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THE IMPACT OF ACCOUNTING INFORMATION SYSTEMS ON FINANCIAL PERFORMANCE AND DECISION MAKING: CASE STUDY FROM SOME SELECTED LOCAL AUTHORITIES IN ZIMBABWE

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Abstract
This study will analyze into the impact of accounting information systems on financial performance and decision-making of local authorities in Zimbabwe. The specific aim of the research study is to state and analyze the role of accounting information systems in improving local authorities’ efficiency administrative performance and its impact on accounting information, and also look at accessibility and flexibility on performance. This study argues that the use of accounting information systems can help performance measurement and decision making. Descriptive research methods were used to obtain evidence from the local authorities studied. This research uses panel data for (5) years from 2014 to 2018, collected from the financial statements of selected local authorities. This study was conducted through questionnaires and used pooled regression analysis for its data analysis. In addition, the study made a number of recommendations to help local authorities make decisions successfully which reflected on local authorities financial performance.
Keywords: Accounting Information System, Financial Performance, Decision Making, Local Authorities, Zimbabwe

Introduction
The present expressly competitive business environment forces fast-growing companies constantly to reexamine their strategies and adapt their business to the risks and conditions of the globalized market. To keep up with rapid changes, business managers need appropriate sources of information to support daily decisions. The need to carry out the research was derived from the motive of wanting to critically analyze if accounting information system can be used as an aid in the making of appropriate decisions which can benefit local authorities and lead to their growth. Information technology advancement has greatly helped the accounting information systems of financial institutions. A research was carried out on the evaluation of the effectiveness of using Accounting Information Systems for decision making by managers in enhancing the production of quality of financial information, enhancement of presentation methods and enabling financial transaction processes (Idagu; 2013 and Stankovic; et al. 2012). These researches have indicated that the use of Accounting Information Systems has improved the decisions that management are making and also assisted management in attaining their set goals as the accounting information required is now easily accessible. The use of Accounting Information System also come with a cost and time saving for the financial institutions as transactions can now be processed in bulk (Kumar; 2014 and Yehia; 2012). However Mudashiru; et al. (2013) and Daw and Peter; (2015) are of the view that there should be further researches to be conducted on the use of accounting information systems for performance measures and decisions made in companies. Prior researches are of the view that accounting information system adoption increases a firm performance, profitability and operations efficiency in financial institutions but this had focused only on Malaysia, Spain, Finland, Pakistan, and Iran. (Kharuddin; et al. (2010); Gande; et al. (2010); Kouser; et al. (2011). The researcher intends to analyze how the accounting information system has aided the performance measures and decisions made at selected local authorities in Zimbabwe where it is indicative that the use of AIS is being applied to make decisions.

As Daw and Peter (2015) have pointed out if a company can implement and adapt to the use of accounting information systems, they will be able to increase profits and reduce their costs. Data processing will be more reliable and cost-saving labor costs Impact on performance. Accounting information systems (AIS) have traditionally focused on collecting, processing, and communicating financial information to outside parties (such as investors, creditors, and tax agencies) and internal parties (mainly management). However, today's accounting information systems (AIS) involve both financial data and information and non-financial information (Kabiru I. Dandago, 2014, p. 660). et al. (2014) believe that accounting information systems can help effectively facilitate management decision-making processes.
The use of computer in information systems can improve the efficiency of information collection, processing, storing, flexibility and accessibility. (Kabiru I. Dandago, 2014, p. 656). It was also noted that local authorities statements are sometimes marred with errors for instance some ratepayers are being billed in wrong categories or bands resulting in over or undercharging of ratepayers. Some prepayments and accruals of rates are disregarded and one has to face the burden of visiting the authority offices in order to rectify such errors. The statements are also not printed and sent to ratepayers in time. Usually ratepayers get their bills less than a week before due date.

According to a survey done in Iran by Salehi, Rostami and Mogadam (2010) and Salehi and Torabi (2012), it was established that Accounting Information Systems improves the correctness of financial statements and reporting. And also, another study in Croatia, Sacer and Oluic (2013), concluded that the quality of reports by accounting information systems is at a satisfactory level and they also stressed that there is need for improvements in certain areas to ensure correctness of the results produced by computerised accounting systems. In 2015, the local authorities introduced an online bill enquiry called BIQ System.

From the period of 2011 the local authorities introduced the use of AIS and this is indicated by the trend in which the performance of the authorities changing and also as they further develop the system to date, this is shown by the reduction in expenditure and gradual increases in profits.

This study intends to contribute to the extensive literature on this subject. Most importantly, it provides guidance for academic discussions as well as policy assistance for investors and business owners. This research is divided into the first part, which explains the research background, problem statement and statement of hypotheses the second part introduces the research data and methods, the third part shows the discussion of the results and findings, and the last part summarizes the research and proposes some suggestions.

**Statement of hypothesis**

To prove or disprove following two hypotheses were formulated for the research namely H₀ and H₁.

Null: accounting information systems in local authorities are effective

Alternative: accounting information systems in local authorities are ineffective

**Data and Methodology of Research**

**Data**

The panel data (time series and cross sections) used in this study covers five years (5) from 2014 to 2018, collected from the audited financial statements (comprehensive income statement and statement of financial position) of the five selected Zimbabwe local authorities. The study included all local authorities in Zimbabwe. The sample size consists of five (5) feasible local authorities who have valid and high-quality data (using convenience sampling techniques). The data for this study came from the financial statements of local authorities and various other publications related to the topic. The variables used in the study can be found in below:

**Variables definition**
Dependent Variable
The dependent variable in this study is financial performance, which was measured by return on assets from financial statements.

Independent Variable
The independent variable is the Accounting Information System and will be measured with the following variables; accessibility, efficiency and flexibility.

Methodology of Research
Researchers focus is on quantitative methods because financial data is collected from audited financial statements. The research used both time series and cross sectional data and hence it is expected to difference unbiased estimators to analyze the data gathered from the five the sampled local authorities. The data for this study is long pool in nature. The method, used for the study is fixed and random effect panel regression methods. In the first step, the summary statistics of the variables is ascertained to find out the mean, median, skewness, kurtosis and Jarque-bera the statistics of the variables. Then, Correlation matrix is computed to check out for multicollinearity, collinearity and order of correlation whether significant or not.

To come to a decision between fixed and random effects, the study conducts Hausman test, where the null hypothesis requires the preferred model of random effect against the alternative thus the fixed effect model. When the aim-listed probability level is insignificant (null hypotheses) of the random effect is used for the model, But when probability level is significant (alternative hypothesis) the fixed random effect is used for the model.

Model Construction
This section presents the research model a mathematical model is established to study the impact of accounting information systems on financial performance. This study uses panel data from 2014-2018 (5 years) local government audited financial statements. The following model has been adapted to the research in order to achieve the research aim (Stephen, Kate and John, 2015).

\[
FP_{i,t} = (\beta_0 + \beta_1 i_{t} + \beta_2 i_{t} + \beta_3 i_{t} + \mu_t) \ldots \ldots 1
\]

Of 15.35 The equation, $\beta_1$ to $\beta_3$ represents the independent variables of the study thus accessibility (ACC), efficiency (EFF) and flexibility (FLEX). In addition, $\beta_0$ represents the regression coefficient, $i$ represent the cross section of the variable and $t$ represents the period from 2014 to 2018, $\mu$ represents the error term or the interference model cannot be estimated. Nonetheless, FP is the dependent variable representing the financial performance of the selected local authorities.

Empirical findings and results discussion

Summary of descriptive statistics

<table>
<thead>
<tr>
<th></th>
<th>FP</th>
<th>ACC</th>
<th>EFF</th>
<th>FLEX</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean</strong></td>
<td>0.227982</td>
<td>61.15830</td>
<td>17.635289</td>
<td>2.17E+08</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>0.118647</td>
<td>52.42675</td>
<td>11.545819</td>
<td>1.02E+08</td>
</tr>
</tbody>
</table>
The above table depicted the descriptive statistics of the variable to be used in the study. In the table above, FP (financial performance) has a mean value of 0.22 and standard deviation of 0.27. Return on Asset (ROA) has a mean value of 0.05 and standard deviation of 0.05. Accessibility has a mean value of 61.15 and standard deviation of 38.94. Efficiency has a mean value of 17.63 and standard deviation of 15.35. Size has mean value of 3.30 and standard deviation of 0.00.

