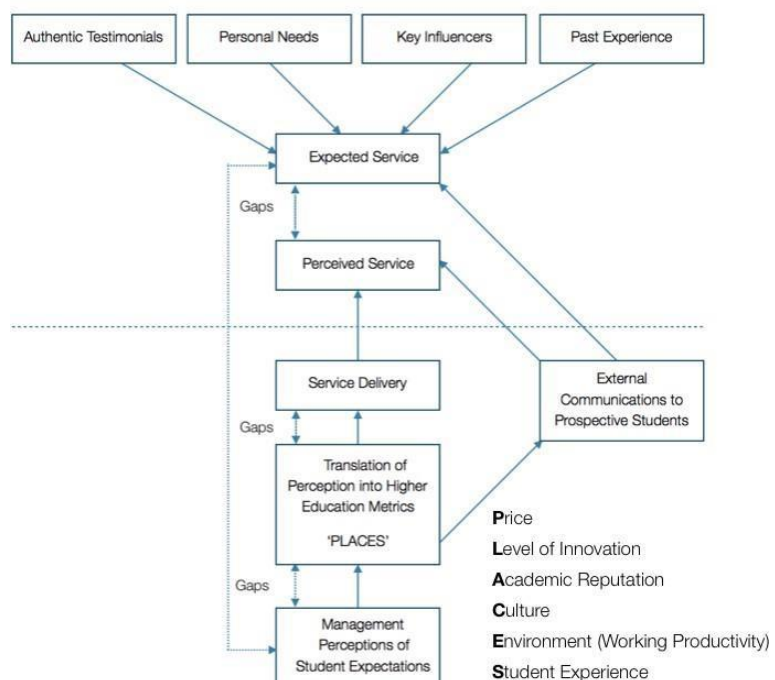
When the topic was discussed with management, the Dean shared my opinion that a low price was often synonymous with low quality on face value. Once again restrictions on private providers mean that the maximum loan amount is just £6,000 per year, compared to £9,000 for public institutions - again fuelling the misconception of “poor quality education” (Woodfield, 2014) He agreed that the press does not always work to reduce those concerns, with the Sunday Times describing such programmes as “cheap degrees” rather than offering superior value. Furthermore, the student loan system means that if Pearson College London were to increase the course price to

higher than that of even public universities, they would be running the risk of stifling recruitment as the students would then be required to pay the difference as an upfront cost. Student experience - a summary metric, encompassing the students’ entire development over the course of studying with the HE provider. Here I would include the criteria of ‘employability’, providing a complementary link to the Teaching Excellence Framework introduced during the course of my investigation.

Has there been a ‘culture shift’?

With regards to culture as a metric for higher education, during the interview with the Dean explained that from an external perspective, “culture is notoriously difficult to measure” and “may not bear any reflection to reality” (Holt, 2017) However it is important to be proactively improving and he recognised that recruitment plays a contributing role. To reduce the likelihood of demand characteristics (McCambridge, De Bruin and Witton, 2012) skewing the responses on this topic, across all primary research methods I first asked a general question regarding the Pearson College London culture; a request for three adjectives (figure 15, 16) in the questionnaire and then asked whether there has been a change (positive or negative) or not (figure 23, 24). Results showed that there has in fact been a “change in dynamic” (Holt, 2017), with staff (92%) more aware of a culture change (figure 20) than the students (65%). Students (62% positive, 15% negative) describe the culture change to be slightly less-favourable (figure 20) than staff (92% positive, 0% negative). This was further supported by a questionnaire respondent citing the environment as having a “loud, studenty feel” and a focus group participant’s description as “casual”. A sentiment analysis (figure 18) conducted on the student’s wider response placed the contextual emotion on ‘sadness’. Delving deeper, the focus group organically raised the “bottom-up issue” (Saunders et al., 2012) of a “culture shock” by comparison to the corporate environment of 80 Strand; largely facilitated by the new workspace but also the “merge with Escape studios”, has seen business students “dressing down” a lot more. (Johnson, Scholes and Whittington, 2008) Interestingly, when raising suggestions as to how to reverse or slow down the change, the focus group did not believe the reinstating of the dress code for day-to-day study would be the solution as it would not “match the style of the new premises”. Conversely, it is important to note that students wanted stricter enforcement of a formal dress code for industry events due their status as “representatives of Pearson College London” and the importance - a new institution - to create a positive impression; dispelling private-sector HE myths. (Woodfield, 2014) It is important to raise the argument that student recruitment plays a crucial role in the development of Pearson College London, both academically and culturally. Within just three years, the entire culture of the institution can change with the student intake. Therefore it is vital to address at the

Figure 40



current stage of their lifecycle and ensure quality maintenance, with the assistance of academic and support staff (Lawrence, 2003) through the aforementioned “continuous improvement” methods (Juran and Godfrey, 1998); particularly as there will be a high level of scrutiny in their application for degree awarding powers and QAA weekly visits. (QAA, 2016)

CRITICAL REFLECTIVE/ CONCLUSION

Due to the unique nature of Pearson College London as the only HE institution in the UK to be part of a FTSE 100 company and “design, develop and deliver” industry-led degrees, there has been no previous research, specifically conducted in this research field in these circumstances. My investigation therefore provides an active contribution; with the data gathered welcomed by the decision-making departments, increasing the likelihood of the proposed recommendations and frameworks being implemented. For the wider HE sector, the redefined ‘Gap’ model (Parasuraman et al., 1985) and ‘PLACES’ metrics could be generalised in order to be applicable in measuring quality for non-traditional providers also.

Recommendations (objective 4)

Communications: Employ an Operations Manager

A “bottom-up” issue raised from the focus group was one regarding communications, whereby “more time and effort could have been put into communication and the day to day running of the uni to make it more smooth”, a notion supported by all participants. I therefore recommend the employment of an ‘operations and communications manager’, reducing some of the barriers that currently stifle day-to-day innovation.

Student Retention:

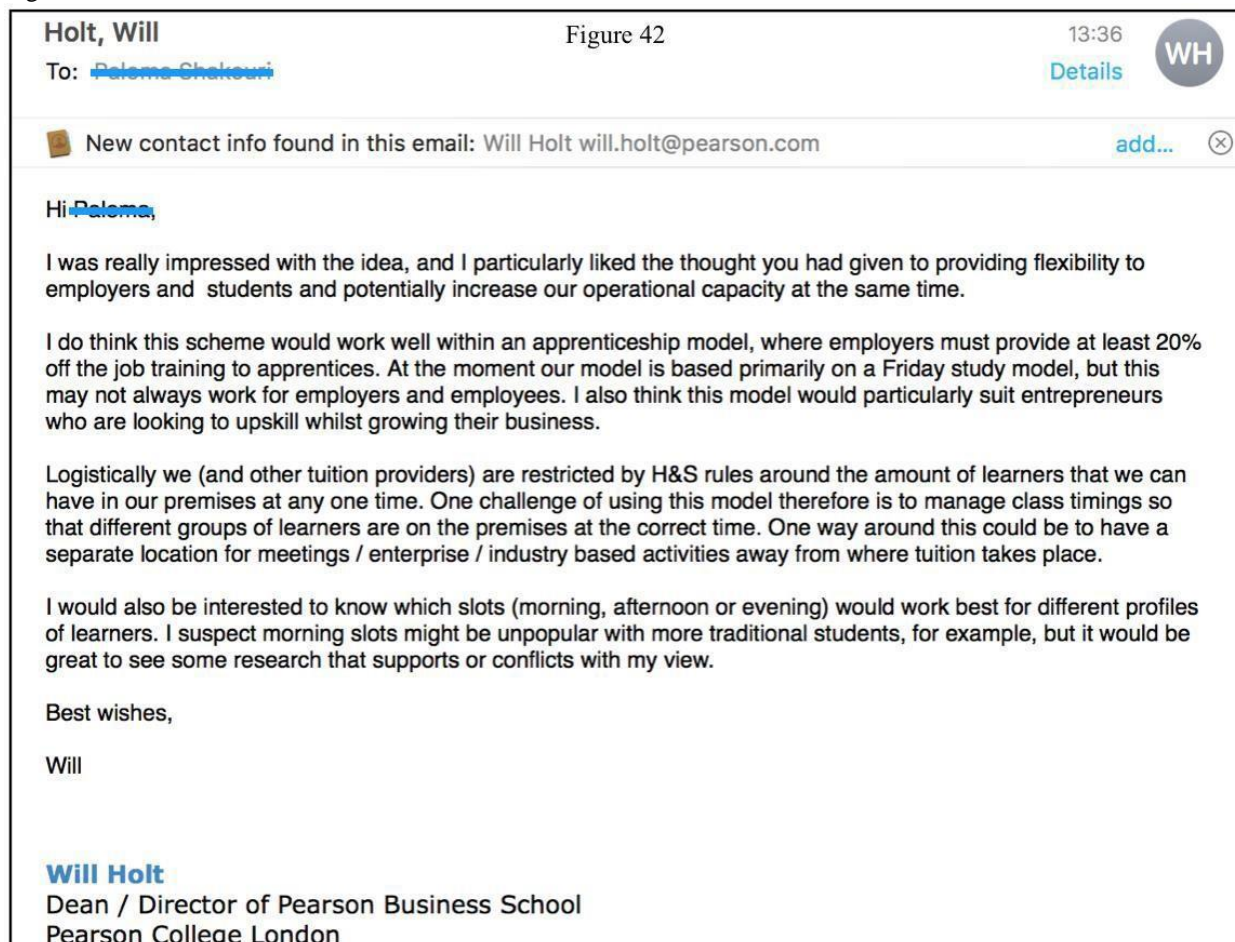
In previous research, I proposed an ‘Entrepreneurship Masters Programme’, designed using a rotational split-shift structure (figure 41) to allow Pearson College London to triple student numbers to achieve the 2000 target (Stockwell, 2017), whilst maintaining the small class sizes; solving the issue raised in the background regarding balancing growth and quality.

Figure 41: Rotational Split Shift Structure

Figure 41	Monday	Tuesday	Wednesday	Thursday	Friday
Morning					
Afternoon					
Evening					

Furthermore, having discussed the idea with the Dean of the Business school, he endorsed the idea (figure 42), supporting the feasibility of combining the programme with the apprenticeship standard developed by Pearson Plc., aiding companies to satisfy the apprenticeship levy and support Pearson College London’s desire to increase the “B2C market” (Holt, 2017).

Figure 42: Email from Will Holt, Dean of the Business School



Student Recruitment: Rather than eliminate an entire geographic area (the North of England) due to a previous lower yield of students (Gardener, 2016), instead I recommend forming partnerships with the former schools of students who have had a positive experience at Pearson College London, encouraging the alumni to return to speak to sixth form students undertaking the HE decision-making process. This is particularly crucial for traditional institutions such as Bolton School Girls' Division - the leading independent school in the North West of England who do not actively promote non-traditional education paths, such as apprenticeships, but are incredibly supportive when a student receives the optimum opportunity, such as Pearson College London; "pro-actively" sought out for themselves. Moreover, by using a selective-referral strategy, it enables Pearson College London to keep a close eye on the development of a "professional and ambitious" culture (Shakouri, 2016), maintaining the desired "quality" (Bristow, 2017) whilst growing, with students who can cope with the academic rigour and therefore less likely to drop-out; sustainably producing academically high- achieving graduates for long-term institutional success.

Author Biographies

Paloma P. Shakouri

Paloma's journey with Pearson College London started in 2014 as a BSc(Hons) Business and Enterprise student. Having become immediately on board with the vision and fully immersed herself in all aspects of Pearson College London life, from academia to the extra-curricular, Paloma received the award for the 'Most Active Industry Engagement', the Pearson Award for 'Decency' and achieved a First Class Honours for her degree. Paloma now works in the External Relations department at Pearson College London; encompassing all her previous experience, knowledge and research.

Dr David Atkinson

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DID “QUANTITATIVE EASING” AND INFLATION CAUSE THE COLLAPSE OF THE ROMAN EMPIRE?

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ABSTRACT

During the Augustus (reigned BC 27 to AD 14) Empire, Rome experienced nearly 200 years of solid economic growth. The GDP – the gross domestic product and wealth of the early Roman Empire in Britain was similar to that of early 1800’s early Industrial Revolution.

As the economy of the early Roman Empire grew, sound fiscal policies under Emperor Augustus and other early emperors helped keep inflation in check. The money supply increased proportionately with the increase in trade. Taxes were also kept low: each province only paid a one percent wealth tax and a flat tax on all adults. All of this helped keep prices low but by the end of the second century AD things began to change.

Around AD 200, the Roman economy took a drastic turn from which it was never able to recover. Around that time, there was a recession and stagflation that ravaged much of the Roman economy. The result was a drastic increase on the prices of goods that had never before been witnessed in Rome: inflation was only one percent in the first two centuries AD, but prices doubled after that. As the empire expanded the growth of territory meant more people were added to the empire and projects such as bridges and aqueduct were needed to sustain the growing population, so more cash was needed. The Roman military industrial complex also grew exponentially, which meant that more coins were needed to pay the soldiers. Finally, there was an increased use in cash for anything from large business deals by the elites to day to day transactions by ordinary people. Roman leaders quickly learned that with so many coins already in circulation, they were having a difficult time paying for their public works projects, not to mention their soldiers. They attempted to rectify the situation by devaluing their currency. During this time the Romans began adding impurities to their silver coins so that more could be added to circulation. The process had two results: there were too many coins in circulation and the new coins that were being added were comprised more of other metals than silver. It is estimated that the inflation rate reached an astronomical rate of 15,000% between AD 200 and 300! In terms of a tangible example, one Roman pound of gold was valued at 72,000 denarii in AD 301, which would be nearly impossible for any Roman to have that many coins on his or her person. Finally, the Emperor Diocletian (ruled AD 284-306) realized that drastic measures had to be taken if he were to save the Roman economy and quite possibly Rome itself.

By AD 250, the inflationary cycle had crippled the Roman economy and threatened to bring the entire empire down. Instead of attacking the problem at the source by addressing the currency problem, Diocletian instead decided to enact price controls in 301. The edict only made things worse as it drove consumers to the black market, but the prices continued to soar.

Suffering from myopia and a lack of understanding of economics, Diocletian’s successors for the most part were also unable to stem the tide of inflation and in fact kept many of his policies, including price controls.

Although the Emperor Constantine (reigned AD 306-337) is considered by many to be among the greatest of the later Roman emperors, he was unable to fix the failing Roman economy. The inflation persisted for nearly two hundred more years, during which time taxes were massively increased. Internal problems were further compounded by the economic situation, such as the concentration of wealth in fewer and fewer hands, which often led to mob riots. Eventually, the Roman government was unable to pay its armies, which then often turned their swords on Rome itself. In the end, it was

The basic concept of inflation was essentially the same in the ancient Rome world as it is today. In the simplest terms, it refers to the rising costs of commodities and the reduced value of the currency. There are many causes of inflation, but the presence of excessive amounts of currency in circulation tends to be the most common catalyst for an inflationary cycle. In particular, today with expansionary monetary policy in the US or extensive money printing known as quantitative easing by the FED Federal Reserve System that has some economist worried for future inflation. In modern economies, inflation often happen when a central bank prints too much money, thereby lowering the value of the currency and raising the prices on commodities. The situation was quite similar in the ancient world, but instead of printing money, kings and other leaders would add impurities to their minted coins. The result was often that not only were there too many coins in circulation, but the ones that were being used were of little value due to their impurities.

This paper examines the extensive expansionary monetary policy know as quantitative easing is similar to ancient Rome extensive inflation.

STUDY ON CARBON EMISSION ACCOUNTING AND ITS INFLUENCING FACTORS IN TRANSPORTATION INDUSTRY UNDER THE INTEGRATION OF BEIJING, TIANJIN AND HEBEI

QIANTING ZHU

ABSTRACT

Carbon emission accounting is the basis for urban low carbon development research. As one of the carbon source industries of the three major cities, the transportation industry must become the focus of attention. Based on the carbon emission accounting of Beijing-Tianjin-Hebei transportation industry, this study uses partial least squares method to carry out driving factor analysis, and evaluates the trend of each influencing factor through two-stage parameter estimation. The results show that: 1) In the Beijing-Tianjin-Hebei urban agglomeration, Beijing will first reach the peak of carbon emissions; 2) population size, per capita GDP, energy intensity and cargo turnover rate are the main factors affecting the carbon emissions of urban agglomeration transportation. They have two-stage change characteristics; 3) In the context of integration, the Beijing-Tianjin-Hebei region needs to accelerate the transfer of industrial structure, and the transportation sector should support the research and development of new energy vehicles and develop energy-saving measures such as intelligent transportation construction.

Keywords: Beijing-Tianjin-Hebei Integration, Urban Carbon Emission Accounting, Two-Stage Factorization, Partial Least Squares.

PARALLEL RATIONALITY IN STRATEGIC LAND USE DECISIONS IN THE HOSPITALITY INDUSTRY

RUTHERFORD CARDINAL JOHNSON

ABSTRACT

Hospitality facilities in Minnesota often wish to provide outdoor recreational amenities to their guests. This can be done on land that they own or by contractual arrangements with land owners. More visitors to Minnesota would be able to participate in outdoor recreation if more hospitality facilities had access to land owned by other parties. However, a survey of northwest Minnesota landowners suggests that landowners are unwilling to open up their land for recreational use by outside parties. This results in a sub-optimal allocation of land available for recreational use. Given the different strategic decision models suggested by hospitality facility and land owner behaviour, a situation of parallel rationality may exist. This study uses that conceptual framework to model the strategic interaction between hospitality facilities and landowners in order to suggest ways in which a more optimal allocation of resources can be obtained.

DYNAMIC CAPABILITIES OF ENTREPRENEURS AND INNOVATION: AN EXPLORATORY STUDY IN CPEC CONTEXT

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ABSTRACT

China Pakistan Economic Corridor (CPEC) is a game changer for economic development of Pakistan and the region. CPEC is also posing new challenges for the domestic industry in Pakistan. As economic development depends on the innovative capability of a society to generate goods and services that, at prevailing factor prices, are higher quality and lower cost than those that were previously available. Innovation is a prerequisite for economic development and this makes this area of study more important in developing countries, while Pakistan is reported at the bottom of the Global Innovation Index and far behind China in this area. Entrepreneurship is considered as a micro driver of innovation and economic growth and is one of the major factors driving the progress of developing countries. Firms face the challenge of keeping up with changing market needs, especially in fast-moving operating environments. They have to continuously improve their existing processes and products, and develop new products that match new and emerging market requirements. For this they have to reconfigure their asset base by creating new combinations from existing and new resources. Especially in situations where a technological discontinuity occurs, there is a need for speedy capability reconfiguration or substitution. In this context new capabilities are needed. The emergent literature on dynamic capabilities and their role in value creation is riddled with inconsistencies, overlapping definitions, and outright contradictions. Yet, the theoretical and practical importance of developing and applying dynamic capabilities to sustain a firm's competitive advantage in complex and volatile external environments has catapulted this issue to the forefront of the research agendas of many scholars. This study aims to explore dynamic capabilities of engineering entrepreneurs in Pakistan, which are crucial for innovations in CPEC context.

Keywords: CPEC, Dynamic Capabilities, Engineering, Entrepreneurship, Innovation.

GROWTH VS PROFIT: THE CONFLICT IN UK STARTUPS

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This paper sets out to consider the conflict between growth and profitability within startups. Particular focus is on startup organizations here as the number of newly founded businesses is increasing exponentially, with records being broken year on year (Bounds, 2017).

Modern startups have recently been focusing on a high-growth model, particularly in the technology space, but this comes with high risk. Whilst the rewards can be significant, failure rates are also high. We are beginning to see high-growth firms succeed with the likes of Facebook posting a profit of more than US\$10bn in 2016 (Facebook, 2016). However, newer firms are struggling financially. For instance, Uber made a loss of US\$4.5bn in 2017 (Hook, 2018). Firms like Uber, are often labelled as 'unicorn startups'. These are defined generally as firms that have a market value of more than US\$1bn yet are posting significant losses. These losses are not the only concerning factor. As according to The Economist (2015), many valuations of startups appear to be over-inflated due to their expected rapid growth. As a result, it is clear that there is an issue with the financial aspects of startups. This study aimed to understand why failure rates were high at the inception of a business, which leads into the exploration of growth vs profit at all stages of a business and how the two are potentially balanced. The result of this is the provision of a guide for newly-found startups to help ensure the likelihood of success. In order to investigate the conflict between growth and profit, this study used two forms of research. The first of which was an online survey completed by 32 founders, managing directors/CEOs and/or employees of London-based startups. The overall objective of the questionnaire was to understand the trends within growing startups and explore the methods and strategies employed.

The second research method was in the form of semi-structured interviews aiming to expand on the results of the questionnaire. In order to provide more insight, the interviews were conducted with founders of growing startups as well as mentors for incubators and accelerators to ultimately explore the challenges that they face. The interviews also investigated the potential thoughts and plans to how, those involved in startups, thought they could build their businesses, to ensure profitability.

The study's findings puts forward a framework in order to understand how to balance growth and profit within startups. The findings suggest founders should analyse their business stage and understand the market in which they operate to realise whether a focus on either growth or profitability. The framework, produced as a result of this study, advocates that those involved in startups should look objectively at their situation in order to help guide an organization to success.

Background

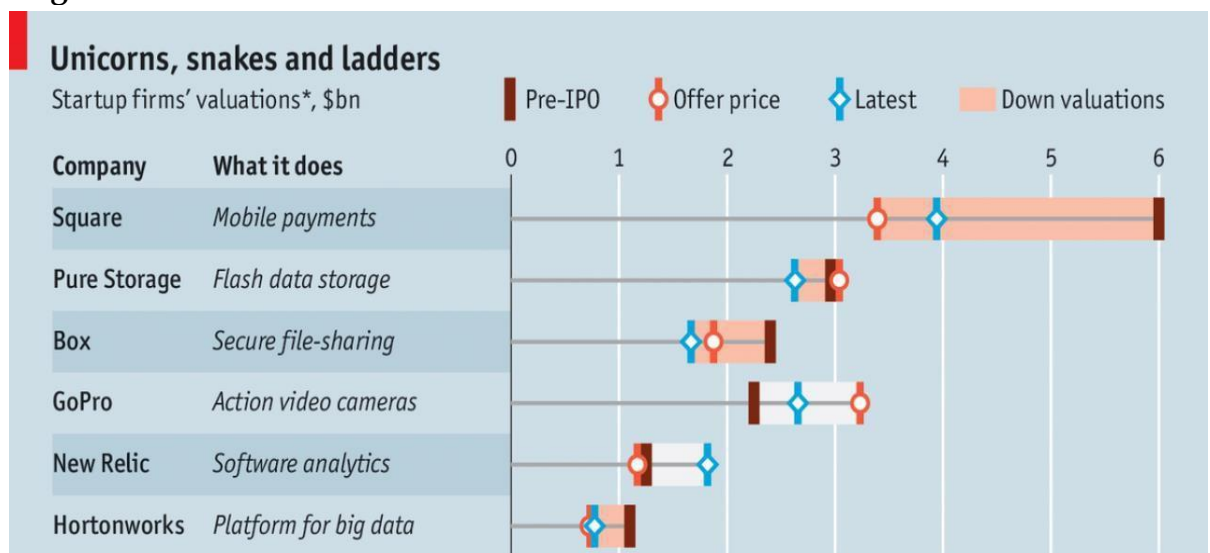
The number of startups has been increasing exponentially in recent years across the globe to such an extent that The Economist (2014) described the phenomena as a 'startup explosion' as well as a Financial Times article defining it as the 'startup revolution' (Bounds, 2017). Mankins (2017) explains, one of the potential factors that has resulted in this increase is the access to low-cost capital, which not only led to an increase in the number of startups, but also their focus on growth as opposed to profit: with low-cost capital, the time value of money is also low meaning smaller short-term profits are less attractive than larger long-term profits. This links to the rapid rise of startup incubators in the last 10 years (whether they be setup by large corporate firms, universities or other organisations) where the primary focus is growth and creating a business model that will allow them to make long-term profit (Andonova, 2015). However, with technology having its biggest ever impact on business operations, the concept of an incubator is still relatively new (Andonova, 2015) resulting in limited success for startups.

Nobel (2011) cites that between 30% and 40% of startups globally fail to the extent that it requires assets to be liquidated and the company to file for administration. It is worth noting however, that what constitutes a startup 'failing' varies significantly, with inconsistent arguments in both academic and professional environments.

Conflicting to Nobel, Griffith (2014) believes the failure rate is as high as 90% whilst Quintero (2017) analysed startup failure based on their business stage, but ultimately arrived at an average figure of 67.6%. In addition to this, Nilsson (2017) found that just 50% of startups formed in London in 2013 survived 3 years. It is clear therefore that a range of sources offer opposing evidence as to the percentage of startups that fail: the reason for which is the difference in sample size as well as their definition of failure. Despite this conflict, it is apparent from all sources that the failure rate of startups is high and must be reduced in order to have more positive impacts on the business world, particularly with regards to market innovation. This forms the basis of this research paper, which will ultimately aims to offer a guide to newly-found startups with the end goal of contributing to an increase in the success rate of startups.

In recent years, startups have often focused on growth, with large technology firms offering recent examples (such as AirBnB or Snap) whether this be acquiring a sufficient user base or building a network of partners. Among many of these startups, profit is not considered a priority with the intention of building a business large enough to benefit from higher profits in the long-term. In the case of extremely high growth startups, they often have disruptive business models which require significant levels of research and refinement and is therefore the reasoning behind a focus on growth to attain a proof of concept (Anthony, 2008). But despite this long-term vision, there is no guarantee of growth-focused businesses being profitable in the future partly due to the fact that the company has been built to optimise growth and therefore may not have the required resources to ultimately turn a profit (Anthony, 2008). Whilst there are examples of companies that have used this model and have then benefitted from large supernormal profits, such as Facebook which made more than US\$10bn in 2016 (Facebook, 2016), the likes of Uber are still struggling financially with losses of US\$4.5bn in 2017 (Hook, 2018). Snap Inc have also struggled to turn a growth model into a profitable one, with a loss of US\$3.4bn in 2017 (Snap Inc, 2018). These firms are often labelled 'unicorn startups' (firms that have a value of more than US\$1bn), but large losses are resulting in increased pressure from investors. These losses are not the only concerning factor as The Economist (2015) cites, where the valuations of startups appear to be over-inflated due to their rapid growth. As shown by Figure 1 below, there is a definite trend towards 'down-round IPOs' (Waters & Ram, 2018), particularly in

Figure 1



Source: The Economist (2015)

technology startups.

This has resulted in startup investors entering investments with far greater caution than previous years (Brown, 2017). Prior to the series of down-round IPOs, investors were willing to back disruptive firms with the potential high rewards available, but a lack of materialised growth from unicorn startups has halted the willingness of investors. This could potentially pose a problem to future new businesses, with the majority seeking investment in their earlier years in order to build their offering. Despite this fact however, Gross (2015) identifies funding as the least important success factor out of the five key areas identified for startup growth so whilst still significant to the

success and initial growth of a startup, other areas (team, idea, business model and timing) are more critical. It is worth noting that this is a simplistic model that attempts to break down the various factors that contribute to the success of a startup so in-depth analysis is limited. The benefit of this however, is it offers a framework as to what has worked for startups in the past and where startups should focus their efforts and operations to improve their chance of success. On a high level, all businesses regardless of their business stage succeed if they satisfy a need or want and the mechanics behind the business must drive consumers to understanding this. This paper will research the operations of the business to understand how startups can put processes in place to maximise the likelihood of success.

Literature Review

One of the more controversial areas surrounding this topic is what constitutes growth. Anyadike-Danes et al (2009) identifies that growth can be measured in a variety of ways and is dependent on the individual business to define what their measurement of growth should be. Whilst this is a logical approach, no guidelines are offered to decide which factors are most important to a business, resulting in a lack of clarity and inconsistency surrounding business growth within academia as well as the business environment: it also means that businesses are able to choose what they define as growth by taking their best performing factor which results in further inconsistencies across different businesses leading to difficulty during comparison exercises (Wiklund et al, 2007) which is a vital component for interested parties, from investors to customers. Whilst Anyadike-Danes acknowledges that growth can be measured differently, employment growth was used for that study, which in itself has limitations: hiring employees in quick succession does not mean a company is succeeding, with many startups hiring people too quickly (Kilpatrick, 2003) which may result in its ultimate downfall. A common principle many startups follow is the concept of being "lean" where processes are all just-in-time and achieved with lowest amount of resources possible (Blank, 2013), yet its execution is not always achieved and therefore an issue with using employment growth as a measure for overall growth. In addition to this, different companies require differing labour resources to prosper for example, a manufacturing company requires a larger number of employees in comparison to a platform technology firm.