The skewness of the variable depicts that FP is positively skewed at 1.87, The ROA is positively skewed at 2.21, and accessibility is positively skewed at 0.34, The Flexibility is positively skewed at 1.60. Efficiency is negatively skewed at 1.38 and size is negatively skewed at -0.13. The Kurtosis of The variables depicts that FP is platykurtic at 5.83, ROA is platykurtic at 7.21, and Accessibility is leptokurtic at 1.56. Efficiency is 3.71, flexibility is platykurtic at 4.38 and Size is leptokurtic at 1.76. ROA is 35.81, accessibility is 2.41, efficiency is at 7.92, flexibility is 11.67, and size is 1.52.

**Correlation Analysis**

Table 2 the following table show the result of the Correlation analysis of Financial performance with accessibility, efficiency and flexibility.

<table>
<thead>
<tr>
<th></th>
<th>FP</th>
<th>ACC</th>
<th>EFF</th>
<th>FLEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>FP</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACC</td>
<td>0.426</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EFF</td>
<td>-0.330</td>
<td>0.072</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>FLEX</td>
<td>0.114</td>
<td>0.842</td>
<td>0.115</td>
<td>1.000</td>
</tr>
</tbody>
</table>

In table 3, it depicts that FP (financial performance) has a positive correlation relationship with accessibility and flexibility at 0.42 and 0.11 but negative correlation relationship with efficiency at -0.33. (ROA) has positive correlation relationship with accesibility and flexibility at 0.42 and 0.11 and negative relationship with efficiency at -0.33.

**Regression Analysis results and discussion using Hausman test**

Table 3 Hausman test results

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-sq. Statistic</th>
<th>Chi-Sqd.f</th>
<th>Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>20.607978</td>
<td>3.12</td>
<td>0.0001</td>
</tr>
<tr>
<td>Variable</td>
<td>Fixed</td>
<td>Random</td>
<td>Var(Diff)</td>
</tr>
<tr>
<td>----------</td>
<td>-------</td>
<td>--------</td>
<td>-----------</td>
</tr>
<tr>
<td>ACC</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>EFF</td>
<td>-0.000</td>
<td>-0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>FLEX</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The Hausman effect distinguish the fixed effect model from the random effect models in the as obtainable in the table below. The Hausman chi-square at 5% 3.12% is insignificant. Therefore it appears there is the correlation between the error term and one or more independent variable. Therefore the fixed effect model is considered to be proficient of generating more consistent and significant estimate as against random effect model. Hence, the study's discussion is based on the fixed effect model.

### Regression analysis

**Fixed Effect instead of random effect (Dependent variable-FP Financial performance)**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std.Error</th>
<th>t-Statistic</th>
<th>Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>3.304519</td>
<td>2.75E-15</td>
<td>1.20E+15</td>
<td>0.000</td>
</tr>
<tr>
<td>ACC</td>
<td>-1.01E-22</td>
<td>3.24E-22</td>
<td>-0.312556</td>
<td>0.761</td>
</tr>
<tr>
<td>EFF</td>
<td>-9.48E-23</td>
<td>9.84E-23</td>
<td>-0.963586</td>
<td>0.356</td>
</tr>
<tr>
<td>FLEX</td>
<td>1.72E-23</td>
<td>5.13E-24</td>
<td>3.346291</td>
<td>0.007</td>
</tr>
</tbody>
</table>

Cross-section fixed(dummy variables)

Period fixed(dummy variables)

<table>
<thead>
<tr>
<th>R-squared</th>
<th>Mean dependent var</th>
<th>3.305</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted R-squared</td>
<td>S.D dependent var</td>
<td>0.000307</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>Akaike info criteri</td>
<td>-64.860</td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>Schwarz criteri</td>
<td>-64.268</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>Hannan-Quinn criter</td>
<td>-64.711</td>
</tr>
<tr>
<td>F-statistic</td>
<td>Durbin-Watson stat</td>
<td>0.620</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

The table 5 above depicts that accessibility has a negative insignificant impact on financial performance at 0.05 level of significance for 0.761% Efficiency has a negative insignificant effect on Flexibility has a positive significant effect on financial performance at 0.05 level. On the overall regression the F-statistics value of 6.43 is Significant at 5%. Original, there is evidence that the secrete variable has individual and combine effect on the dependent variable.

### Conclusion

The study investigated into the effect of accounting information systems on financial performance of local authorities in Zimbabwe. The specific aim includes: to examine accessibility, Efficiency, Flexibility
of accounting information systems on financial performance. The research will be relevant for management board and regulatory bodies. The study employed the descriptive research design (5) years 2014-2018 which was gathered from the audited financial statement of selected local authorities. The study employed the fixed effect regression method for its data analysis.

This study shows that accessibility has a negative and insignificant impact on financial performance, and describes the continuing operating profit of local authorities that have a negative impact on accessibility, but it should not only take into account authorities that are critically related to cost components, Can improve performance. Efficiency will improve performance, but spending money on efficiency can be harmful because it accounts for a larger percentage of the local authorities overall profit.

**Recommendation**

The organization shall ensure that effective cash or proceeds are used for the efficiency part to improve the financial performance of its major shareholders. Once again, organizations should spend more money on their accessibility. AIS uses appropriate designs that securely support business strategies in a way that increases company profitability and improves performance. This design should use the simplest description of input data and simple methods. To understand the operation of the output component; apply it with caution and caution, and fully understand that the money or revenue spent in this area will be reprocessed through turnover.

**References**


A PRELIMINARY STUDY ON CORPORATE SOCIAL RESPONSIBILITY AND BRAND REPUTATION OF FAST FOOD FIRMS IN VIETNAM

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Abstract:
The current study’s purpose is to propose a research on the relationship between corporate social responsibility and brand reputation of fast food firms in an emerging market, Vietnam. In the study, corporate social responsibility is measured in term of economic responsibility, legal responsibility, environmental responsibility, and ethical responsibility. The designed questionnaire is distributed to the study’s target respondents aged from 18 to 30 years old. Convenient sampling method is utilized to collect the necessary data. The present study is one of few studies that investigate the effect of CSR on brand reputation in an emerging market.

Keyworks: Brand Reputation, Corporate Social Responsibility, Fast Food Industry, Vietnam

Introduction
Background of The Study
As a customer in modern society, which factor do you make a decision to choose a product? There are price, quality, place or reputation. According to some research, company’s reputation positive has influence in
personal experience: Waller survey (1994) released that almost the customers are more likely to determining buying on the basis of enterprises’ image; (Keh & Xie, 2009) described how companies with good reputation enjoy a number of customer trust and loyalty; the research from (Walsh et al., 2009, ) customer-based reputation (CBR) is defined as “the customer’s all evaluation of an organization based on his or her reactions to the its goods, services, activities, interactions with the firm and/or its representatives and/or known corporate activities”. However, today beside the consideration of brand reputation, the definition “Corporate Social Responsibility –CSR” has also been a key word which customers are under consideration (Benezra, 1996). It means customers are aware of their food choices closely (they usually say that it is organic or conventional foods) will effect on the behaviors of companies and the governments, thus the formalization of strategies of action should be made in order to improve environmental and social conditions (Lamberti & Lettieri, 2009). Therefore, CSR has become more essential in making brand reputation, and building up the connection with customers (Khan, 2018).

There are four factors which companies run their CSR strategy into the real case: Environmental Sustainability Initiatives, Direct Philanthropic Giving and Ethical Business Practices, Focus on Economic Responsibility and Legal Activities (European Commission 2011, Carroll 1973). With these directions, it speaks out the companies who they are, what they trust in, and how they run business (Kasper Ulf Nielsen, executive partner at Reputation Institute). To sum up, CSR can create a good image, and competitive advantage for a company which choose CSR like a key driver (Khan, 2018).

**Problem Statement**

The fast food industry is increasing rapidly because of the fast-paced lifestyle of urban human beings in most major cities around the world. However, it is a number of arguments associates with fast-food value that it contains internal and external environmental pollution and negative health (Khan, 2018). Hence, lately fast-food chain companies are commencing on CSR to target competitive advantage.

On the other aspect, because of the revolution in communication technology in Western societies, CSR information can spread rapidly and widely (Benabou & Tirole, 2010). It is unclear whether in developing country like Vietnam customers are keen on CSR application by food retailers due to a lack of earlier research related to understanding of the impact of CSR roles on customers (Ha, 2006).

**Objectives of the Study**

Since CSR initiatives points out the trust of customer, developing a positive attitude in customers and setting up loyalty (Mcdonald & Rundle-Thiele, 2008), the study will seek the relationship between CSR and fast-food chains which are famous for making negative health for their buyers due to unhealthy ingredients, and using cheated advertisements. This research therefore is examined whether the dimensions of CSR has more effect in brand reputation in customer perspective. In particular, the current study aims to reach the following objectives

- To determine the level of Vietnamese consumers’ awareness towards CSR
- To investigate and analyze the impact of CSR on brand reputation of fast food firms in Vietnam

**Significance of the Study**
The purpose of the present study is to explore the influence of CSR on brand reputation in an emerging market that is Vietnam whereas most of existing researches has been conducted in developed countries where CSR has become more essential in all aspects of economy. Moreover, CSR has a high relevance for food companies since food is basic human needs, people pay attention on what they eat. This leads to various complicated requirements for the food sector such as raw materials (animal welfare), the environment (waste, water use) and social condition (quality, healthiness and safe products) (Maloni and Brown, 2006). In addition, multifaceted structure is unique design of food chain (Gheribi, 2017), so this study can be served as a tool in creating a clear picture of fast food processing brand in customers’ perception.

From the direction of this study, this research will focus on studying CSR and brand reputation of fast food industry in Vietnam. According to Vietnamnet news, KFC, Lotteria and Mcdonald’s are the three biggest players in the fast food market, thus researchers considered these chains for the purpose of this study.

**Literature Review**

**Corporate Social Responsibility**

There are various meaning and definitions related to CSR depending on stakeholder perspectives, be they employees, shareholders and executives. On the one hand, Friedman argued that organization just needed to concern about solely their profit, effectively excluding charitable activities do not contribute to generate revenue. One the other hand, Carroll (1991) demonstrated that in CSR concept legal, ethical, and philanthropic responsibility are key factors which a firm have to take care of besides economic. Additionally, European Commission also added into CSR dimension that environment responsibility is also goal obligation for companies. In recent years, CSR has bloomed significantly and received the consideration of people from various walks of life, thus sustainable campaigns have been involved in that honestly examines the environment and society as same as workforce, morale and welfare (Hutchinson et al., 2012) To illustrate, in technology field, Google has carried out over $1 billion to renewable energy projects and enable other businesses to reduce their environmental impact through services like Gmail; in beverage industry, Starbucks is looking to diversify their workforce and provide opportunities for certain groups; or in fast- food industry, McDonald’s has been procuring 100 percent of fiber-based packaging from recycled sources.

Nowadays, CSR plays a crucial role of many business organizations. It means organizations are targeting on running their business sustainably. CSR therefore is considered as a tool to achieve organization’s economic goal in order to contribute charitable activities (Garriga & Melé, 2004)

**Brand Reputation**

Fombrum (1996) argued that reputation likes “the perceptual representation of a merchant’s past actions and future prospects that indicates the merchant’s overall appeal to its key constituents when compared to other leading rivals”. Reputation signifies a seller’s honesty and reliability in relation between seller and buyer, which fall consumer behavioral uncertainty (Walsh et al. 2015). Reputation, thus, has been connected to a various of beneficial results for the brand, including consumer decision to buy both
tangibles and intangibles. In conclusion, Ha and Stoel stated that consumers generally consider the reputation of the firm before conducting a purchase decision.

**Relationship between CSR and Brand Reputation**

According to Econsultancy.com, “it is clear that while establishing brands are adopting CSR models that boost their bottom lines (61% of people are more likely to buy from companies with good reputations), communicating that message effectively to influence and educate consumers takes an innovative marketing approach”. Some studies reveal that customers concerning about the CSR information’s enterprises have positive attitude towards the companies and have tendency to buy their products frequently (Murray and Brown 1997). In this case, customers put considerable challenges for companies to run CSR clearly since they usually expect a sustainable business (Nguyen et al., 2020). Therefore, Dylan Minor and John Morgan (2003) made clear that CSR is as reputation insurance by minimizing disadvantage effect on financial performance.

**Economic Responsibility and Brand Reputation**

Economic responsibility initiatives taken by a company is involved in raising the company’s business operation while taking participant in sustainable practices (Corporate Finance Institute). Economic responsibilities should not only obtain maximum possible profits but also guarantee the customer’s satisfaction and loyalty, treat employees fairly, give suitable price at every product, and run thrilling promotions on products/service (Gonzalez-Rodriguez, 2015). Therefore, the value of economic responsibility will strive for its long-term sustainable business, to overcome business risks and to secure for its shareholders, investors, workers, and society as well (Arsic, 2017). However, 220 companies being asked in 1978 (Dodd & Supa, 2011) did not put social responsibility as main their goal although customers made their certain feeling of organization concerning about CSR. These companies have not been wrong about their argument because based on an American study by Maignan and Ferrell in 2004 they find out that it can be risky for a firm if they just concentrate on social activities rather than earning the most revenue.

As presented in the study in 2010 by Hillestad, the advantage of CSR was protected as “strategic CSR can be used to cultivate the organization for executing according to its ethical standards and ambitions, and accomplish trustworthiness in its strategic efforts and communicating its visions and values, thereby mediate the company’s brand”. By this way, companies can aim the competitive advantage and establish a strong corporate brand (Porter and Kramer, 2006; Bhattacharya et al., 2008).

**Legal Responsibility and Brand Reputation**

In 2016, Carroll, stated that the minimal ground rules include laws, regulations, and the reflect society’s view like codified ethics has been set up with the hope that businesses are expected to operate and function. These laws and regulations look like operating condition of business organizations. Although almost the disclosure of CSR basically covers whole information regarding labor and human rights, consumer protection and society relations, law responsibility has been still an obstacle in developing countries since legal system in these nations is poorly managed (Begal, 2008). Due
to the weakness in legal mandatory, the multinational organizations have taken advantages to maximize their profits. For instance, The Guardian news recorded that young people who are under 15 continue to work at cocoa farms of Nestle though the organization committed to end the use of child labor in its supply chain over ten years ago.

Firms which run food service field endured considerable losses to their brands and their total good image because of poor labor conditions in developing countries, consequently insufficient quality of products sold in those nations has brought out significant pressure from human who speak out human rights and the products of equivalent companies rejected (Gheribi, 2017)

**Ethical Responsibility and Brand Reputation**

Norms, standards and practices are ethical responsibilities that Carroll implied for business organization will be follow by. These expectations are set up for “business will be responsible for and responsive to the full range of norms, standards, values, principles, and expectations that reflect and honor what consumers, employees, owners and the community regard as consistent with respect to the protection of stakeholders’ moral rights” (Carroll, 2016)

In the study “Are Fast Food Businesses Responsible For Their Health Risks” Rhyan Walcott indicated that ethical responsibilities are still at companies like McDonalds, Burger King, Wendy’s and Five Guys; they are claimed to unhealthy just due to the fact that the services. “These restaurants do not pose significant health risks when consumed in moderation; the problem arises when the foods are consumed in excess” Rhyan Walcott said. It is clear that in these menu’s McDonalds, Burger King or KFC always offer healthier options like salads for those who are in weight loss process. Sometimes sensitive issues about ethical concerns are out of control that they may also reach to the court if any rights associated with laws happen (Khan, 2018)

**Environmental Responsibility and Brand Reputation**

Corporate Finance Institute claimed that environmental responsibility is involved in being downward pollution, greenhouse emissions, and conserving natural resources by a firm. Pineiro-Chousa et al. indicated that seeks to the brand image of company can be harmful if they have negative influence on environment. On the contrary, lower the reputational risks are at a company if they strongly link their business with environmental CSR involvement. Take Nike as an example, in 2011 they launched its Better World campaign which helps not only its customers, but peers within the industry understand more future trends like climate change, food and material shortages. And because of it, Nike was one of the brands hit by the growing demand from customers.

In food processing industry “Given rising public scrutiny, it is not surprising that especially leading food service companies with strong brands and large multinational food service firms are actively involved in CSR initiatives in the realms of environmental as well as social issues” Gheribi stated.

**Hypothesis Development**

The previous literature and studies on the relationship between CSR and brand reputation lead to the following hypotheses.
H1: Economic Responsibility positively and significantly influences brands reputation.
H2: Legal Responsibility positively and significantly influences brands reputation.
H3: Ethical Responsibility positively and significantly influences brands reputation.
H4: Environmental Responsibility positively and significantly influences brands reputation.

**Theoretical Framework**

On the basis of the preceding analysis and review of the literature, the research framework is established as the below figure 1. The research framework indicates that CSR is measured in term of economic responsibility, environmental responsibility, legal responsibility and ethical responsibility.

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**Figure 1. Research Framework**

**Research Methodology**

**Research Design**

Questionnaires are an effective method of data collection when we know exactly what should be asked and how to measure the variables of interest in order to achieve relevance and accuracy (Sekaran 2000; Zikmund 1997). A survey was originally in English and afterward will be translated to Vietnamese.