Ramezani et al (2012) used both sales growth and earnings growth as a measurement for overall growth. The reasoning for this was due to a large sample size being used with sales and earnings growth an easy comparison to make between each company, as well as the ability to average the metrics across a period of time, which takes into account any major jumps (positive or negative) that could affect the overall result. This type of measurement is the most common when measuring growth and performance of a business. It gained particular traction as the principal agent problem became a larger issue, but whilst it provides investors and shareholders with a simple way to analyse how a business is performing, it gives little direction on how to improve these results or even how they were initially achieved (Kennerley & Neely, 2003). In addition to this, over the past 10 years, there has been a surge in the number of technology startups (Bounds, 2017) which are known to have a lesser focus on profitability: particularly in their earlier stages, the likes of Uber and AirBnB focused on user and partner acquisition as a proof of concept with the thinking that building a larger network and a greater market share would result in larger supernormal profits in the long-term as well as cement their position as a market leader (Blanding, 2016). Uber recorded a loss of US\$4.5bn in 2017 (Hook, 2018) suggesting they are not a growing company using part of the method of Ramezani et al despite majorly disrupting an industry and being considered one of the fastest growing startups by academics and professionals alike. It may seem like a logical and simple approach to measuring business growth, but in an era of technology startups and platform businesses where a proof of concept is critical to the success of the core business, other methods are potentially better suited.

Other methods for measuring growth include more complicated and intricate procedures such as the likelihood of an existing firm expanding their offering in combination with the likelihood that a new firm enters a market with a new offering (Buldyrev, 2007) to measure growth on the basis of historical performance levels and their stability in addition to their ability to develop in the future (Mao, 2009). The resulting conclusion of what constitutes growth is unclear in the available literature, with conflicting opinions and multiple metrics being used throughout different industries.

The next area for this topic is the growth models that companies use to explain their method and reasoning for growing. Both Mankins (2017) and Anthony (2008) encourage startups to focus on growth in their related area, such as user acquisition for a mobile application without necessarily concentrating on making a profit from these users. Facebook didn't start generating revenue until 5 years after its inception, with many not expecting the social network to ever turn a profit (Johnson, 2009) but now they are arguably one of the biggest companies in the world with profits exceeding US\$10bn (Facebook, 2016). This has resulted in a change of thinking from the more

traditional models of business growth, such as Churchill & Lewis (1983) who outlined five distinct stages of how businesses grow. Whilst it can be argued that it is still relevant today, the model assumes that a business should, at the very least, break even in the early stages of the firm which is not the case for many startups in the modern business environment such as the previously mentioned Facebook and Uber in addition to other firms such as Spotify (Turner & Shaw, 2017), Monzo (Monzo, 2017) and Deliveroo (Murgia, 2017). Wang & Zhou (2002) found that new startups, particularly in high-tech industries, are a high-risk investment due to the uncertain future they face in addition to Bergemann & Hege (1998) finding that investors who successfully cash out of these types of startups is lower than 20%.

Despite this outbreak and very obvious change in the way in which the business community feel new businesses should be run, the literature available that provides an updated framework on Churchill & Lewis's model is significantly lacking. However, whilst a specific model has not been researched and created, literature on how startups can grow and succeed is in abundance. Gross (2015) identified five factors that were key to a startup's success: funding, the team, idea, business model and timing which were then ranked in order of their impact. Whilst Gross acknowledges that each element is vital to a startup's success, it does give entrepreneurs a guideline as to what to focus on when they are looking to grow, especially in the earlier phases of a business. Gross believes that funding is the least impactful out of the five, yet CB Insights (2018) identified running out of cash as the second biggest reason as to why startups fail, with no market need topping the list. As is also backed up by Shane & Hecht (2008), funding is vital to the success of a startup regardless of its source, whether it be equity or debt-based. It is also one of the main reasons startups are able to focus on growth as opposed to profit and therefore a vital factor in a startup's business strategy should this be a focus.

The final key area for this research paper is how startups look to profit from their business. It is worth noting that the modern business environment has seen a shift in the perceptions of companies, particularly from public consumers: corporate social responsibility and "doing good" have come to the forefront of the business world with more pressure on firms to add value to society through their business operations (Matten & Moon, 2008). As a result, profit may not be the primary objective for startups, but the concept of shareholder capitalism suggests that profit is the only goal for the business and it has an obligation to give a return to shareholders (McNulty, 2013). Not only this, but a profitable business is a good indicator to stakeholders that the business is performing well and interacting with them should carry less risk than a loss-making firm. With this in mind, it is clear that making a profit is still an important factor to a startup, but other objectives are likely to take preference given the change in public perception.

In a Barclays report (2017), it concluded that the origin of innovation had shifted from larger corporates research and development teams, to smaller companies and startups. It also stated that startups rely on Venture Capitalists (VCs) in order to experience high growth and whilst this helps to boost the economy and grow the startup community, a heavy reliance on one source of funding can pose problems. In addition to this, Makomaski & Johansson (2013) found that the number of VC firms is decreasing greatly and therefore increasing the competition for investment from VCs, which theoretically should persuade startups to look for other sources such as government grants; crowdfunding; angel investors; incubators/accelerators; debt funding (Halt Jr et al, 2017). As Sharpe et al (2009) explains, technology startups in particular are often extremely reliant on venture funding pre-revenue due to their lack of access to other sources of finance as a result of their richness in intangible assets and lack of the tangible assets required for other funding sources. A combination of increased competition for VC funding and seemingly limited options elsewhere, startups may potentially have an issue raising funds with such a reliance on a single source.

As has already been mentioned, many startups focus on growth as opposed to profitability, yet Fitzsimmons et al (2005) concluded that firms focusing on profitability were more likely to achieve both higher growth and higher profits in future years. This radically counters the literature already covered. It also indicates that it is possible to achieve both growth and profit simultaneously. Deeb (2017) concluded that it is mathematically impossible to maximise growth as well as maximise profits. These two points therefore lead to the logical conclusion that despite the trade-off between growth and profit, both can be achieved but not maximised.

Conceptual Framework

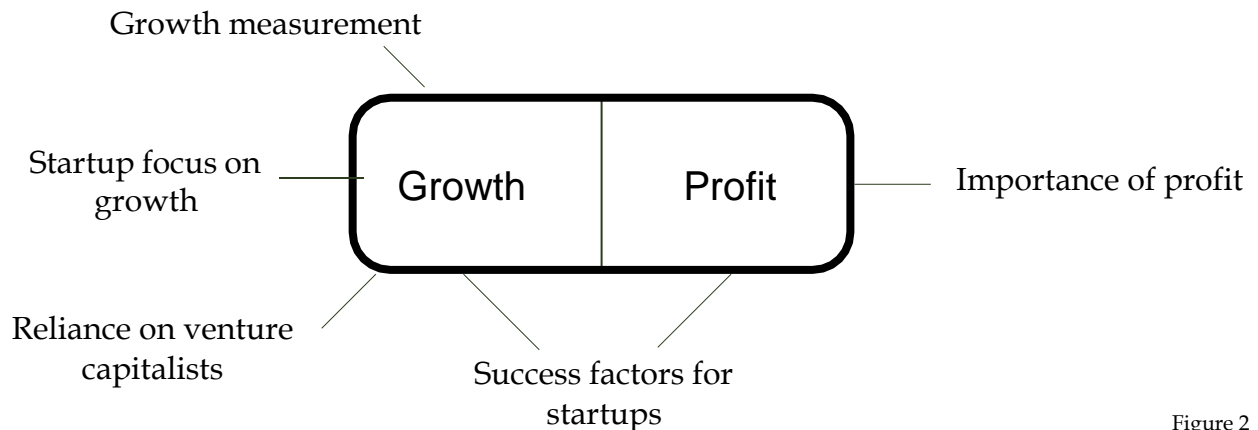


Figure 2

The conceptual framework above has taken the key themes found in the literature review, splitting it into two segments: growth and profit to then divide the key themes into those two areas. The key themes for growth are growth measurement, startup focus on growth and the reliance on venture capitalists. For profit, the literature review found one theme which is the importance of profit (to stakeholders) whilst success factors for startups was an overall theme that fits into both categories. This gives a good indication as to what the research will find based on these themes. When it comes to the measurement of growth, the likelihood is that there will be a variety of different measurements used, both based on an individual's opinion as well as the organisational metric. Whether the startups focus on growth or profit is likely to depend on the business stage but should give a good indication as to when a business looks to turn a profit. The reliance on venture capitalists will also differ but will give a current market overview and go some way to achieving the third objective surrounding using investment as a growth tool. It is expected that the importance of profit will again depend on the current business stage of individual startups, but how each one plans to drive revenue in the future will be of particular interest. Success factors for startups will be dependent on each individual business, but this research should be able to provide an analysis into the common factors that result in the success of a startup. Ultimately, it is apparent that this topic is highly opinionated and dependent on a wide array of factors, so is unlikely to provide a definitive answer. However, it does aim to give an indication into the current trends for startups as well as what had led to their successes and failures and how to leverage this information. In addition, the clear missing point from current literature surrounds turning a business model that previously focused on growth to one that focuses on profit. Whilst there is literature that looks at the two models separately, a combination of the two is very limited especially when it comes to the timing on when to transform from a growth model into one that is more profit focused.

Objectives

1. Critically review the current academic literature surrounding growth and profit models for startups.
2. Investigate current market trends using primary research methods to analyse London startups.
3. Critical analysis of startups requirement for investment as a growth tool with comparisons made to growth through a profit model.
4. Analyse the stage at which startups decide to focus their efforts on improving profitability.
5. Discuss the implications of the research and provide recommendations to startups.

Research Design

Given the basis of this paper is addressing the conflicts between growth and profit, the initial stage of the research must determine whether startups (of any sector) acknowledge that this is true. In order to do this, a deductive approach will be taken in the form of a questionnaire. It will however be considered a qualitative number research method because the questionnaire will collect statistical data that can be analysed but the foundation of the questions and answers will be solely based on opinion (Saunders et al, 2016). This method forms the foundation of the paper and should provide a very basic, high level outcome therefore the question will need to be simple and direct removing the need for further clarification ensuring it is internally valid (Saunders et al, 2016). The overall

objective of the questionnaire will be to test the theory required to continue with the study (Lapan et al, 2011) to understand the trends within growing startups and explore the methods and strategy employed in the modern business environment. The target respondent for the questionnaire will be senior employees of startups who play a role in the overall strategy of their organisation. In order to ensure that this is reliable, a targeted outreach system will be implemented to ensure the correct people are being contacted. In addition to this, the beginning of the survey will ask respondents to answer whether or not they work in a startup and the position within that firm. The questionnaire will be distributed via the internet to allow responses to be collated in one place, as well as provide an easy way for the target respondents to complete it without many actions required outside of completing the questionnaire itself.

The first question will therefore be phrased as follows *"Do you believe there is a conflict between growth (such as user or client acquisition) and profit?"*. The answers provided to the respondent were "Yes", "No", "Don't know" and "Other". Firstly, the question set is direct and requires an answer from the respondent, meaning the collation of the data can be quantified and statistically analysed: in this respect, it is a closed question (Saunders et al, 2016) however, an "Other" option has been provided to offer the option of a more in-depth discussion should the respondent wish to further express their opinion. Should an "Other" response be recorded, it will be manually categorised into one of the three prescribed answers (should this be applicable) in order to maintain a quantitative analysis method and the further discussion will be analysed separately to understand the reasoning behind the results as opposed to the validation of the theory.

The second question, *"Do you feel there is a trend within startups to focus on growth as opposed to a profitable business model?"* has been based on the literature previously discussed, with many sources either encouraging startups to focus on growth or explaining that growth is the focus of startups. The question features the same answers as the first question for reasons already described. This reason for this question is two-fold: it first aims to either prove or disprove the literature that focuses on this topic; and secondly addresses the second objective of the research which is understanding current trends. Whilst academic papers and professional sources are a good indicator as to the most up-to-date trends within the startup community, questioning founders and employees of startups will provide better evidence on the current strategic thinking.

The foundation of this paper is trying to understand the differences between growth and profit models and how a business should be implementing them to best succeed in their relevant field. One of the key issues, as mentioned in the Background and Literature Review sections, is transforming a business model that has been designed entirely for growth into one that has a greater focus on profit. As is obvious, there is a risk involved with building a business on this premise and forms the third question: *"On a scale of 1-10, how risky do you feel it is to build a model that is based on growth with the potential risk that it will not be profitable in the future?"*. This is a closed rating question (Saunders et al, 2016) that aims to give an indication as to the perceived risk for startups using a model of growth and transforming it into a model of profit. It also helps to achieve objective five in providing recommendations to startups through understanding the perceived level of risk involved and producing a set of recommendations in accordance with this that will align with the overall thinking of startups.

The final question addresses one of the major issues found in the Literature Review, which is the reliance on VCs as a source of funding for startups: *"Many startups seek investment to build their business. Do you feel there is too much reliance on venture capitalists as a source of investment?"*. Once again, the answers available are identical to the first two questions. This will be a major part in achieving objective three through providing an insight into how startups perceive the community when raising funds. Due to the question being closed, it will not provide an in-depth insight into the reasoning behind the responses, but rather will give a foundation for analysis using other research methods.

In order to analyse the data collected via the questionnaire, Exploratory Data Analysis (Tukey, 1977) will be used to present the data in the form of graphs. This will give a visual representation of the opinions of those taking the questionnaire and can be presented in such a way due to the questions being of a closed nature. Given the questions already described, with the exception of one, all data should be presented in a pie chart format: the reason for this is to gauge the percentage of respondents that agree or disagree with the question they are being asked for which a pie chart is the appropriate method to present the data (Anderson et al, 2014). However, the question *"On a scale of 1-10, how risky do you feel it is to build a model that is based on growth with the potential risk that it will not be profitable in the future?"* should be presented using a bar chart. Whilst it is still required to gauge the percentage of respondents that choose a specific figure along the scale which would ordinarily use a pie chart, when six or more segments are being analysed, bar charts are a much more effective method of presenting the data (Keen,

2010). The aim is to show the data in a simple form so the results can be analysed quickly and then further discussed using further research in the form of interviews meaning a mixed method approach (Saunders et al, 2016).