The questionnaire is mainly divided into 3 parts as the following:

Part 1: Basic demographic data which consists of dichotomous questions about the target respondent’s gender, age, education, occupation, monthly income; frequency of consuming fast-food for understanding the actual convenience food in the young people.
Part 2: The awareness level of Vietnamese young people about CSR in Vietnam

Part 3: The awareness level of Vietnamese young people about the relationship between CSR and brand reputation in fast-food industry.

On the basis of the research objectives, the questionnaire is designed. Question development is also based on the principles of good question design such as brief questions that can be applied to all respondents, use positive questions (Cooper & Schindler 2001; Frazer & Lawley 2000; Zikmund 1997). Five-point Likert Scale questions are used to measure target respondents’ attitude by measuring the extent to which they agree or disagree with a particular question or statement related to the influence variables. The Likert scale ranges cover 1=strongly disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly agree (Bryman, A. and Bell, E., 2007) and key items of the questionnaires include decision-making reasons/factors: Economic Responsibility, Environmental Responsibility, Legal Responsibility, and Ethical Responsibility.

Data collection

This research will use a sample of approximately 400 respondents and the target groups of respondent’s students and people who like to fast-food. To achieve this requirement, the survey must be investigated variety of contents with various shops in a well-structured destination. The survey will have long duration around 2 months in almost university and social media.

The sampling technique utilized in this research was the convenience sampling. The questionnaires will be distributed to the target respondents who will be asked to fill out the questionnaires. Prior to conducting the formal survey, a pilot test is taken. After eliminating incomplete questionnaires and data error, valid questionnaires will be processed and analyzed.

Data Process and Analysis

The following statistical tests will be utilized to process and analyze the gathered data. Reliability analysis (Cronbach’s Alpha) will be used to test the internal consistency of the variables in a factor. Independent t-test and one-way ANOVA will be applied to test the difference between purchase intention and demographics characteristic. The findings will be fundamental elements to suggest appropriate solutions in the last section. (Huang, Y.F & Dang, H.S, 2014)

Conclusion

The present study attempts to propose a research on the impact of corporate social responsibility on brand reputation of fast food firms in Vietnam, an emerging market. In the study, corporate social responsibility consists of economic responsibility, legal responsibility, environmental responsibility, and ethical responsibility. The questionnaire survey is utilized to gather the necessary data regarding to the target respondents’ opinions on CSR and brand reputation of fast food firms. Whereas most of the existing studies on CSR and brand reputation of fast food firms has been conducted in developed countries, research results of the current study are expected to contribute more insight into the relationship between CSR and brand reputation of fast food firms in an emerging market that is Vietnam.

Limitation of the study
In order not to conduct outside the study purpose at first, the scope of the study is limited to the following points. Firstly, this research has been limited to young people who age from 18 to 30 in Vietnam because this is the largest population consuming so much fast food day by day and they have concerned about CSR up to now. Besides, the current study concentrates on studying CSR and brand reputation in fast-food industry, so the research results might be different while it is similar for studies in the other fields. Furthermore, the research aims at studying customer’s mindset not the stakeholders.

References


JOB SATISFACTION OF BANGLADESH SUGAR MILLS WORKERS REGARDING SOME JOB FACETS: A CASE STUDY ON CAREW & CO (BD) LTD.

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Abstract
Job satisfaction is the mental peace and positive attitude of one’s job and perceived association amid what one expects and gains from one's job. Job satisfaction also happens when a job fulfill the desires of workers living standards, increase social value and will stimulus their willingness to continue job and ensure better performance. The main objective of this study is to find out overall job satisfaction level of workers of sugar mills regarding some job facets. This study is absolutely based on qualitative and qualitative manner. Face to face interview was used to collect data with a scheduled of questionnaire. The researcher has taken Carew & Co (BD)sugar mills as research field purposively for measuring job satisfaction that are situated at Chuadanga district in Bangladesh. On the random sampling basis researcher was selected a total 100 respondents. Different statistical tools and descriptive statistical method were used to analyze data. The result found from the study that significantly higher percentage of the workers was satisfied with their present job. The study suggested that should be given more emphasis to the organizational factors for improving job satisfaction of the sugar industrial workers.

Key Words: Job Satisfaction, Carew & Co (BD), BSFIC, Sugar Mills, Workers, Job Facets.

Introduction of the Study
Bangladesh as a developing country is trying to expand its industrialization programs. Bangladesh has started reconsidering how to make a noteworthy revolution in sugar industry sector. So the concern authority of the sugar industry has taken up gradation programs. Since independence Bangladesh nationalized the sugar industry that was an admirable initiative but due to inefficiencies in management, mismatched demand and supply of raw materials, outdated technology, low recovery-rate of cane-type used in the mills, the level of actual production is far below installed capacity. Side by side sugar industrial dispute regarding job satisfaction of workers added a new dimension for the successes of this industry. The industries are running at a loss since the mid1980s and till to PY year 2018-19 net loss TK. 695.39 crore (Bangladesh Economic Review, 2019). Sugar industrial workers’ quality and performance largely depends on the satisfaction and dissatisfaction sugar mills face the challenges of maintaining productivity as well as keeping their workforce engaged and motivated. At present era of modern
technology and growing transformation in organizational culture, job satisfaction of sugar industrial workers has emerged to be very significant component of concern management strategies. Bangladesh sugar industrial workers’ who have high job satisfaction are usually more committed and productive. A study found that if higher job satisfaction of workers habitually less absent, less likely to leave, more likely to display organizational development, and more likely to be satisfied to be satisfied with their lives (Lease, 1998). Job satisfaction of industrial workers is very important for the industry to function successfully. Job satisfaction has emerged to be very significant component of management strategies of sugar industrial authority of BSFIC. The backbone of satisfaction is respect for workers sugar industry and the job they perform. In every interaction with management, employees should be treated with courtesy and interest. At the time of conducted this study researcher has been faced problems and have some limitations of this study mostly limited to only the 100 workers out of the thousands of workers of sugar mills in Bangladesh; which may be more in number for getting more accurate result. All the respondents did not give answer correctly and the sugar mills authority and Bangladesh Sugar and Food Industries Corporation (BSFIC) was not enough cooperative to assist the study. With the end of the view, the present study has been designed to conduct a research work on the Job Satisfaction of Sugar Mills Workers Regarding Some Job Facets; A Case Study on Carew & Co (BD) Ltd.

Literature Review

Job satisfaction is commonly defined as an employee’s affecting reaction to a job, based on relating actual outcomes with desired outcomes. Job satisfaction has been defined as a pleasant emotional state resulting from the assessment of one’s job; an affective reaction to one’s job; and an attitude towards one’s job. Related literature reviews are as given bellow;

Smith (1955) defined job satisfaction as an employee’s judgment of how well his job has satisfied his various needs. But Locke (1970) defined job satisfaction as “the pleasurable emotional state resulting from the perception of one’s job values as fulfilling one’s important job values, providing these values are compatible with one’s needs (p. 5).”

Hossain (1998) conducted a study on Hybrid Automated Manufacturing Industrial workers of Bangladesh, he found that average age, and experience of the workers were 32.67 years, and 10 years respectively. The qualification of educational of the subjects varied from primary to higher secondary levels. The study found that performance was positively correlated with job satisfaction and mental health of the respondents.

Griffin & Moorhead (2010) has argued that different variables affect the job satisfaction and accomplishment of goal-directed performance. These variables include effort, organizational support, individual abilities and personal traits.

Hansson, et al. (2011) also stated that rewarding employees for improved performance, giving feedback and recognizing their performance, getting support from their managers, and having low levels of goal-conflict and goal-stress have been found to be positively related to job satisfaction.

Ahmed and Uddin (2012) showed from their study on Job Satisfaction of Bankers and Its Impacts on Janata Bank That job satisfaction of bankers mostly depends on some facets of job satisfaction, like salary, fair promotion policy, others financials facilities, supervision, rewards system, operating procedure,
colleagues relationships, and opportunities for open communication. The study also recommend to improve those areas in which the employees were dissatisfied there is need a win –win policy to achieve more effective performance which is very important for the economic development of a country.