The aim of the interviews is to expand on the results of the questionnaire and provide an in-depth discussion into the topic. These will be conducted with founders of growing startups as well as mentors within incubators and accelerators, aiming to build on what has been discovered from the survey to provide a deeper analysis. In addition to this, questions relating to their specific business or field will be asked to understand what they are doing and how it compares to others. As Seidman (2013) explains, the purpose of in-depth interviews is not to receive answers to the questions or test a hypothesis, but to gain an understanding of the interviewee's experience and past wins and/or failures: ultimately this will provide information based on that person specifically to then analyse the experience of a range of people to provide recommendations through the wins and failures of the individuals. It is worth noting however that although a small number of detailed interviews will result in a good analysis, a major issue is the potential for bias both through the questions that are asked and how the respondent wishes to come across (Boyce & Neale, 2006). In order to mitigate this issue to the largest extent possible, the research will aim to interview respondents with a range of backgrounds and ask personalised questions to achieve a wider range of views and opinions. In addition to this, bespoke questions will allow for a better understanding of a person's experience for which the benefits have already been outlined. In order to achieve the best outcome, the questions most related to the purpose study should be in the middle of the interview after rapport-building and a general discussion around the topic (Rubin & Rubin, 2012). Ultimately however, the interviews will be semi-structured with some pre-prepared questions but also queries that relate to the responses of the interviewee retaining a more open framework (Knox & Burkard, 2009).

Based on this, the first question will aim to provoke thoughts around the topic before asking questions that are more specific to the objectives. In order to do this, a broad, open-ended question will be asked (Gill et al, 2008): *"As a generalisation, do you feel there's a conflict between growth and profit in start-ups and that achieving both where they do not affect each other is rare?"*. Whilst the responses to this question are less likely to specifically tackle the objectives set out, it sets the tone for the interview putting the interviewee in a mindset that surrounds this topic in an effort to receive relevant and useful responses to questions directly relating to the paper's purpose. The second question relates to the startup industry as a whole: *"Do you think there is a general school of thought that says focus on growth and building your business (whether it be a user base or partners), as opposed to building a business that makes a profit in the early stages."*. Again, this question is more generic and aims to provoke the respondent's thoughts on the startup space as a whole.

Following on from this, the next set of questions are used as a template for each interview, but slightly adjusted based on the person's role within their startup and the area of business they are involved with. Each of these questions addresses two areas of this study: the first is the whole startup community (achieving objective two) with the respondent's thoughts on how they and others around them look to develop their business; the second area is more specific to their business and what they are doing specifically (achieving objectives two, three and four):

- *How does your company look to succeed and is there a focus on either growth or profit and what is your reasoning behind this?*
- *Obviously, this is dependent on each individual business, how risky do you feel it is to build a model that is based on growth with the potential risk that it will not be profitable in the future?*
- *Do you think start-ups are too reliant on seeking investment and see it as an imperative rather than a choice, regardless of whether it is right for their business?*
- *Where are your key focus areas in order to grow a sustainable business?*
- *Particularly with tech start-ups, the market is becoming very saturated with high competition for investment. As a result of this, do you think we'll see a shift to start-ups looking to make a profit earlier than previous ones have done in order to fuel their expansion?*
- *When it comes to growth, there are plenty of examples of rapidly growing start-ups such as Uber and AirBnB, but managing that growth is a difficult task - how have you managed growth at Buzzbike or do you have a plan on how you look to manage growth in the future, particularly when it comes to things like company culture and employee engagement.*

It is worth noting however, that additional questions will be asked that directly relate to the respondent's startup, whether that be previous funding rounds or the rollout of a new product. Each of the interviews will be audio recorded where possible in addition to taking notes to summarise the key points of the interview in order to provide enough information to analyse and discuss (Saunders et al, 2016). Interviews will then be transcribed to prepare

for a thematic analysis to draw out the themes of each interview so they can then be compared with each other to lead into the discussion and offer recommendations on this basis (Braun & Clarke, 2006).

Findings

The beginning of this section starts with the questionnaire conducted, ordered chronologically. The first graph below does not address any objectives but rather discovers the respondent's job role to understand their seniority level and impact on the overall direction and strategy of the business. The sample size was not large, at 32 responses, however many of them were in senior positions within their startup: 58% of respondents lead their firm. Job titles consisted of CEO, Founder and Managing Director. Senior Management consisted of C-suite and director titles, Manager consisted of managers in a variety of fields and other was any role below manager level.

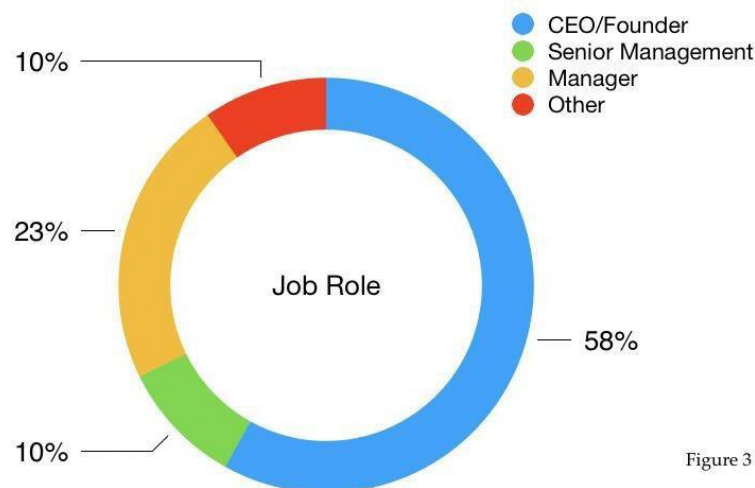


Figure 3

The second question asked: *Do you believe there is a conflict between growth (such as user or client acquisition) and profit?* 80% of respondents believed that there is a conflict between the two, with 3% disagreeing, whilst 16% offered their own thoughts which ranged from descriptions such as "*a chicken and egg situation*" to "*it depends on the situation*". Interestingly, of those who are CEOs or Founders, only 72% believed there is a conflict between growth and profit, whilst 22% responded "*Other*" and gave their reasoning as depending on the situation. The remaining 5% responded disagreed that a conflict exists.



Figure 4

In response to the question: *Do you feel there is a trend within startups to focus on growth as opposed to a profitable business model?* 87% believed this trend existed within the startup community, with 10% disagreeing and 3% unsure. When looking at the way founders responded, it was a similar trend with 88% responding "Yes".

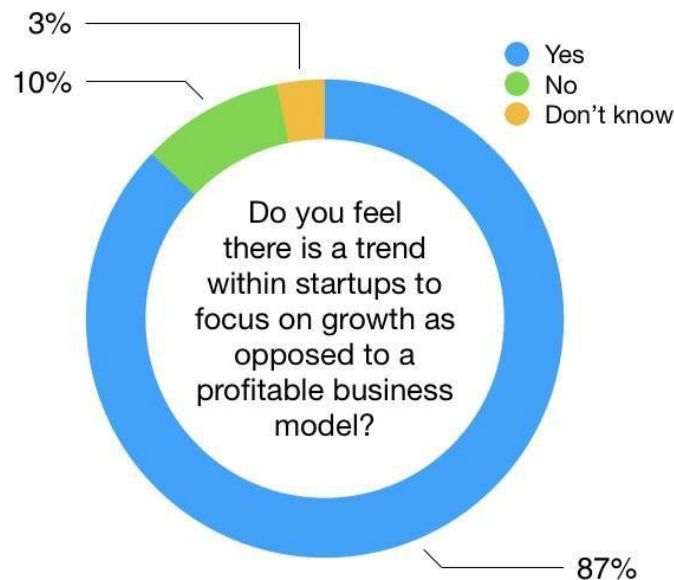


Figure 5

The next question asks respondents to give a number along a scale of one to ten: *How risky do you feel it is to build a model that is based on growth with the potential risk that it will not be profitable in the future?* The bulk of the respondents (80%) answered on the higher end (7-10) of the range, and therefore believing there is a high risk involved. The mode was 8, given by 35% of respondents. For founders on the other hand, 72% responded with a figure of 7 or higher with the mode was split between 7 and 10. Whilst it is clear that the respondents believed there was a high risk to build on model on growth without the guarantee of profit in the future, the perceived level of risk is varied.

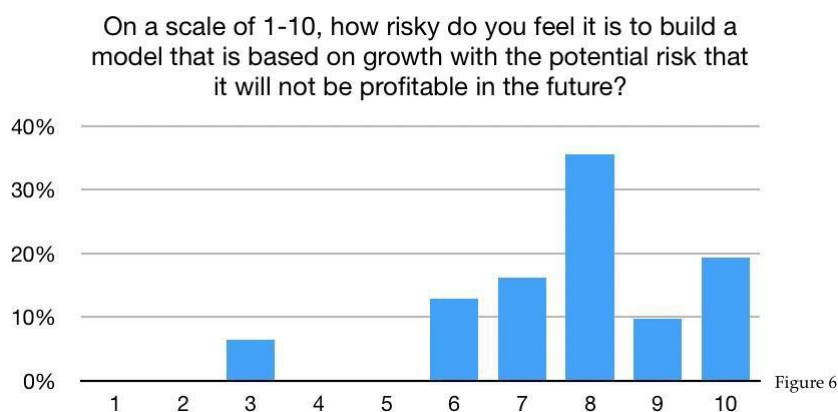
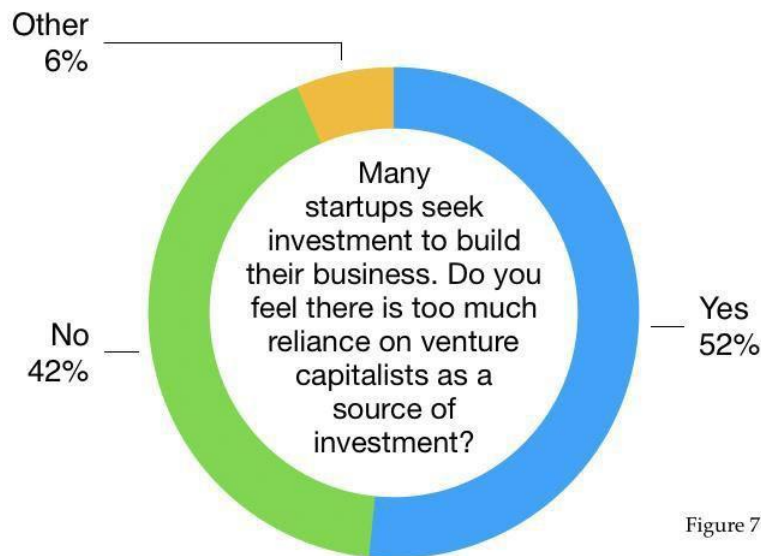


Figure 6

The final question asks: *"Many startups seek investment to build their business. Do you feel there is too much reliance on venture capitalists as a source of investment?"*. This question resulted in very mixed results, with 52% responding "Yes", 42% responding "No" and 6% responding with the opinion that it depends on the stage of the business. Interestingly, there is a 50/50 split between "Yes" and "No" responses when only founders are taken into account.



A total of five interviews were conducted with a range of people within the startup community:

- James Lethem - Head Mentor at Google Launchpad
- Bassel El Koussa - CEO at Quiqup
- Apoorva Chaudhry - Managing Director at Pave Internships
- Tom Hares - Founder at Buzzbike
- Paul Turton - Managing Director at Pact Coffee

Using a thematic analysis, three key themes were discovered: proof of concept for early stage startups; investment culture; and business stage required for profitability.

Proof of concept for early stage startups

Proving that a business is both commercially and strategically viable is a theme that was in abundance across every interview. Chaudhry (2018) referred specifically to Pave Internships, "We are having to compromise profit margins in order to build a following which mostly involves building scholarships as a proof of concept to open to a wider community of students". Hares (2018) offered a slightly different viewpoint, "For non-tech businesses or where it's not about building audiences however there is more importance placed on profitability due to a lack of justification, particularly to investors". El Koussa (2018) further supported this view stating "profit may be required earlier on to prove it [the business model] is actually profitable and it is viable commercially" and adding "for the first two and a half years, we focused on growth over profit to prove that there is a business model there". Turton (2018) offered a further view, with the need for startups to plan to be profitable at a future point, "startups won't make money [early on] but they've always got to have a horizon of when they feel that the business is going to move to an EBITDA positive". At Google Launchpad, Lethem (2018) describes how "it [Google Launchpad] is entirely there to validate their entire business...and if they fail quickly then they know that the business wouldn't have succeeded anyway". It is apparent therefore that the majority of those interviewed agree that a proof of concept is essential to move to the next stage, particularly if the startup is to look for investment.

Investment Culture

It is believed by many startups and founders that investment is a requirement to progress and build a successful business: Hares (2018) points out that "there's a cultural thinking that says investment is the way to go". Chaudhry (2018) adds to this stating "people see VCs as adding more than financial value". El Koussa (2018) believes "early stage startups see success as raising a lot of money" implying that despite how much money is raised, it doesn't necessarily mean a successful and profitable business will result. El Koussa (2018) also added "the modern

business environment requires investment to grow...but investors will lose faith in business that don't make money" hinting towards investor desire to receive a return on their investment.

Another key point surrounding investment culture was the control that is lost when startups raise funds through equity-based investment. Hares (2018) points out that *"founders are obsessive over equity which can limit investment opportunities"* yet with this, the more equity that is given away, the less control founders have over the overall direction of the company as El Koussa (2018) states *"the more you can delay investment, the better you will grow...and the more valued you'll be in the future...this will allow the business to focus on its objectives without the control of investors"*. Chaudhry (2018) also agrees: *"investment can limit startup goals, with investors having input into the business strategy and vision"*.

The amount of investment available from different sources formed a part of the interviews with both Hares (2018) and El Koussa (2018) agreeing that the amount of investment available is exponential and that it is unlikely to change in the near future. The main difference when compared to ten years ago is what investors expect of founders and entrepreneurs. Hares (2018) also added *"crowdfunding has probably filled a gap to reach the demand of a number of startups but that still requires a tangible business"*.

Business stage required for profitability

With the proof of concept previously discussed and comments about planning for profitability in the future, the stage at which a startup decides to tweak their model to focus more on profitability is pivotal and was a common theme throughout the interviews. Chaudhry (2018) pointed out *"the point at which you start making profit is difficult to determine"*. In many cases, the pressure to be profitable can come from investors: Hares (2018) points out that in the case of non-tech businesses *"there is more importance placed on profitability...this is the case for Buzzbike"*. El Koussa (2018) also drew on the experience at Quiqup and the importance that they show investors the business is commercially viable. Turton (2018) offered a different view from Pact Coffee's perspective, where an investment round was not raised and therefore had to understand where *"the blood supply is going to come from"* in addition to *"on the consumer side, the market started to mature"* revealing that many factors can have an impact on profitability within a business as well as showing that market factors can force a business to be more profitable, regardless of their desire to.

Recommendations and Conclusion

A good starting point for the discussion of this research is the conceptual frame work created at the end of the literature review. The first point covered was the measurement of growth, in which it was concluded that the metrics used varied significantly across academic literature. Whilst this was not a subject that was specifically targeted in the research, analysis of the data showed its relevance. Lethem (2018) defined growth as *"an intersection of the entire business"* meaning all areas are part of the overall metric. El Koussa (2018) talked about growth in terms of employee numbers, whilst both Chaudhry (2018) and Turton (2018) referred to growth through revenue. Whilst this does not offer a definitive solution to the problem identified in the literature review, it shows that growth cannot be measured in one specific way because it depends on the business and its objectives so in this respect, the research backs up the literature. Market share was also touched on, but this is also incredibly subjective and factors such as industry size can have a large impact on how well a company is seen to be performing. The result is an unresolvable issue due to the large number of factors involved and startups should focus on a growth metric that best relates to their vision and objectives in order to provide information that is appropriate.

The second theme surrounded startups focusing on growth. A number of sources encouraged startups to concentrate on growing their business over being profitable, such as Mankins (2017) and Anthony (2008) in addition to a number of businesses doing it in practice: notable examples are Facebook and Uber. This would therefore offer good reason to believe that this is the current trend for startups, and it is backed up through the questionnaire, with 87% of respondents believing growth is prioritised over profit. With this in mind, whilst it is obvious that the trend is for startups to focus on growth in their chosen area, it is not necessarily the appropriate approach. Both Hares (2018) and El Koussa (2018) cited the changing investment environment and the need for investors to see a clear plan to profitability or indeed a return on investment much earlier on than they would have ten years ago. It is worth noting that although they both agree that funding is required in the early stages, whether that be through VCs, loans or other sources, it is becoming clearer that investors are less patient with startups that don't offer a good return. As a result, whilst commercial proof is also required, the time at which a startup focuses more of their efforts on making a profit is crucial and could potentially lead to either the success or failure of the

business. This takes the literature available a step further with the addition of the changing investment environment. This will be explored further due to its significant impact and abundance of discussion throughout the research process.

The next topic from the literature review was startups reliance on VCs for investment. Chaudhry (2018) pointed out that VCs offer more than financial value which would indicate the reluctance of startups to move away from this type of investment. However, as Hares (2018) points out, crowdfunding is now a big source of funding for many startups, whether it be to give early access to consumers for their products which is common for consumer electronics using sites such as [kickstarter.com](https://www.kickstarter.com) and [indiegogo.com](https://www.indiegogo.com) as well as others such as [crowdcube.com](https://www.crowdcube.com) which offers and equity stake in the startup. Caldwell (2013) points out how crowdfunding has now become mainstream and it actually offers slightly different benefits to VC investment such as greater brand exposure to the consumer market that may otherwise not be aware of VC investments. Ehrenberg (2013) states that when it comes to guidance and assistance, VCs offer a much higher level than that of investors via crowdfunding. This in itself has positives and negatives but ultimately depends how much control startups wish to have over their future. Whilst VCs will offer support, they can also have an impact on the company's vision whereas the opposite is true for crowdfunded startups. Whilst this does not cover all sources of funding available for startups, it does show that there is a large number of different sources available (also researched by Halt Jr et al (2017)). Startups must understand which type of funding they wish to pursue based on a number of factors which will be discussed in the recommendations section, but it appears that the startup community are confused as to which form of funding is most suitable with an almost 50/50 split from respondents of the questionnaire over the reliance on VCs within startups. This also counters the literature that said there was a reliance on VC investment: the actual fact is, startups understand the sources of funding available to them, but VCs offer such value, especially when it isn't financial, that the benefits of VC investment over other forms are vastly better.

Gross (2015) identified five different factors that were the most significant in contributing to a startups success which formed the basis for the next theme of success factors for startups. The factor Gross saw as the most significant was timing, which Turton (2018) backed up, "*the key thing is that with a startup, you are trying to solve a market problem and create your own space in that particular market*" implying that startups must be up-to-date with the market they are in to benefit from it. This factor also provides startups with guidance in that they need to understand where they fit within a market and whether it will be lucrative enough for them to operate. Behind this of course is a huge amount of research and planning in order to fully comprehend whether their business is going to succeed.

The final topic is the importance of profit to stakeholders of the business. The literature review concluded that the modern business environment has changed with growing concern surrounding CSR and "doing good" but profit is still regarded as a key metric to the success of a business regardless of what the company uses those profits for. It is also the key metric that shareholders look to for business performance, which is important at all stages of a business. Hares (2018) and El Koussa (2018) both pointed towards investor pressure on being profitable which could indicate the current business climate as a result of the large number of failures that the startup community has seen as cited in the literature review. The clear point however that current literature failed to address is the time at which startups decide to begin turning a profit. Turton (2018) described how at Pact Coffee, they are now changing towards a model that is profitable having not made a profit in its first five years. In the case of Pact, the requirement to turn a profit was market pressure, with the Direct to Consumer (D2C) side of the business slowing in addition to an investment round not being raised. As a result, the business had to focus on making a profit so that it could be self-sustaining and reduce the risk of not raising funds and a market that isn't growing as fast as first hoped. Whilst this is not true of all startups, having a model that is self-sustaining rather than relying on external funding can have major benefits such as increased investor confidence, which could potentially lead to further funding rounds in order to drive growth again at a later date: something that Turton has not ruled out.

The result of both the literature review and the research itself has led to two themes that are key for startups to focus on: investment options and the business stage required to turn a profit.

When it comes to investment, a number of factors have been identified to directly link to this theme. The first is how much funding the startup requires to set up. Chaudhry (2018) explained that there is a misconception over the level of funding required to start. Startups must look at the market they are entering as well as the resources required to achieve a minimum viable product (MVP) to ascertain the level of funding required in the early stages. At the beginning, bootstrapping is the likely approach which often involves personal financing in addition to funds from relatives and friends (Bhide, 1992). Founders should also be wary of raising too much, as Turton (2018) explains "*with other people's money, cavalier decisions can be made...companies can get too much investment*

sometimes". Turton also agreed with El Koussa (2018) that raising large amounts of money is seen as success for startups, but it can often have adverse effects that is mainly dominated by too much money being spent in areas that are not necessary. Therefore, when considering investment and funding, startups should bootstrap for as long as possible, both to retain control and see through an MVP that is in line with their vision as well as making sure that the decisions made are justified which is more likely due to the fact that funds will be personal to the founders unlike through other forms of investment where Turton mentions that cavalier decisions can be made. It is however, as agreed by participants of the interviews, that investment is a requirement for new startups in the modern business environment: Hares (2018) referred to the fact that investment is required to take the business to the next stage. Whilst it is generally agreed this is true, the level of process should not change from the initial stage when it comes to making decisions. Startups still need to understand what they require in terms of resources and raise funds with this as its foundation which should lead to a fairer level of control left to founders as well as the concept of operating in a "lean" way (Collis, 2016). This strategy should aid founders when looking for investment and, providing the product they offer is meeting a market need, see them succeed in growth for the future.

The business stage required to turn a profit is a complicated issue and as a result of the research, the key factors that affect this decision have been identified. Starting with a factor that is external to the company is market performance. Turton (2018) identified two main reasons for changing towards a profit model, the first of which was a maturing D2C market where growth has been stunted. As a result, Pact took the decision to turn a profit in this market through cost reduction and move towards other business areas to diversify their revenue (a topic that Hares (2018) fully supports, "*startups are better off having a diversified revenue to bear the risk across the whole business*"). The D2C revenue line for Pact is a cash cow in the BCG growth-share matrix (Henderson, 1970) that now makes a profit in order for the business to be self-sustaining. The second factor that led to Pact's decision was a lack of investment, so ultimately it is external factors that have led to a strategy change. For startups therefore, constant monitoring of the market they are in is required to ensure they are directing themselves down the right avenue to succeed. External influences are one of the major factors in deciding whether to start turning a profit for a startup, both the factors already mentioned but also competition within the market. A market-leading startup can look to turn a profit at an earlier business stage to ensure they are self-sustaining and do not rely on investment to grow.

Providing external influences are predictable and do not change the strategic thinking for startups, they need to set a timeframe for which to become profitable. As has previously been mentioned, growth metrics for startups vary based on the business and market they are in however these measurements can be used to plan for when the business changes their model to become profitable. Take the example of employee growth as the primary growth metric for a startup. Once they reach a predetermined value (such as 100 employees), they can then look to turn a profit. It is worth noting that this value should be based on data that the company has available that is specific to them and the reasoning behind it could be as simple as job stability for the company's employees. Ultimately it is down to the company to decide the growth metric and the point at which they turn a profit, but this is a guideline to do so as a conclusion of this research.

In order to further this topic, a study into when startups decide to make a profit would be highly beneficial. Throughout this research, the overall topic was discussed but it gradually became clear that the stage at which startups change their model to one that is profitable was a key issue for every company.

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INFLUENCE OF DEMOGRAPHIC VARIABLES ON DIFFERENT DIMENSIONS OF COUNTERPRODUCTIVE WORK BEHAVIOR IN BUSINESS ORGANISATIONS

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ABSTRACT

Counterproductive work behaviors (CWB) constitute a range of harmful behaviors that might have unfavorable consequences on organisation and/or its members. CWB, viewed as a set of distinct deviant acts, is a response to different antecedents. Extant literature considers a number of studies that identify personality characteristics, organisation constraints, social factors of an organisation, organisational control environment as some of the determinants of CWB (Chen and Spector, 1992; Douglas and Martinko, 2001; Miles, Borman, Spector, and Fox, 2002). However, the role of individual level demographic variables in determining CWB has not been probed adequately. Further, to the best of our knowledge, no study has explicitly examined the influence of demographic variables on specific dimensions of CWB. It is against this back drop, this study is an attempt to examine the effect of demographic variables like age, gender, marital status, education, tenure and domain on dimensions of CWB namely Emotional Abuse, Misuse of Time and Resources, and Production Deviance.

The study employed Simple Random Sampling technique, to choose 719 employees working in manufacturing (621) and IT (98) industries to obtain data through structured questionnaire. The respondents were categorized into two broad groups based on the working environment; employees who work in office (418) and employees who work on shop floor (301). In addition, multiple linear regression analysis was carried out to probe the effect of demographic predictors on various dimensions of CWB. The results indicate that gender, domain, marital status and tenure have significant influence on different dimensions of CWB. The study contributes to the theory by characterizing the influence of demographic factors on specific dimensions of CWB. Further, the practical implications derived from the study enable the practitioners to identify and understand the demographic factors that could potentially influence CWB in any organisation.

HICKSIAN APPROACH TO THE MONETARY POLICY OF THE MEDIEVAL EUROPE

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ABSTRACT

The monetary instability was one of the main sources of economic decline of the empire from the Medieval Europe. A large body of literature focuses on fiscal policy rather than monetary policy studies. Most circulating coins were silver and gold coins. Based on these monetary units, gold and silver equivalent was anchor for monetary policy. European States intervened to the money market to determine the exchange rates for both precious metal coins by changing the weight of metal content. It can be said that depreciation/debasement was one of the key monetary policy as same as in late medieval era for major European states until the World War I. The main reasons of this experience is that to reduce to government expenditure or balance of payment deficit, high volatility in exchange rate between gold and silver, the growth of transaction volume, and the decrease in tax revenues based on deterioration of fiscal policy etc. However, this experience led inflationary gap baes on the value loss in domestic currency. Consequently, this monetary policy can be mainly explained by the J.Hicks' approach who was the key figure in the Neo-Keynesian school of economic thought. His main argument is that money as an endogenous variable, directly related to the current issues in an economy. This study provides an overview of the monetary system and monetary instability of the Medieval Europe in the light of Hicksian approach. Thus, the results of the study are parallel with the Hicsks' assumptions.

Keywords: Medieval Europe, Monetary Policy, History of Economics.

EVIDENCE FROM 16 EUROPEAN COUNTRIES ON THE STATUS OF ACCESSIBILITY OF THE WORKPLACES*

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EXTENDED ABSTRACT

Disabled people are one of the important disadvantaged group in the labour markets. An estimated more than one billion people or 15% of the world's population live with some form of disability (WHO). The condition of their life depend very much on the level of integration in to the labour market. Disabled people are more likely to experience adverse economic outcomes than persons without disabilities such as lower wage rates, weak employment opportunities, unavailability of supporting tools and technologies, accessibility, and non-adopted means of communication. The aim of this study is to find out a quantitative picture of the current disability situation, disabled employment and perceptions of European companies towards accessibility at the workplaces and towards the work itself. There is no specific EU legislation on accessibility for disabled people. The European Commission published a proposal for a European Accessibility Act in 2015. In this study, we perform online survey using the "European Disability Strategy for People with Disabilities 2010-2020" framework. The survey covers 279 companies from 16 European countries (Austria, Spain, Bulgaria, Czech Republic, United Kingdom, France, Turkey, Croatia, Greece, The Netherlands, Finland, Germany, Ireland, Italy, Lithuania and Poland. The analysis revealed the following accessibility content: raising awareness of disability, web accessibility, sign language, infrastructural measures on disability, people with learning disabilities, and legal aspects. The results show that more than half of the respondents (51.56) indicate that the raising awareness might be the most important topic, and the least important topic is sign language (30.4%). The results of the survey indicate that raising awareness is the crucial tool to improve workplace inclusion for disabled people. The accessibility have been elaborated in three nexus; awareness of accessibility, areas of accessibility and accessibility aspects.

Keywords: Disability, Disability Employment, Labour Market.

HERDING DYNAMICS & LIQUIDITY IN THE CRYPTOCURRENCY MARKETS

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ABSTRACT

The cryptocurrency markets are increasingly seizing the media and investors' attention. This paper bridges the gaps in the current literature and investigates the herding behavior across cryptocurrencies. Our sample includes 12 leading cryptocurrencies, based on a daily period ranging from August 2017 to February 2019. The use of the herding model of Chang et al. (2000) depicts that herding is prevalent during extreme down markets. Equally, we integrate "liquidity proxies" as novel components in the model. Evidences of herding behavior during low or high liquid days is highlighted as long as cryptocurrency prices may incorporate fundamental and/or non-fundamental information. The results convey implications for investors and portfolios' managers.

Keywords: Cryptocurrency, Herding Behavior, Liquidity, Bitcoin.

JEL Classification: G10, G15, G40

IMPACT OF INSTITUTIONAL QUALITY ON EDUCATIONAL ATTAINMENT: THE CASE OF LOW-INCOME SSA COUNTRIES

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ABSTRACT

Education produces many social, political and economic outcomes including improved cognitive competences, higher wages, better health and enhanced economic status. Nations ensure the development of their population by the use of educational intervention. Despite the documented empirical correlations of education attained, there have been scanty researches exploring the impact of institutional quality in low-income SSA countries. The problem facing SSA can be ascertained in the area of weak institutions which leads to poor level of educational attainment and low level of life expectancy which have become the focus of the development agenda in the world as a whole and developing countries in general. The objective of this study is to evaluate the relationship between institutional quality and educational attainment in low-income SSA countries from 2005 to 2013. The research used secondary data sourced from World Bank governance indicators, Transparency International and Heritage Foundation. The analysis was divided into panel data using the fixed effects method (FEM) and generalized method of moments (GMM). Both the panel data analysis and the generalized method of moments of institutional quality and educational attainment indicated that most of the countries investigated exhibits mixed performance in institutional quality. The study recommends policies to reduce corruption in all levels of economic activities. In addition, rule of law need to be strengthened and the educational sector should be refined to train manpower in all aspect of human activities in the region especially the low-income countries in SSA countries.