Singh Rajkumar (2013) conducted a study on hospital employees to investigation the factors influencing job satisfaction. Author stated that positive performance of employee in the organization is a result of his satisfactory job experience. Research investigated the aspects influencing the job satisfaction among the private hospital employees of Manipur in India. He found a significant association between job satisfaction of employees and behavioral factors, pay and compensation factors and training and career growth factors. Pay and compensation factors positively correlated with employee job satisfaction as utmost important factors

Devi and Suneja (2013) conducted a study on Job Satisfaction among Bank Employees: A Comparative Study of Public Sector and Private Sector Banks, they taken 110 employees from selected banks to identify their outlooks about job satisfaction, they selected pay and fringe benefits, supervision, training and development as determinants of job satisfaction. The study showed a significant difference between employees of public sector and private sector banks regarding pay and fringe benefits, supervision, training and development the engineers indicating that the managers are more satisfied due to the empowerment given to them.

Siegle et al (2014) conducted a study on “Applying the Achievement Orientation Model to the Job Satisfaction of Teachers of the Gifted”, they perceived support by employees and superiors in the workplace can create a positive organizational climate that relates strongly to job satisfaction.

Jain and Kuar (2014) conducted a study on “Impact of work environment on job satisfaction”, he mentioned that comfortable work environment increases the happiness of employees with their jobs, and this ultimately leads to the growth of an organization and economy.

Gurusamy and Mahendran (2013) reported that about 300 respondents were studied and the study is limited to automobile, in their scrutiny established the fact that Salary occupies the First position in the determination job satisfaction when compared with other major determinants.

Gopinath and Shibu (2014) used Job Descriptive Index (JDI) Scale to examine the level of promotion and transfer related to job satisfaction among BSNL employees The JDI scale encompassed pay, promotions, supervision, work and co-worker by. The results confirmed that promotion and transfer process are vital praxis for human resource development and are essential in affecting the organizational attainment. The analysis further demonstrates that the 45 % employees are having job satisfaction in high level and 55 % employees having job satisfaction in moderate level. The result concluded that the promotion and transfer highly influence job satisfaction of employees in BSNL.

Rashid Saeed (2014) conducted stud on 200 telecom sector employees of Pakistan and concluded that money and Payment play an important role in the job satisfaction of the telecom employees of Pakistan. He found that factors such as promotion, pay, fairness and working condition are key constituents that contribute to employee’s job satisfaction. The

Yıldırım et al. (2016) found that positive culture increased the commitment of the employees. Alvesson & Spicer (2012) affirmed that culture encompasses a shared set of key values, understandings, assumptions, and norms among a company’s employees. Also, marketing culture can influence the
performance of the employees (Al-Mohammad, 2014). A successful culture encourages employees to perform their work tasks with energy and enthusiasm. Also, strong culture can attract talented employees and reduce turnover rate (Kim et al., 2017).

**According to Wang & Seifert (2017)** found that wages cut can affect employees’ moral. Also, employees’ performances tend to go to the wrong direction.

**Yusuf Ali (2019)** found that salary, other financial benefits, job security, retirement, working condition, social status, fair promotion act as key factors of job satisfaction and dissatisfaction. Some specific job factors have positive impact on the overall job satisfaction of the respondents’ employee.

**Abuhashesh, Al-Dmourand and Masa’deh (2019)** found that that Jordanian employees care the most about their salaries and position more than any other factors as higher job satisfied determinants.

**Objective of the Study**

The main objectives of the study is to identify the comprehensive job satisfaction level of workers of sugar mills and to examine the satisfaction and dissatisfaction of the specific job related factors as considered by the respondents.

**Methodology of the Study**

In the present study, methodology is taken to indicate the underlying principles and methods or organizing and the systems or inquiry procedure leading to completion of the study. Among the workers only 100 workers have been selected randomly for the study purpose. The sample respondents have been selected from production unit, all are permanent production workers. The study is mainly based on primary data. The researcher used a pre-structured questionnaire for collecting data and conducted an interview program of the workers of sugar mills at its premises. The collected primary data were analyzed and tabulated using some prominent statistical tools and descriptive manner. T-test, chi-square test, Mean, Standard deviation are used subsequently processed the data. The researcher reviewed the related published literature as secondary source of information. The secondary sources include books, journals, annual report and working report of Carew & Co (BD) Ltd., BSFIC and published research works.

**Results and Discussion**

The statistical analysis and discussion are as follows;

Wages conclude the degree of job satisfaction among the sugar mills workers. The Following table exhibits the opinion of respondents regarding their remunerations in table-1.
Table-1: Chi-square table of Respondents Opinion towards the Pay (N=100)

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Respondents</th>
<th>Expected Value</th>
<th>Residual Value</th>
<th>Chi-Square Value</th>
<th>Degree of Freedom (df)</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>2</td>
<td>50.0</td>
<td>-48</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>98</td>
<td>50.0</td>
<td>48</td>
<td>92.16</td>
<td>1</td>
<td>.0000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Personal Interview

Table-1 indicates that, on the basis of actual wages and salaries significant differences were observed in satisfaction level. A minority of the respondents in Carew & Co (BD) i.e. 2 percent were satisfied with the existing wages. The result shows that at 1% level of significance the calculated chi-square value is 92.16 is greater than the table value of 6.63. The study found that a majority of respondents of Carew & Co (BD) were dissatisfied with pay provided to them.

To test whether there is any significant impact of Promotional opportunities on job satisfaction of workers of sugar mills chi-square test had been applied and the results are shown in Table 2.

Table-2 Chi-square table of Respondents opinion towards Promotional opportunities

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Respondents</th>
<th>Expected Value</th>
<th>Residual Value</th>
<th>Chi-Square Value</th>
<th>Degree of Freedom (df)</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>47</td>
<td>50.0</td>
<td>-3</td>
<td>0.36</td>
<td>1</td>
<td>0.548</td>
</tr>
<tr>
<td>No</td>
<td>53</td>
<td>50.0</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Personal Interview

It is clear from the results of Table 2 that shows that workers are not satisfied on promotional opportunities at sugar mills. Among the 100 respondents 53 percent workers agreed that there is no proper promotional opportunity and not satisfied about it, on the other hand 47 defendants are satisfied with existing promotional opportunity. The Z computed chi-square value is .36 than the table value of 2.71 at 10% level of significance which evidently indicate significant result for comprising satisfaction of worker.

Recognition for better performance of workers in sugar mills have significance from the point of job satisfaction. In the light of existing policy of recognition for better performance as a major job facet of satisfaction are analyzed chi-square test applied. Respondents’ feelings towards the Recognition for better performance in Carew & Co (BD) are as follows Table 3.
Table-3 Chi-square table of Respondents opinion towards Recognition for better performance

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Respondents</th>
<th>Expected Value</th>
<th>Residual Value</th>
<th>Chi-Square Value</th>
<th>Degree of Freedom (df)</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>2</td>
<td>50.0</td>
<td>-48</td>
<td>92.16</td>
<td>1</td>
<td>.0000</td>
</tr>
<tr>
<td>No</td>
<td>98</td>
<td>50.0</td>
<td>48</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Personal Interview

Throughout the survey it was observed that a majority of respondents of Carew & Co (BD) were satisfied with recognition for better performance provided to them. Most of the workers (98%) are dissatisfied about recognition for better performance. The result shows that calculated chi-square value is 92.16 is greater than the table value of 6.63 at 1% level of significance, therefore, workers are not satisfied on recognition of better performance.

The expressions of the respondents towards the good relationship with co-workers given below in the Table 4.

Table-4 Chi-square table of Respondents opinion towards Good relationship with co-workers

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Respondents</th>
<th>Expected Value</th>
<th>Residual Value</th>
<th>Chi-Square Value</th>
<th>Degree of Freedom (df)</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>90</td>
<td>50.0</td>
<td>40</td>
<td>64</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>50.0</td>
<td>-40</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Personal Interview

It was perceived in the survey that of the total respondents 90 percent in Carew & Co (BD) were satisfied about good relationship with co-workers. The few respondents were rejected the opinion of satisfaction with those who are agreed it in said sugar mills. Table-4 shows that calculated chi-square value is 64 is greater than the table value of 6.63 at 1% level of significance. Therefore, workers of Carew & Co (BD) are satisfied on good relationship with co-workers.

In the light of existing Management policy an analysis of job satisfaction of respondents has been done. The following table shows the Respondents’ opinion about management policy in their respective mills:
Table-5 Chi-square table of Respondents opinion towards Management policy

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Respondents</th>
<th>Expected Value</th>
<th>Residual Value</th>
<th>Chi-Square Value</th>
<th>Degree of Freedom (df)</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>70</td>
<td>50.0</td>
<td>21</td>
<td>17.64</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>No</td>
<td>30</td>
<td>50.0</td>
<td>-21</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Personal Interview*

The study show up that on the entire management policies were fairly satisfactory since more than 70 percent workers have shown a privileged level of satisfaction, 30 percent workers have shown dissatisfaction towards this job facet. From the table-5 we can see that calculated chi-square value is 17.64 is greater than the table value of 6.63 at 1% level of significance. That means workers are satisfied on management policy.