Keywords: Sub Sahara African Countries, Educational Attainment, Institutional Quality, Rule of Law, Corruption, Panel Data, GMM

JEL Classification: O15, O43, O55

Introduction

It is a known fact that the performances of innovation and educational attainments have been unequal regarding the productivity of human capital in SSA countries. The sub-Sahara African region has seen a remarkable rise in primary and secondary school enrolment over the past decade. More children are reaching the last grade of primary school with the aspiration of going onto secondary education, but there are places for just 36% of children of age to enroll. The low proportion indicates that countries are facing significant challenges in meeting the demand for secondary education. In 2009 according to UNESCO (2012), SSA was home to 21.6 million, or 30% of all lower secondary school-age children who are out of school worldwide. Within the region, 40% of all lower secondary school-age girls and 33% of boys were out of school.

It is important to note that human capital development implies the acquisition of knowledge and intellectual stock through the means of education for expansion of economic productivity, efficiency, performance and output. The importance of human capital development cannot be over emphasized in this world of dynamic economic changes, where human factors have been recognized as the most important factors of management. Out of the various factors that contribute to production; physical factor, monetary factor, machines and man, man has been identified as the most important and relevant out of these factors (Noorbakh, Paloni & Youssef, 2001)

The categorization of countries into developed and developing nations is based on the human development rates of the people of the nations. Nations tries all they have at their disposal to develop their population by the use of education intervention to ensure development. Even organizations in adjustment to changes in the business environment have to pay better attention on the development of their employees to be able to cope economically with the challenges of the business environment.

However the drive for a high level of educational attainment boils down to the issue of the strengthen of institutional quality prevalence in the countries of investigation. Hodgson (2006) defines institutions as durable systems established and embedded with social rules that structures social interactions. This definition encompasses both formal and informal institutions in broad sense. In line with this definition, Fapounda (2012) opined that institutions are formal and informal rules that are essential for economic performance outcome, which varies from one country to another depending on the institutional setting. In another scenario, Ekpo (2013) maintained that effective institutions provide for predictable and stable patterns of interaction in all spheres of life. Institutions are regarded as long lasting entities that its speed of change may not be immediate rather, it takes time to adjust. This is more peculiar with the informal institutions which rely on natural law. Nevertheless, formal and informal institutions forms the basic structure of a given society but do not dictate the social, economic and political relations and interactions of those affected by them (Leftwich & Sen, 2011; Leftwich, 2007).

Literature Review on Institutional Quality and Educational Attainment

In the educational attainment concept which is also called knowledge development dimension, is classified into four indicators. These indicators provide both the quantity and quality aspects of knowledge and/or human capital accumulation. The indicators are the following: adult literacy rate, primary school enrolment rate, secondary school enrolment rate and total number of years in schools (Barro & Lee, 2013). The idea here is to capture not only total literacy conditions, but also to see their components.

Beltencourt (2013) carried an investigation to access the role of democracy in determining education in SADC. The period of the investigation was from 1980-2009 and the data was got from the 15 countries that make up the SADC. The basic investigation was to ascertain whether democracy play any role in enhancing education in the region. The method used was panel time-series analysis ($T=30$ and $N=15$). The descriptive of the data suggest that there is a positive relationship between democracy and education. The statistical correlations between education and democracy are positive and significant, and the OLS regression line also affirms this means that there is a mutual relationship between democracy and education taking place in the sub-region (SADC). Note as far as the research work is concerned, democracy is interchanged with quality institutions.

The literature on the consequences of democracy to education has attracted attention of different scholars in recent time. Brown (1999) uses a sample of poor countries between 1960 and 1987 to report that changes in democracy have a positive effect on primary school enrolment. In similar vein, Lake and Baum (2001) used a sample with 62 countries covering the period 1975-1993 and they reported that increases in democracy taking place in upcoming democracies have attracted increase in secondary school enrolment. On the other hand, Mulligan, Gil and Sala-i-Martin (2004) do not find evidence that democracy affects education spending in their sample of 142 countries between 1960-1990.

Also, Brown and Hunter (2004) use a panel of 17 countries between 1980 and 1997 to report that democracy has had a positive effect on pre-primary and primary education spending in Latin American. More specifically to SSA, Satasavage (2005) uses a sample of 44 countries of African democracies between 1980 and 1996 to report that those recent democracies increased spending on primary education, and Harding and Satasavage (2013) suggest that school attendance is higher in democracies than in non-democracies and that the abolition of school fees in democratic states plays an important role in enhancing attendance.

Researchers have long debated the relative importance of education and institutions. Wietzke (2015) carried out a research on long-term consequences of colonial institutions and human capital investments: sub-national evidence from Madagascar. However, to this point there has been little robust evidence how, or in what order, schooling and institutions interact in the development process. This study from Madagascar represents one of the few systematic attempts to disentangle the separate economic effects of historical school investments and colonial institutions within a comparable national context (Acemoglu, Gallego, & Robinson, 2014). The research design and results for colonial institutions replicate at the local level well-known cross-country evidence of the effect of European presence and direct colonial rule on institutional development (Acemoglu, Johnson and Robinson (2002; Easterly & Levine, 2012; Hariri, 2012; Lange, 2004). Regions which received stronger property rights and legal institutions in the colonial period tend to record much better economic outcomes over time than areas with comparable geographic and historical characteristics (Wietzke, 2015).

Furthermore, Neugarten (2015) investigates the role of educational attainment on state failure throughout Africa since 1950, the beginning of the independence era. The study uses 31 countries ranging from the northernmost tip of Africa to the southernmost. Although educational attainment is not directly an institution, a country's academic achievement is most likely highly correlated with how well the educational sector functions. In addition, this result is consistent with earlier findings by Green and Moser (2013), who find positive associations between local property rights and manufacturing activities in Madagascar.

Education is not only a way to better income and employment opportunities for all or a source of economic growth for the nation. But it also plays a pivotal role in improving other social indicators. It leads to better life expectancy and health care, smaller family norms, greater community and political participation. It also leads to reduction of inequality, poverty elevation and good governance. It is a pre-condition to establish democracy in a country (Mahmood, 2012)

Authorities of institutionalism approaches in the like of Acemoglu, Johnson, and Robinson (2001, 2002), Dell (2010), Gallego (2010), Savoia, Easaw and McKay (2010) and Yasar, Morrison Paul, and Ward (2011) argue that legal and political reforms are at the origin of successful growth performances. This case has been made forcefully by former colonies that were chosen for European settlement; they do better today due to the higher quality of the institutions they received in the colonial era. While the authors acknowledge that better institutions tend to be associated with higher rates of investment in human capital, they interpret this as a result, not cause, of institutional development (Acemoglu & Robinson, 2006, 2012, see also Banerjee & Iyer, 2005; Iyer, 2010).

Also studies in this area rely on sub-national data and do not typically account for possible interactions between institutions and human capital within localities. For example an article by Gennaioli, La Porta, Lopez-de-Silanes, and Shleifer (2013), who document that economic effects of local human capital outweigh those of local institutions in a large sample of developing and developed regions, only uses contemporaneous data to buttress this stance. This was also corroborated by Acemoglu and Dell (2010). As a consequence, the authors cannot fully account for the possibility that local skill and education levels are influenced by the quality of local institutions, or by other local processes of endogenous human capital accumulation, like domestic migration or learning-related spillovers (Glaeser & Gottlieb, 2009; Lucas, 1988; Romer, 1990). This is particularly relevant in the historical context of indirect colonial rule, which is often seen as a cause of the highly uneven development of local markets and institutions within African nation (Lange, 2004; Mamdani, 1996). However, the issue of state failure and instability is one of great concern for the west and the inhabitants of fragile states throughout Africa.

Model specification and method of Analysis

Accordingly, structural equation model is used as a statistical technique to analyse the dimensions of a latent construct and analyse the dependence structure (Dreher, Kotsogiannis & McCorriston, 2007). A structural equation model is characterized by two basic components; the measurement model, which allows using several variables

(or indicators) for a single latent independent to dependent variable and the structural model, which relates independent to dependent variables.

To estimate our model consistently and efficiently, this study used both static and dynamic panel data analysis. For static panel, random and fixed effects are used to assess the behavior of the variables. In addition, dynamic panel data of generalized method of moments (GMM) is also applied to test the robustness of the model. For dynamic panel data models (Arellano and Bover, 1995) encompasses regression equation in both differences and levels, each one with its specific set of instrumental variables. The use of instrumental variables is required to handle two issues. First, we can resolve the problem of simultaneity and reverse causation that is due to the likely endogeneity of the regressors used in this type of equation and to reduce the estimation bias because of the under reporting of institutional qualities incapability within the SSA countries. Nevertheless, the researcher used the GMM estimator developed by Anderson and Hsiao (1981), Griliches and Hausman (1986), Hsiao (2003), Arellano and Bond (1991), Arellano and Bover (1995) and Blundell and Bond (1988) for dynamic models of panel data. The model is formally stated in conjunction with the objective of the research as shown in Equation [1] this is consistent with Arellano, 2003a, 2003b; Hsiao, 2006 and Poveda, 2012).

$$[1] \quad \underset{it}{EDU} = \underset{it}{\beta_2} + \underset{it}{\delta_1} \underset{it}{EDU}_{it-1} + \underset{it}{\delta_2} \underset{it}{RLI}_{it} + \underset{it}{\delta_3} \underset{it}{CI}_{it} + \underset{it}{\delta_4} \underset{it}{BQ}_{it} + \underset{it}{\delta_5} \underset{it}{PRI}_{it} + \underset{it}{\delta_6} \underset{it}{HE}_{it} + \underset{it}{\delta_7} \underset{it}{SE}_{it} + \underset{it}{\delta_8} \underset{it}{GE}_{it} + \underset{it}{\delta_9} \underset{it}{INFR}_{it} + \underset{it}{\varepsilon}_{it}$$

where,

<i>EDU</i>	=	Educational attainment (school enrolment)
<i>PRI</i>	=	property right (percentage)
<i>RLI</i>	=	rule of law (percentage)
<i>CI</i>	=	corruption index (percentage)
<i>BQ</i>	=	bureaucratic quality (percentage)
<i>GE</i>	=	government expenditure (percentage of GDP)
<i>SE</i>	=	School expenditure (proxied by total % of GDP)
<i>INFR</i>	=	infrastructural facilities (percentage)

Results and Discussion

From the Hausman test result, Education's χ^2 value is 0.047 hence Fixed Effect Model (FEM) estimator is applicable instead of Random Effect Model (REM). This follow the discussion below. The results of estimation are shown in Table 1.1. The table shows that all the variables' has negative coefficient such as RLI, CI, BQI, SE, LAB and INFR except the coefficient of PRI which has a positive sign. Also, RLI, CI and PRI are statistically significant at the conventional level of significance. The rule of law index is statistically significant at five percent but shows negative coefficient. In other words, one percent increase in rule of law index implementation in the region on average leads to 0.04 percent decrease on educational attainment of the people in the area of this study. This is not in agreement with human development theory and this finding lays credence to previous studies such as Osman, Alexiou and Tsaliki (2012) and Cross and Donelson (2010). In their submission that rule of law serve as an engine room that promotes peace and security and safety net for educational attainment.

Corruption index is also statistically significant at five percent but with negative coefficient. This implies that one percent increase on the control of corruption on average leads to 0.05 percent decrease on educational attainment. This result also contravenes the human development theory. Ideally, control of corruption in the society leads to increase on educational attainment because funds that were supposed to be stolen is made available for judicious use for the people's education as asserted by Barro and Lee (2013); Beltencourt (2013) and Wietzke (2015).

Nonetheless, *BQI* is statistically insignificant with a negative coefficient. While, property rights index is statistically significant at five percent level of significance with positive coefficient. In other words, a one percent increases on effective implementation of property right in the region on average leads to 0.13 percent increase on educational attainment in low-income SSA countries. This result is consistent with economic theory and also supported by previous studies such as Fosu and Mwabu (2010), Almendarez (2011) and Wietzke (2015). They assert that security of property rights has the potential to advance the standard of living and educational attainment.

Table 1.1

Institutional Quality and Educational Attainment in Low-Income Countries: Fixed Effect

Variable	Coefficient	Standard Error	t-value	Prob> t
Constant	6.828	0.127	53.56	0.000*
<i>RLI</i>	-0.042	0.013	3.32	0.001*
<i>CI</i>	- 0.045	0.017	-2.63	0.009*
<i>BQI</i>	-0.002	0.022	-0.13	0.895
<i>PRI</i>	0.128	0.024	5.38	0.000*
<i>SE</i>	-0.020	0,014	-1.43	0.156
<i>LAB</i>	-0.018	0.017	-1.08	0.282
<i>INFR</i>	-0.009	0.005	-1.68	0.095**
Diagnostic statistics:				
R ² : Within	0.300			
Between	0.006			
Overall	0.009			
Wald	$\chi^2_7 = 282.320$			
Prob (χ^2)	0.000			
Multicollinearity	1.320			
Heteroskedasticity	54239.280			
Serial Correlation	171.012			
F-statistics	$F(24, 193) = 913.23$			

1.1 Continuation

GMM Results on Institutional Quality and Educational Attainment in Low-Income

Variable	Coefficient	Standard Error	z-value	Prob> z
<i>Constant</i>	17.522	3.567	4.91	0.000*
<i>RLI</i>	1.016	2.371	0.43	0.668
<i>CI</i>	-2.192	0.761	2.88	0.004*
<i>BQI</i>	0.012	0.071	0.18	0.860
<i>PRI</i>	-0.267	0.067	-3.97	0.000*
<i>SE</i>	0.264	0.044	6.03	0.000*
<i>LAB</i>	-0.138	0.015	-9.47	0.000*
<i>INFR</i>	0.963	0.336	2.86	0.004*
Diagnostic Statistics:				
Wald	$\chi^2_2 = 12526.560$			
Prob (χ^2)	0.000			

Sargan test	$\chi^2_{34} = 19.428$		
Prob (χ^2)	0.979		
	Order	Z	P>Z
Arellano-Bond	1.	0.637	0.524
	2.	0.241	0.810

Note: * and ** indicates significance at 5 and 10 percent level of significance

For the instrumental variables apart from *INFR* which is statistically significant at ten percent but with negative coefficient, The other variables like *SE* and *LAB* are insignificant in terms of their relationship with educational attainment in the sub-region. In other words, lack of encouragement from government through effective educational policies on education contributed to the high level of illiteracy in the region. This assertion lends support to the ones reported by previous studies Klomp and Haan (2013), De Muro and Tridico (2008), Saulawa (2014) and Acemoglu, Gallego and Robinson (2014) opined that there is a huge regional imbalance within the countries due to poor implementation of educational policies in the SSA countries in general and the selected low-income countries in particular.

Various diagnostic checks were performed and the results are also shown in Table 1.1. These include the results of multicollinearity, heteroskedasticity and autocorrelation. However, the post estimation has shown that the model has no issue of heteroskedasticity and autocorrelation. The discussion was based to on FEM as it relates to the model.

In addition, GMM was also computed for this model and the result is reflected in Table 1.1 and the interpretation is done thus. *RLI* is statistically insignificant, but with positive coefficient. In this circumstance it means that rule of law index does not contribute positively to the educational attainment in the region. However this situation is in contrary to human capital development theory. Therefore the implementation of rule of law policy is expected to influence the educational attainment of the people positively. Nevertheless, corruption index is statistically significant at five percent level of significance, with negative coefficient. In other words, one percent increase in corruption index (control of corruption) on average leads to 2.19 percent decrease in educational attainment in the region. This finding is inconsistent with the human development theory and supported by previous studies such as Barro and Lee (2010), Frankema (2013), Saulawa (2014) and Acemoglu, Gallego and Robinson (2014) they opined that there is a huge regional imbalance within the countries due to poor provision of infrastructural facilities in the SSA countries as a result of high level of corruption.

In another scenario, bureaucratic quality index is insignificant but has positive sign. In other words, increase in effective bureaucratic qualities index in the society, suppose to increase the level of educational attainment when all other things are held constant. That is to say, the higher the effectiveness of *BQI*, the higher the level of educational attainment in SSA countries other things being equal. This result is not in consonance with human development theory. Hence something needs to be done to improve the educational standard through effective regulation of bureaucratic quality index in the low-income countries of SSA region.

Furthermore, the issue of property rights index shows that it is statistically significant at one percent, but with a negative coefficient. In other words, one percent increase in property rights index regulations, on average leads to a decrease of 0.27 percent of educational attainment within the research area. That is to say, as the level of the freedom of property rights increases, the standard of living of the people among the countries of this study falls. This is contrary to human development theory. Ideally, the higher the level of property rights acquisition, the higher the level of educational attainment so as to meet the challenges of research and development as a driving force for greater property rights acquisition in any given society as is obtainable in the developed world.

It is of interest to note that, the control variables are statistically significant at one percent level of significance, with positive signs except labour force which has negative relationship with educational attainment in the region.

The educational attainment model passed the Sargan test of over identifying restrictions (endogeneity), after two-step has been computed as shown on the Table 1.1. The χ^2 value of the Sargan test is 19.428, and the probability

χ^2 is 0.979. This means that the p -value of the test is greater than 0.05, this shows that the instruments are valid. Also, the Arellano-Bond serial autocorrelation test was also significant. Here, first order and second order are 0.637 corresponds to 0.524 and 0.241 and 0.810 respectively. This shows that there is no autocorrelation in the model.

Conclusion

Generally, the paper investigates the impact of institutional quality and educational attainment in low-income SSA countries. Both static and dynamic panel data analysis was employed. The key findings include institutional qualities such as rule of law and corruptions are major contributing setback on the educational attainment in the low-income SSA countries. The paper therefore, recommends improvement in government expenditure on health, education and economic services as components of productive expenditure to boost economic development. Also, institutional activities such as rule of law, control of corruption and bureaucratic quality need to be effectively implemented to bring about accountability, transparency, justice and fairness. In addition, policy-makers in these countries should focus on the capability and capacity of government institutions in carrying out comprehensive monitoring, implementation and evaluation of educational policies through increased investment on education.

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THE ROLE OF WORKPLACE SPIRITUALITY IN THE RELATIONSHIPS OF PERCEIVED ORGANIZATIONAL POLITICS WITH POLITICAL BEHAVIOR AND POLITICAL SKILL

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ABSTRACT

The article gives an assessment of the role of workplace spirituality in the relationship of Perceived Organizational Politics with Political Behavior and Political Skill. The result based on the study and sample size, gives the positive relationship between Perceived Organizational Politics and Political Behavior and positive relation with Perceived Organizational Politics and Political Skill. A questionnaire comprising of 52 questions was adopted. The likert scale type of questionnaire was used. Analysis data was gathered from the 240 applicants across the diverse organizations. Out of 240 questionnaires distributed, 230 were returned back. Results were interpreted using SPSS.

Perceived Organizational Politics was found to be significantly related to both Political Behavior and Political Skill. Both practical implications and theoretical is discussed, and implications for future researches are presented in the paper.

Keywords: Workplace Spirituality, Perceived Organizational Politics (POP), Political Behavior and Political Skill

INTRODUCTION

The study on the organizational politics generally get the centre point of attention of most of the investigators Lewin's (1936) .the researcher proposes that the person gave more importance to the facts that are according to their feeling rather than the original facts (Ferris et al., 2002). Certainly proposes that actual facts are most important in examining and describing the attitudes and actions of the employees (Breaux et al., 2009).

The investigators Ferris (1991) found that In fact, the perceptions of organizational politics are the people who feel about their adverse actions in the organization to the rest of the people, such as discrimination and control of organizational rules and regulations.

Organizational Politics is characterizing as the person attitude to gain the benefit from other individuals either by harming others as well (Andrews, 2001; Foster, 2002; Drory, 1993; Ferris & Kacmar, 1992; Ferris & Fandt, 1989). Here it truly shows the bad and adverse representation of the organization (Vigoda & Gadot, 2006).

Workplace spirituality is described as a “way seen by the persons and the organization in the religious context and also promote the sight of the individuals to join the coworker, peers and the boss that really support their happiness and integrity” (Giacalone and Jurkiewicz, 2003).

RATIONAL OF STUDY

Currently facing towards the issue regarding the rule of politics has severe consequences in job like action of plans, financial plans, and administration control along with dictatorship. Here it appears in meanwhile when employees do adverse activities then it will lead to resistance and obstacle in outflow of facts, knowledge and data.

Thinking of individual has a critical individual attitude. The thinking of individual determine their favorable and UN favorable attitudes on the jobs.

In order to resolve the crises and do the improvement the workplace Spirituality and Political Behavior and Perceived Organization Politics investigation and examination has to be completed. Also it gave assistance to the institutions recognize the values and norms in according to workplace spirituality. Thorough reading the paper helps the employees and organization to excel their productivity and work effectively as well.

i. Perceived Organization Politics (POP)

The subject matter of perceived Politics of Organization has acknowledged the concentration of many analyst .The perceptions of Perceived organizational politics means the worker perception of politics towards the organizational surroundings. The idea of politics is examined a substantial for many investigators as it symbolizes the general risk towards the productivity and success of the organization (Cropanzano, Bozeman, 1995; Bozeman, Anthony, 1999).

The investigator et al. (1989) recommended that though Organizational policy perceptions get increases and knowledge about politics are low then definitely behaviors that are adopted in the organization also a risk for many employees and also have adverse effects i-e frustration, job dissatisfaction and increase in absenteeism as well and vice versa . According to the researcher Ferris et al. (1994) examine the understanding association among relationship along with politics. The existing investigation shows the strong linkage among perceptions of organizational politics as well as the results of politics containing dissatisfaction, frustration and absenteeism. Additional investigation proposes the indirect relationship job satisfaction in addition to politics Perrewé, Hochwarte r, Bozeman, & Brymer, 1994) (Ferris, 1992; et al., 1993). Almost 20 years the researcher discovered the organizational politics played by the employees. Ferris et al. (1989).143.Ferris et al. (1989) explained the politics as the action adopted to gain the benefit temporary or long lasting from another person either by harming him/her.

In 1989 Ferris et propose that when the individual thinks that there is politics in the organization then it results in absenteeism and definitely there is high turnover in the organization.

The researchers find a strong affirmative association between the pop and turnover in the organization (e.g., Cropanzano 1997, Hochwarter et al. 1999, Kacmar 1999; Perrewé 2000), no effect at all (e.g., Cropanzano et al. 1997, Harrell et al. 1999; et al. 1999, Randall et al. 1999), or even a negative effect (Larwood.1998).

The researchers Ferris and his fallows assert that there is less loyalty by the employees that the organization is expecting when there is politics in the organization and also have an indirect relationship as well. (e.g., Ferris et al. 1989, 2002).

From the definition Organization commitment it is clear that “it is actually the emotional connection that the employee is having with the organization” (Porter et al. 1974).

Some relationships have research that there is positive relationship between these two variables (Cropanzano 1997, Study 1). While others have found the indirect relationship as well (e.g., Maslyn 1998; Nye 1993; Witt 1998). Additional, researchers have found that there is either no relationship existed between pop and commitment (e.g., Cropanzano et al. 1997, Study 2; Randall et al. 1999).

The researcher Ferris et al. (2002) conjointly found the inverse relationship between pop and therefore the in – role job performance .In role job performance is all the essential responsibilities that is essential to carry out the job in the organization on the other hand extra role job are the social actions that the employee uses and willing to do without the exertion of the organization.

Further research gives us the broad perspective that the Ferris et al defined that moderates the pop and the results of that having in the organization.

When the employee perceive the politics in the organization played by the other indivuals then the stress get increase due to which the chances of absenteeism also get increases and it reduces the performance of the employee and it directly affect the organizational efficiency as well Ferris et al.’s (1989).

Frost the researcher explains the reasons why the employee leaves the organization to abstain the political actions in the organization Frost (1987).the persons having knowledge about the politics playing in the environment of the organization eventually results in increase in the stress level was anticipated by the researcher Ferris et al. (1994, 1996).

ii. Political Behavior

Organizational Politics is outlined by varied scholars as actions planned to maximize short term/long term self-interest, benefits, and benefits at the price of others, that is against the structure goals or the welfare of alternative individuals (Dipboye & Foster, 2002; Andrews Ferris 1992; Ferris, Russ, & Fandt, 1989; Murray, 1980). This reflects a negative image of work place politics in the eyes of the members (Vigoda-Gadot, 2006).

Politics is a part of the organization (Gandz & Murray, 1980; Chen & Fang, 2008; Medison et al., 1980), but there are differences between the organizations in the intensity and level of politics. Molm (1997), organizations involve an effort for personal conflicts, resources, and a tactics executed by groups and individuals to get goals and benefits in various ways (Molm, 1997). To understand organization functions, it is vital to estimate the politics of a work place (Vigoda, 2000).

Russ, Ferris, and Fandt (1989) offered a model of organizational politics based upon the past history and consequences of perceptions of political activity within the organizations. The focus on the perceptions of political activity adopted by Ferris et al. (1989) is consistent with previous research efforts in the area (e.g., Gandz & Murray, 1980; Drory & Romm, 1988; Zhou & Ferris, 1995; Madison, Allen, Porter, Renwick, & Mayes, 1980).

Ferris with partners give the most comprehensive model of authoritative governmental issues observations (POP) (Ferris et al., 1989). Observational tests have reported the fundamental impacts of apparent legislative issues on results as occupation fulfillment, work nervousness, and withdrawal (Ferris and Kacmar, 1992; Ferris, Frink, Galang, 1996; Cropanzano et al., 1997; Gilmore, Ferris, Dulebohn, and Harrell-Cook, 1996).

Moreover, research and hypothesis proposed that legislative issues observations work results relations are directed by different variables; control and comprehension of the workplace (Ferris et al., 1989). Governmental issues can be estimated a premise of worry in the work environment (e.g., Ferris, Frink, Galang et al., 1996).

Kahn and Sutton (1986) prescribed that control and comprehension can fill in as antitoxin to the impacts of pressure, and past research upheld (Tetrack and LaRocco, 1987). What's more, the Ferris et al. (1989)

model of political observations predicts that understanding and control as arbitrator of the legislative issues results connections.

iii. Workplace Spirituality

Otherworldliness at working environment is of ongoing examination root. Its sources are reflected in the different scientists (e.g. Klenke, 2003; Garcia-Zamor, 2003; Mitroff & Denton, 1999).

Extensive measure of research centered the idea of work environment otherworldliness and prescribed the requirement for research on the working environment otherworldliness, noted by Milliman et al. (2003). Scientists have analyzed worker work related results (e.g. Milliman et al., 2003) of working environment otherworldliness. Chakraborty (1993) sketched out usage in a business to advance encounters of otherworldliness by individuals and to empower a profound change of individual individuals.

Specialists in the locale of e otherworldliness at work environment (e.g. Duchon and Plowman, 2005 Ashmos and Duchon, 2000 ;) demonstrated that significance in the work and network are the real parts of work environment otherworldliness.

Milliman et al. (1999) plot a way to deal with work environment otherworldliness that has four parts:

- (1) Organization's profound qualities;
- (2) Transmission of otherworldly qualities in individual and marketable strategies;
- (3) HRM rehearses for empowering and supporting worker practices and objectives coming about because of these qualities
- (4) Positive execution of association and work frames of mind, for example, fulfillment and representatives otherworldly encounters, for example, connectedness at work environment.

From the Indian setting, way to deal with expanding the worker encounters of otherworldliness at work is finished by Chakraborty (1993). The finish of this methodology was at encouraging authoritative results, for example, hierarchical adjustment, add up to quality administration, administrative viability and administrative esteem change.

The attention on worker's otherworldliness and self-amazing quality with its presumptions that "sound, hierarchical and social qualities require the affirmation and development of an individual's profound measurement in and through work", (Chakraborty, 1993, p. 28).

There has been discussion of past predecessors of the otherworldliness. Mirvis, 1997 recommends that early work advanced by Scientific Management offered intends to enthusiasm for laborers as people through Hawthorne tests i.e. Human Relations development and brought about additionally fulfilling work i.e. Occupation Enrichment.

Employment enhancement (Oldham, Hackman, and Purdy, Janson, 1975) contemplates give off an impression of being keen on a lot of assignment related qualities, Mirvis (1997) remarks this has offered approach to kind of the human segment of work and errand movement. In spite of the fact that adequacy to be the most essential administration set of rehearsing directors, solution of the Human-Relations development are utilized to be a critical assistant by Personnel and Human-Relations office (Briskin, 1996).