The satisfaction and dissatisfaction of the workers recorded in the following table by using t-test, it gives over a range of values of degree of freedom at different levels of significance. By selecting a particular degree of freedom and level of significance, the study determine the tabular value of t. This are as follows;

Table-6 T-test of Respondents opinion towards selected job facets

<table>
<thead>
<tr>
<th>Factor of Job Satisfaction</th>
<th>No. of Respondents</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>T -Value</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay</td>
<td>100</td>
<td>0.02</td>
<td>0.14</td>
<td>0.014</td>
<td>1.421</td>
<td>99</td>
<td>0.16</td>
</tr>
<tr>
<td>Promotional Opportunities</td>
<td>100</td>
<td>.47</td>
<td>.502</td>
<td>0.050</td>
<td>9.369</td>
<td>99</td>
<td>.00</td>
</tr>
<tr>
<td>Recognition for Better Performance</td>
<td>100</td>
<td>0.02</td>
<td>0.14</td>
<td>0.014</td>
<td>1.421</td>
<td>99</td>
<td>0.16</td>
</tr>
<tr>
<td>Relation with Co-Worker</td>
<td>100</td>
<td>0.9</td>
<td>0.30</td>
<td>0.030</td>
<td>29.84</td>
<td>99</td>
<td>.00</td>
</tr>
<tr>
<td>Management Policy</td>
<td>100</td>
<td>0.71</td>
<td>0.45</td>
<td>0.045</td>
<td>15.56</td>
<td>99</td>
<td>.00</td>
</tr>
</tbody>
</table>

*Source: Personal Interview*

Table-6 reveals that the calculated value of t is 1.421, 9.396, 1.421, 29.84 and 15.56 for specific job factors that are Pay, Promotional Opportunities, Recognition for Better Performance, Relation with Co-Worker and Management Policy respectively and the table value of 1.645, 2.576, 1.645, 2.576 and 2.576 at 5%, 1%, 5%, 1% and 1% level of significance respectively and the degree of freedom is 99. The study revealed that the workers are satisfied their specific job facets except pay and recognition for better performance. Here, in pay and recognition for better performance calculated value of t is 1.421 is smaller
than the table value of 1.645 at 5% level of significance both.

**Table of mean ranking**

On the basis of t-test of different contents of interview schedule a mean ranking table is shown below:

<table>
<thead>
<tr>
<th>Factor of Job Satisfaction</th>
<th>No. of Respondents</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>T-Value</th>
<th>df</th>
<th>Sig.</th>
<th>Rank of Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay</td>
<td>100</td>
<td>0.02</td>
<td>0.14</td>
<td>0.014</td>
<td>1.421</td>
<td>99</td>
<td>0.16</td>
<td>04</td>
</tr>
<tr>
<td>Promotional Opportunities</td>
<td>100</td>
<td>0.47</td>
<td>.502</td>
<td>0.050</td>
<td>9.369</td>
<td>99</td>
<td>.00</td>
<td>03</td>
</tr>
<tr>
<td>Recognition for Better Performance</td>
<td>100</td>
<td>0.02</td>
<td>0.14</td>
<td>0.014</td>
<td>1.421</td>
<td>99</td>
<td>0.16</td>
<td>04</td>
</tr>
<tr>
<td>Relation with Co-Worker</td>
<td>100</td>
<td>0.9</td>
<td>0.30</td>
<td>0.030</td>
<td>29.84</td>
<td>99</td>
<td>.00</td>
<td>01</td>
</tr>
<tr>
<td>Management Policy</td>
<td>100</td>
<td>0.57</td>
<td>0.50</td>
<td>0.050</td>
<td>11.45</td>
<td>99</td>
<td>.00</td>
<td>02</td>
</tr>
</tbody>
</table>

**Finding of the study**

Satisfaction being an unremitting process begins from the first day and gets strengthened with time depending on the importance of the various factors considered to be significant for the workers. Loyalty to the organization begins to develop as employees continue to receive positive reinforcement over a number of important issues during the working period. Job satisfaction plays an important role to the workers of any organization in terms quality working life and overall progression of organization. In the light of data analysis and discussion of the present study found that have significant influence of job related factors on the overall job satisfaction of the workers of sugar mills. The study revealed that the significant differences were observed in satisfaction level in pay. The higher percentage of respondents who were not satisfied with the provision of pay. It is also found from the study that workers are dissatisfied on recognition for better performance in sugar mills, satisfied with promotional opportunities, relation with co-workers and management policy. Finally it is noted from the study that job related factors, the latter plays a decisive role in producing job satisfaction of the respondents.

**Conclusion**

The present study was designed on the basis of main objective of measuring job satisfaction level of sugar mills workers. As the sugar mills workers are more satisfied they will be more productive and committed to their job. Job satisfaction afford the intrinsic pleasant to the workers. Those who are satisfied one’s their job it means their social status, life living, organizational affiliations are high. Job satisfaction not only contented pecuniary demand but also giving psychological satisfaction. In this study several factors are used to find out the job satisfaction. The subsequent factors such as, pay, promotional opportunity,
good relation with co-workers, management policy and recognition for better performance represents the job satisfaction of the workers of sugar mills in Bangladesh. The present study was an endeavor to obtain an enhanced understanding about the impact of job facets on job satisfaction of Carew & Co (BD) Ltd. Chuadanga District, Bangladesh. The present study suggested that as respondent were less satisfied with their pay, sugar mills authority and policy makers of BSFIC should take immense initiative because of poor satisfaction in pay. It is also suggested that the workers of sugar mills should maintain an approachable kith and kin with their co-workers. Last but not least it can be concluded that concerned authorities should give more emphasis on the job related factors for increasing satisfaction level and reducing need deficiencies and job dissatisfaction of the sugar mills workers of Bangladesh.

References


MIDDLE LEVEL MANAGERS’ ORGANIZATIONAL COMMITMENT
ON THEIR JOB PERFORMANCE IN AGRICULTURAL INPUT DISTRIBUTING COMPANIES IN SRI LANKA

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ABSTRACT
Due to rapid changes and heavy competition in the agricultural industry, making profits in the way they experienced in the past is inconceivable. Consequently, firms require best performing field level managers since they are the key role players in this sector. Accordingly, this paper discussed the implications of organizational commitment factors namely; affective, continuance and normative commitments on field level managers’ job performance. To understand this, the data set was obtained by surveying randomly selected middle-level managers in Agro-input distributing firms in Sri Lanka. For the data analysis purpose, descriptive statistics, regression analysis, t-test and ANOVA test were used. According to the analysis, it is revealed that affective commitment and continuance commitment are affecting middle-level managers’ job performance but not normative commitments. On the other hand, the implication of demographic factors on commitment factors was studied to identify their behaviours towards job performance. Results of these analyses enabled to understand different groups of employees’ commitment in Agro-input distributing sector which enable firms to develop specific strategies to get the maximum out of their employees to perform well in the market place. Further, based on the analysis results, recommendations were made to trace the value of organizational commitments accordingly.

Keywords: Organizational commitments, Job performance, Agri-input distribution, Affective commitment, Continuance commitment, Normative commitment

INTRODUCTION
Managerial performance is always leading to efficiency and effectiveness of non-managerial staff in an organization in which ultimately influence the overall performance of a firm. In this scenario, managers’ performances and their attachment to the organization play a vital role. When an employee willingly continues his/her association with the organization and devotes considerable effort to achieving organizational goals is recognized as a committed employee to an organization (Adekola, 2012; Raju &
Srivastava, 1994). Moreover, the higher levels of effort exerted by employees with the higher levels of organizational commitment would lead to a higher level of performance and effectiveness of both the individual and the organization (Sharma & Bajpai, 2010).

Agricultural production is one of the utmost important sectors of any country. In Sri Lanka, the agricultural sector has contributed 7.87% of the GDP in the year 2018 (Plecher, 2020). Agricultural inputs distributing companies are playing a vital role in the Sri Lankan economy by supplying seeds, fertilizer, agricultural chemicals, and agricultural machinery to the farming societies. These include major components of modern agricultural systems and highly contribute to agricultural productivity. In the employee perspective, field-level executives can be identified as the main workforce since they actively engage in the exchange process with having direct personal contacts with the farmers and dealers. Therefore, efficient and effective involvement in the exchange process will help to increase the total productivity of the agricultural sector in the country.