To push this region of examination toward a contemplated dimension has been driven by the notoriety of the territory and proof that work environment otherworldliness offer extra knowledge into authoritative viability. Enthusiasm for the point is proof by a reiteration of top of the line books (e.g. Square, 1993; Palmer, 1999; Bolman; Greenleaf, 1977; and Deal, 1995), while investigate has uncovered that associations high in work environment otherworldliness improve the situation than those without it (Lloyd, 1990) and they develop quicker, support efficiencies, and make higher profits for speculations (ROI) (Giacalone and Jurkiewicz, n.d.).

iv. Political Skill

We consider that the measure of a social skill or efficiency in the organizations is Political Skill, which combines the social understanding ability to regulate the desired behavior to the demand of a situation in way that emerge inspire, support, trust and sincere, and influences others (Ferris et al., 2005, 2007). Politically skilled people have

social competencies that increase their organizational or personal goals through understanding and influence of others at workplace.

Political skill is a ability to recognize others at workplace and to use that knowledge to influence the others to behave in a way that enhance ones organizational and personal objectives (Perrewe' et al., 2004). It is characterized by the social perceptiveness & ability to regulate ones behavior to the changing situational needs (Ferris et al., 1999, 2005).

Individuals with politically skilled view interpersonal interactions as an opportunities rather than threats, facilitate the founding of friendships, alliances, and connections that ensures a positive identity in the network place (Perrewe', Frink, Ferris, & Anthony, 2000). A favorable identity in one's social network creates major benefits (Markman & Baron, 2000), .i.e. individuals with political skills may have network centrality, ability to access to important information.

Politically skilled individuals have a sense of a personal security and self-confidence from previous research and efficacy within the work environment & the employees whom they contact, Ferris et al. (1999). That self-confidence and personal security add to the politically trained people having lesser levels of burn out. Two studies are dependable with the given disagreement. In one, Perrewe' et al. (2004) said that political skill was negatively related to the complaints and psychological anxiety. In another research, individuals with political skills report lower levels of general anxiety and job tension (Perrewe' et al., 2005).

Given that the organizations are intrinsically political (Mintzberg, 1985), researchers (e.g., Ahearn, Hochwarter, Ferris, Douglas, & Ammeter, 2004; Ferris, Treadway, et al., 2005; Ferris, Brouer, Perrewe', Treadway, Douglas, & Lux, 2007) have advocated for the research of the political skill.

"Political skills is the ability to successfully realize others at work and use that knowledge to control others to act in a way that increase the ones personal & organizational goals" (Treadway, Ferris, et al., 2005, p. 127), political skill allow supervisors to influence, persuade, and control others.

PROBLEM STATEMENT

How does Perceived Organization Politics (POP) impact on Political Behavior? What is the impact of Workplace Spirituality on Perceived Organization Politics (POP) and Political Behavior?

OBJECTIVES OF THE STUDY

The research project conformed the subsequent objectives:

- Identify the relation of Perceived Organization Politics (POP) on Political Behavior.
- To study the role of Workplace Spirituality on the association of Perceived Organization Politics (POP) with Political Behavior.
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HYPOTHESIS

Hypothesis 1:

Perceived Organization Politics (POP) will be positively related with Political Behavior.

Hypothesis 2:

Work Spirituality will moderate the POP – Political Behavior relationship such that when Workplace Spirituality is high, it will weaken the POP-Political Behavior relationship.

Hypothesis 3:

Perceived Organization Politics (POP) will be positively related with Political Skill.

RESEARCH METHODOLOGY

i. Sample and Procedure

The study was measurement of the organizational survey on Perceived Organization Politics (POP) done in various enterprises in Islamabad. Questionnaires were scattered to 230 employees at different levels of different departments. Candidates were asked to complete the investigation anonymously and return it within two week. Respondents were asked to fill the questions regarding age and education within the organization by choosing the appropriate option.

ii. Data Collection

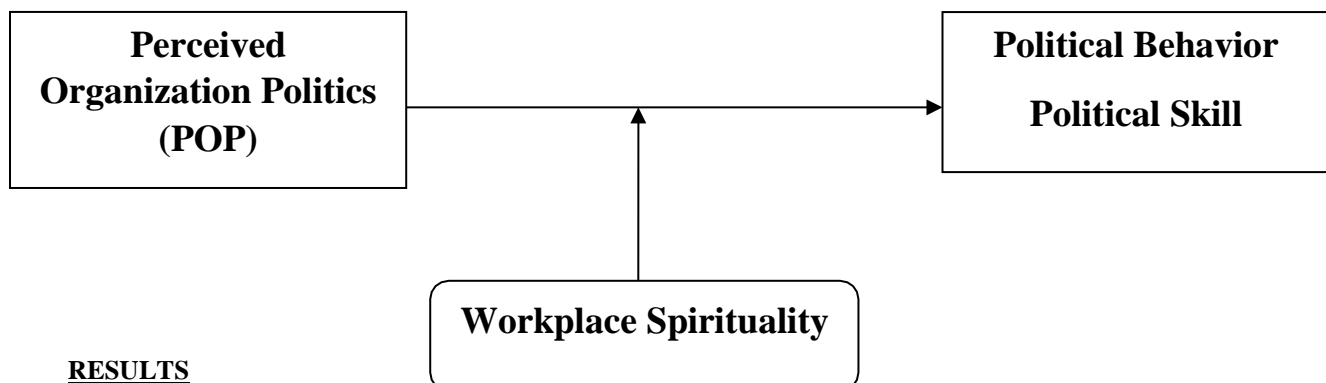
The likert scale was used to measure the Perceived Organization Politics (POP) and its relation with employee's political behavior and Political Skill, Workplace Spirituality act as a moderator. The likert scale used that end points includes 1 = strongly disagree to 5 = strongly agree.

THEORETICAL FRAMEWORK

Independent Variable (Perceived Organization Politics (POP))

Dependent Variable (Political Behavior and Political Skill)

Moderator (Work Spirituality)



RESULTS

i. Reliability Analysis

a. Reliability figures of Perceived Organizational Politics (POP)

Reliability Statistics

Cronbach's Alpha	N of Items
.800	13

b. Reliability figures of Political Behavior

Reliability Statistics

Cronbach's Alpha	N of Items
.621	5

c. Reliability figures of Political Skill**Reliability Statistics**

Cronbach's Alpha	N of Items
.852	17

ii. Correlation Analysis**Correlations**

		AGE	WS_Mean	POP_Mean	POB_Mean	PS_Mean
AGE	P. Cor	1	.210(**)	-.079	.103	.013
	Sig. (2-tailed)		.001	.233	.118	.846
	N	230	230	230	230	230
WS_Mean	P. Cor	.210(**)	1	-.131(*)	.065	.374(**)
	Sig. (2-tailed)	.001		.047	.324	.000
	N	230	230	230	230	230
POP_Mean	P. Cor	-.079	-.131(*)	1	.458(**)	.196(**)
	Sig. (2-tailed)	.233	.047		.000	.003
	N	230	230	230	230	230
POB_Mean	P. Cor	.103	.065	.458(**)	1	.338(**)
	Sig. (2-tailed)	.118	.324	.000		.000
	N	230	230	230	230	230
PS_Mean	P. Cor	.013	.374(**)	.196(**)	.338(**)	1
	Sig. (2-tailed)	.846	.000	.003	.000	
	N	230	230	230	230	230

CONCLUSION

The research study endeavor to make a clear thinking about the role of workplace spirituality in the relationship of Perceived Organizational Politics (POP) with Political Behavior and Political Skill and arouse new thought about it. Also, the paper stabbed to identify the relation between POP with PS and PB. The paper gives significant assistance to current literature.

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HRM AND KNOWLEDGE STRATEGIES IN TECHNOLOGICAL START-UP COMPANIES

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ABSTRACT

Technological startup companies (TSCs) have been recognized as bearing tremendous potential for business and economic success (Wu & Atkinson, 2017). Alongside these promises of TSCs, there is a disturbing phenomenon of entrepreneurs who produce promising innovative ideas and plans yet fail to implement them as successful businesses. About 75% to 90% of startup firms in the U.S. fail (McCarthy, 2017). The low survival rate of TSCs is partly explained due to lack of adaptation of an effective managerial system (Auzair, 2010). TSCs are characterized as having unique innovativeness and growth aspirations (National Commission on Entrepreneurship, 2002). The lack of integrated formal systems, such as management control systems, is considered a hindrance to growth, and may even result in the failure of the company (Auzair, 2010; Flamholtz & Randle, 2000).

Among managerial systems, the human resource management (HRM) system is considered a source of sustained competitive advantage for organizations (Cascio & Bailey, 1995). Research on the HRM–performance relationship has made considerable progress from the micro level, exploring relationships between a single HRM practice—such as recruitment, performance management, rewards, etc.—on an individual’s performance, to the macro level, or the relationship between the HRM system or bundle and organizational performance (Bowen & Ostroff, 2004).

The HRM–performance relationship also has been studied in small and some entrepreneurial companies by several researchers, but results were inconsistent. Some studies demonstrated positive effects of HRM formality, such as low absenteeism and turnover (Kaman, McCarty, Gulbro, & Tucker, 2001), increasing commitment (Mazzarol, 2005), and improved financial performance (Welbourne & Cyr, 1999; Yan, Chen, Wu, Huang, & Cheng, 2015). In contrast, other researchers demonstrated negative effects, such as the bureaucratic nature of HRM formality decreasing flexibility and trust, both of which are essential for the success of TSC (Dekker, 2004). This inconsistency may partially stem from various conceptualizations and measures of HRM formality among researchers. For example, a few defined it as a structure or series of written procedures that provides a clear and systematic policy (Singh & Vohra, 2009; Storey, Saridakis, Sen-Gupta, Edwards, & Blackburn, 2010), whereas others defined it as a system of successful practices or best practice in large organizations, as a system for creating high commitment (Altinay, Altinay, & Gannon, 2008). This diversity in conceptualization has likely led to various measures used to assess HRM formality. Thus, the first step of this study was to clarify the HRM formality concept and use a relevant measure in the unique context of TSCs.

From a theoretical perspective, one of the most commonly used theories for the HRM–performance relationship is contingency theory. According to contingency theory, the effectiveness of HRM practices is dependent on the context in which they are applied. For HRM effectiveness, internal or vertical fit is needed, meaning the HRM system should match the organizational strategy. A failure to achieve this fit between context and HRM will ultimately lead to suboptimal performance (Lepak & Snell 1999).

As mentioned, TSCs have unique growth aspirations (National Commission on Entrepreneurship, 2002). Researchers have referred to organizational growth in the sense of an organization’s development according to predictable stages or a life cycle (Hanks, Watson, Jansen, & Chandler, 1994). Pirolo and Presutti (2010) noted the difficulty experienced in previous studies to validate the life cycle models and apply these stages in practice in the field of entrepreneurship. We suggest an alternative approach for TSC development as reflected in

*organizational strategy changes based on contextual ambidexterity theory (O'Reilly & Tushman, 2013). This theory is based on March (1991), which discerned between two central organizational strategies: knowledge exploration and knowledge exploitation. The knowledge exploration strategy includes processes of searching, change, risk-taking, experimenting, flexibility, discovery, and innovation, whereas knowledge exploitation includes processes of choice, production, efficiency, implementation, and performance. According to organizational strategy, organizations choose how to invest resources. Investing in knowledge exploration is manifested in research and development, whereas investing in knowledge exploitation is expressed in marketing and production. Due to the need to divide given limited resources between these orientations, a tradeoff relationship exists between these strategies (March, 1991). In addition, contextual ambidexterity theory emphasizes the need for temporal balance between the strategies (O'Reilly & Tushman, 2013). Accordingly, as the organization develops, the tendency is to transition from an exclusive knowledge exploration strategy to a mix with more knowledge exploitation (Sørensen & Stuart, 2000). Thus, our **research goal** was to study HRM formality changes or evolution with business strategy changes during TSC development according contextual ambidexterity theory, as reflected in changes in the balance between strategic orientations of knowledge exploration and knowledge exploitation.*

Methods: To create an HRM formality measure, a content analysis of previous related studies was performed, followed by obtaining the degree of agreement for HRM formality items suggested by a group of 15 TSC leaders and 15 HRM professional experts. At least 80% agreement on items by both reviewer in both groups was required for inclusion in the measure. To study HRM formality evolution during TSC strategic changes, two measurements, 1 year apart, using the HRM formality measures, were conducted in TSCs in Israel ($N = 43$ at Time 1, $N = 41$ at Time 2). The sample included 147 respondents: TLC leaders and HR position holders.

Results: We identified dual components of HRM formality: HR control and HR professionalism. HR control, combining behavior and result control (Das & Teng, 2001), refers to procedures, policies, monitoring, and measuring results reflected in various HR practices, ranging from planning, staffing, research and development, and rewards for performance management. HR professionalism, referring to both HR functions of professionalism (decentralization, strategic involvement) and position holders' personal professionalism (business and HR qualification and previous experience).

Both component of HRM formality, behavior and result HR control and functions of professionalism, were significantly related to TSC knowledge strategy, but not to position holders' professionalism. Results support the contingency approach of HRM and business strategy.

Contribution: In this research, a novel tool for HRM formality was used. It can be applied for methodological and business purposes. According to the contingency approach, for TSC business success, we suggest practical implementation of HRM formality via a bundle of HR practices and HR function characteristics, which should be periodically matched to TSCs' contextual ambidexterity strategy with regard to knowledge orientation investment.

Keywords: HRM formality, HR control, HR professionalism, start-up, contextual ambidexterity

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ANALYZING THE FACTORS THAT INFLUENCE DEVELOPMENT OF CHINESE MOBILE THIRD-PARTY PAYMENT PLATFORM

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ABSTRACT

Mobile terminals of third-party payment platform are developing so fast in China. At the end of end 2018, the transaction number of mobile terminals third-party payment is about 170 trillion RMB (Iresearch report). And the number of the transaction amount is continuing increasing. In China, mobile terminals of third-party payment services become more and more important. But the mobile terminals related study is few in China. So, the authors would like to reveal the factors influencing mobile terminals of third-party payment platform development in China. Through the study of various literature and carrying out interviews with experts about mobile terminals of third-party payment plat for development, the authors collected 393 valid questionnaires from customers of mobile terminals third-party payment platform and then used Structural Equation Modeling to analyze the data, illustrate the relationships among perceived risk, quality of service, perceived ease of use, customer perceived cost and consumers intention and finally establish mobile terminal of third-party payment platform evaluation model. And model fit is accepted. The research findings would help third-party payment corporation's advance platform development, and improve further studies in third-party payment area.

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