Agro input business is highly competitive and ample marketing staff have been involved in this sector. Since they are involving in a highly competitive field, their sales performances directly influence the final performance of the organizations. As per Sri Lankan culture and the nature of farming, community personal selling is one of the critical factors of the agro-input marketing sector. The commitment of such sales personals (especially middle-level managers) towards their organization is one of the most important factors since they are the one who communicates with end-users, obviously with the farmers or rural level small scale dealers. Hence, their organization commitment plays a major role in the sales process and it helps for their personal as well as organizational achievements. On the other hand, there was de-growth in the agriculture sector during the past three years mainly due to adverse climatic condition like drought and flood. This negative growth factor was also reflected in the agro-input distribution companies as well. Consequently, almost all the companies focused more on to increase sales revenues with minimum expenditure to survive in a challenging business environment. By looking at the prevailing business environment, identifying implications of organizational commitment of that employee category are essential since the committed employees are the one who leads the organization to achieve its goals.

Not all different types of commitment may be beneficial for organizations. Therefore, a greater understanding of the different sets of organizational commitments and their impact is crucial. Thus, the preliminary objective was set to examine how factors relating to organizational commitment of middle-level managers in Agro input distributing companies influence on their performance. Understanding the relationship between these two vital factors in Agro input distributing industry would be an interesting investigation both from a theoretical and a managerial perspective. Further, the effects of demographic factors on identified organizational commitment factors were analyzed to offer a possible recommendation to the industry. Ultimately, the findings of this study may help the top-level decision-makers to manage their organizations profitably. Even in the field level executives can identify at what extent their organization commitments lead to achieving their personal goals of their professions.

**Organizational Commitment in Agro Input Distributing Sector**

Every organization consists of individuals. They must accomplish a series of actions and activities in the organization to achieve its established goals and objectives. The primary rationale for the existence of an organization is that certain goals must be achieved through the concerted efforts of groups of people.
Therefore, organizations are characterized by goal-directed behaviour. Employee’s job performance has been defined as work performance in terms of quantity and quality expected from each employee (Khan et al., 2011). With the increase in competition, firms have recognized the importance of the employee’s job performance to compete in this global market because as the performance of the employees' increases, it will affect firm’s performance and ultimately the profitability of the firm. As per Comte-Sponville (2001), the better the humans are committed to their tasks will lead to better organization performance. Organizational commitment is a feeling of dedication to one’s employing organization, willingness to work hard for that employer, and the intent to remain with that organization (Meyer & Allen, 1984). It is unlikely to generate commitment among employees within a shorter period of time. As per Adekola (2012), commitment will start to generate in employee’s mind when an employee stays at a considerable length of time in an organization. Employees’ commitment to the organization effects on the employees themselves, on the organization and the society. As employees become more committed to the organization, they show reduced withdrawal behaviours and increased citizenship behaviours in their organizations which enable for them to receive more intrinsic and extrinsic rewards. On the other hand, job performance ratings, decreased intention to search for new jobs and reduced turnover intentions are positively associated valuable organizational outcomes of increased organizational commitment (Bergmann et al., 2000). Furthermore, society will be benefited through employee’s decreased amount of job movement and greater productivity (Mathieu & Zajac, 1990). Further, it has been suggested that in many different corporations, organizational commitment is related to specific employee behaviour. If employees are committed to the organization, turnover and absenteeism rates lower (Igbaria & Greenhaus, 1992), while job and extra-role performance increase. Studies have also shown that managers wishing to improve organizational efficiency and effectiveness should ensure that employee commitment is optimal (Ostroff, 1992).

Theoretically, there are three separate dimensions which will affect organizational commitment namely, affective commitment, continuance commitment and normative commitment.

As per Robbins & Jude (2013) definition, an emotional attachment to the organization and a belief in its value, the perceived economic value of remaining with an organization, and an obligation to remain with the organization for moral or ethical reasons have been identified as affective, continuance and normative commitment respectively. In other terms, Meyer et al. (1993) have defined the same three components of commitments based on employees’ strong perception of remaining in an organization because employees’ feel they want to, feel they need to and feel they ought to. Because of differences in motives, these forms of commitment have different outcomes. The three aspects of these organizational commitments have a different foundation. As all those forces that are attributed to be variables associated with the different forms of commitment co-exist in an organization, it can be assumed that the three different dimensions of organizational commitment are not mutually exclusive. An employee can develop one or any combination or more of the three aspects of commitment. These aspects of organizational commitments differ only on the bases of their underlying motives and outcomes (Beck & Wilson, 2000). Employee’s emotional attachment to the organization has been identified as affective commitment (Meyer & Allen, 1997). Employees with affective commitment stick with the employing organization, put effort into their work beyond what appears to be instrumentally required since they see their employment
relationship as consistent to the goals and values of the organization (Becker & Wilson, 2000; Gould, 1979). Further, this means that the emotional tie gets stronger when the employee derives his/her identity from working with an organizational entity and status that affective commitment has been found to correlate with job performance. On the grounds that, Jaros et al. (1993) have identified the affective commitment as the most widely discussed form of psychological attachment to an employing organization. Consequently, employee develops a psychological attachment to the organization when he or she recognizes the relevance or congruence of organizational values to one’s own values (Meyer & Herscovitch, 2001).

Continuance commitment includes the calculations a person conducts to realize the extent to which he or she needs to stay in the organization. For example, if the job choices available after leaving the organization are scarce, the individual may develop a sense of commitment. Thus, continuance commitment to an organization develops when an individual perceives the costs of leaving this organization to be higher than the expected gains (Hisham, 2012; Allen & Mayer, 1990). Beck & Wilson (2000) have noted this as employees’ assessment of economic benefits gained by continuing association with the employing organization. In other words, employee sees the monetary, social, psychological and other costs associated with leaving the organization and then deciding to continue with the employing organization as a committed one.

On the other hand, some individuals regard commitment to a specific organization as an obligation. In this context, normative commitment reflects the psychological state through which an employee perceives staying in the organization as a morally right choice, regardless of the amount of satisfaction the firm gives him/her (Hisham, 2012). Normative commitment increases when an individual internalizes the values of the organization, and when the individual feels that staying in the organization is a return of favour to the organization which has provided him/her many benefits and inducements over the years (Meyer & Herscovitch, 2001; Randall & Cote, 1991; Allen & Mayer, 1990; Marsh & Mannari, 1977).

METHODOLOGY
The methodology followed in this paper is based on a survey to find out the implications of organizational commitments on their job performance in the Agro-input distributing industry. Constructs of organizational commitments were identified refereeing past literature and they were measured using a Five-Point Likert-type scale which ranged “strongly agree” to “strongly disagree”. Since the study carried out in Sri Lanka, the originally developed questionnaire was translated to the local language (Sinhala). Then it translated back to English again. This process continued several times to ensure conceptual equivalence (Mullen, 1995).

Organizational commitment construct was measured by referring to the model developed by Allen and Meyer (1990). According to that model, three attributes namely affective, continuance and normative commitment were considered in the survey. Altogether 24 items were adopted to measure all independent variables in where the eight-item scale representing each variable. The middle-level managers’ job performance was measured by getting feedbacks from their immediate supervisors. These feedbacks were taken based on their perception of each surveyed employees’ overall performance and their target accomplishments.

Initially, the reliability of each construct was identified. Then by conducting regression analysis, the
implication of middle-level managers’ organizational commitment on their job performance was examined. Further analysis was carried out to identify the behaviour of each variable with regards to identified demographic factors namely; age, gender, marital status, education and experience levels. For this purpose, the Independent sample t-test and factorial ANOVA statistical test were used. Eventually, recommendation and conclusions were made based on the test results.

DATA COLLECTION AND ANALYSIS
The data set used in this paper is taken from a survey carried out in October 2019 that involved random sampling in Agro-input distributing companies in Sri Lanka. The survey was restricted to field level managers and each respondent was asked to fill out a questionnaire. A total of 100 questionnaires were distributed and 89 completed survey forms were returned. That indicates 89% response rate for the survey. Among the collected data set, 84 valid responses, excluding those with omissions or with randomly repeated answers were taken for the analysis of the research hypotheses.

The initial part of the questionnaire contained several socio-demographic questions to get a basic idea on the sample profile. Based on the descriptive analysis of sample profile, a total of 91.7% of the questionnaire respondents were male filed level managers and this sample result reflects the gender distribution in the population. When concerning marital status, the majority of the employees are married and that group represents 76.2% of the sample. In this sample, 35.7% of field-level managers are having two to five years of working experience in Agro-input distribution companies. On the other hand, 32.1% of employees are having more than ten years of managerial level experience in the industry. The lowest experience group represents recently joined employees with less than two years of experience (11.9%). From the education perspective, 38.1% of the participants are having a bachelor degree and above education qualification while 15.5% of the sample represents only advanced level secondary education qualification. In the context of age category, 35-40 years category represents 35.7% which is the largest in the sample while 19.0% of the sample represents the over 40 years old executives. Moreover, the sample consists of 25.0% of respondents representing the 20-29 age category.

Then the reliability analysis of each factor was performed to ascertain the reliability of data. Values received for Cronbach’s alpha test are 0.876, 0.882 and 0.801 for the factors namely affective, continuance, and normative commitment. Over 0.7 reliability values implies a sound reliability level for the collected data.

Regression Analysis
As an initial step, implications of organizational commitment of middle-level managers in Agro input distributing companies on their performance were examined. For this purpose, multiple linear regression analysis was employed. Output revealed a significant impact from selected variables, \( F(80) = 36.76, p=0.000 \). The R square value of the models interprets how to fit the model to describe the factors considered in the study. According to the analysis, the significantly effecting variables are explaining 58% of the total variance of the model \( (R \text{ square} = 0.580) \). Further, according to the test results, variance inflation factor (VIF) indicates non-existence of multicollinearity issues (affective commitment = 2.727, continuance commitment = 1.966, and normative commitment = 2.459) in the model and fair enough to carry out further analysis.

Through the analysis, affective commitment \((t= 2.68, p= 0.009)\) and continuance commitment \((t= 3.76, p= 0.009)\)
p = 0.000) were identified as significantly affecting factors on employees’ job performance. And, there is no significant impact from normative commitment. Thus, based on analysis results, the following formula can be formed;

\[
\text{Job Performance} = 0.321 \text{(Affective C.)} + 0.382 \text{(Continuance C.)} - 0.237
\]

**Testing of Hypothesis**

In this section, behaviours of the middle-level managers in Agro input distributing companies were examined based on demographic factors. For this purpose, designed null hypothesis and alternative hypothesis were tested.

Independent sample t-test was used since this study focus on examine employee behaviour towards affective and continuance commitment factors with regards to grouping variable gender and marital status. Further, for the results validation purpose Levene’s F test results, observed power, clinical significance values and Cohen’s d values were observed.

**H1a**: There is a significant difference between male and female employees’ affective commitments

Above hypothesis was developed to test the employees’ affective commitments with regards to their gender. As per the test result, male employees (N=77) were associated with affective commitments M=3.74 (SD=0.65). By comparison, a numerically smaller affective commitments M=3.25 (SD=0.47) was noted with the female employee group (N=7). The assumption of homogeneity of variances was measured by referring Levene’s F test result values. Levene’s F test values, \( F(82) = 1.96, p = 0.165 \), indicate that the variances of two populations are assumed to be approximately equal. Then the standard \( t \)-test was performed to test above hypothesis. As per the independent sample \( t \)-test results, a statistically significant effect, \( t(82) = 2.52, p = 0.035 \) was noted between the male and female groups. Thus, we can conclude that the male employees were associated with a statistically significant larger mean perception of affective commitment than female employees.

**H1b**: There is a significant difference between male and female employee’ continuance commitments

Similar to the previously tested hypothesis, above hypothesis was designed to test the different behaviors’ of male and female employees towards continuance commitments. As per the descriptive test results, the male employees (N=77) have shown a larger level of association with continuance commitments M=3.35 (SD=0.69) than the female employee group (N=7, M=3.20, SD=0.56). The assumption of homogeneity of variances was measured by referring Levene’s F test result values. Levene’s F test, \( F(82) = 0.88, p = 0.350 \), results indicate that the variances of two populations are assumed to be approximately equal. Thus the independent sample \( t \)-test was performed, \( t(82) = 0.56, p = 0.579 \) and results implied an equal variance across the selected male and female groups towards continuance commitments.

**H2a**: There is a significant difference between married and unmarried employees’ affective commitments

Similar to the previously tested hypotheses, above was designed to test the employee’ affective commitments with regards to their marital status. As per the descriptive test results, married employees (N=64) were associated with affective commitments M=3.74 (SD=0.67) than unmarried employee group M=3.57 (N=20, SD=0.59). Levene’s F test, which used to test the assumption of homogeneity of variances implies approximately equal variances among two populations, \( F(82) = 0.132, p = 0.717 \). Then the standard \( t \)-test was performed and non-significant behavior was identified, \( t(82) = 0.96, p = 0.337 \).
Further, results imply that affective commitments are having equal variance across the selected married and unmarried groups.

**H2b:** There is a significant difference between married and unmarried employees’ continuance commitments

As per the descriptive test results, the married employees (N=64) were associated with continuance commitments $M=3.42$ (SD=0.69) than the unmarried employee group $M=3.01$ (N=20, SD=0.55). Levene’s $F$ test results, $F(82) = 2.68$, $p = 0.106$, indicates that the variances of two populations are assumed to be approximately equal. Then the independent sample $t$-test was performed and identified a statistically significant effect, $t(82) = 2.04$, $p = 0.044$ among these two groups. It conclude that the married employees were associated with a statistically significant larger mean perception of continuance commitment than unmarried employees.

This point onwards employee’s age, education, and experience were taken into consideration for the analysis (more than two categories). To identify behavioural changes of field level managers in Agro-input distribution industry with regards to the above mentioned demographic categories, Univariate ANOVA analysis technique was applied. For this purpose, following hypotheses were designed and test results have been given below.

**H3a:** There is a significant difference in employees’ affective commitments among employees’ age categories

To test the above hypothesis, the independent between groups ANOVA test was performed. Test results yielded a statistically significant effect, $F(3,84) = 4.293$, $p = 0.007$, $\eta^2 = 0.139$. as Since the significant level is less than 0.05 ($p = 0.000$), the null hypothesis of no differences on between means was rejected. It implies that the employees’ affective commitments are significantly different based on their age. Initially, On the other hand, the assumption of homogeneity of variance was checked and Levene’s $F$ test, $F(3,80) = 1.655$, $p = 0.183$ results indicates an equal variance of employees’ perception of affective commitment across all the age-based grouping categories. Further, analysis results indicate weaker clinical significance ($\eta^2 = 0.139$) and observed power 0.849 implies a strong level of accuracy and adequate power in the analysis.

Further analysis was followed up to evaluate the nature of the differences between four-employee age groups. For this purpose Scheffe post-hoc test which is used to make multiple comparisons among several means was performed. A statistically significant behavior of employees’ age over 40 groups’ perception of affective commitments was noted. With compared to all the other age categories, over 40 groups’ behavior was different. On the other hand, descriptive statistic specifies a higher level of affective commitments when the employee age is getting higher.

**H3b:** There is a significant difference in employees’ continuance commitments among employees’ age categories

Similar to the previously tested hypothesis, the above was tested with regards to employees’ continuance commitment. The independent between groups ANOVA test results yielded a statistically insignificant effect, $F(3,84) = 1.238$, $p = 0.30$. Since the significant value is greater than 0.05, enough evidence cannot be found to reject the null hypothesis of no differences between group means. Even though, descriptive test results indicate a gradual increase of mean values of employees’ continuance commitments with age
(Age 20-29 years, µ = 3.27; 30-34 years, µ = 3.18; 35-39 years, µ = 3.31; Over 40 years, µ = 3.61).

H4a: There is a significant difference in employees’ affective commitments among employees’ experiences in Agro-input distributing firms

The above hypothesis was designed to test the implication of employees’ experience on their perception of affective commitments. The independent between groups ANOVA yielded a statistically significant effect, F(3,84) = 3.234, p = 0.000, η² = 0.108. Since the significant level is less than 0.05 (p = 0.000), the null hypothesis was rejected. It specifies significantly different employees’ perception of affective commitment with relates to their experience level in the field. The Levene’s F test results, F(3,80) = 1.991, p = 0.122 indicates an equal variance across all the experience-based grouping categories. Further, weaker clinical significance (η² = 0.108) and indicates a strong level of accuracy and adequate power in the analysis (observed power 0.724) were noted through the analysis.

To evaluate the nature of the differences between four-employee experience groups, the Scheffe post-hoc test was performed. The employees with over 10 years’ experience and less than two years of experience have shown a statistically significant behaviour. Further, descriptive test statistics have shown a higher level of affective commitments when the employee experience is getting higher.

H4b: There is a significant difference in employees’ continuance commitments among employees’ experiences in Agro-input distributing firms

Similar to the previously tested hypothesis, the above was designed with respect to continuance commitments. A statistically insignificant effect, F(3,84) = 1.009, p = 0.39 was noted through the independent between groups ANOVA test. Since the significant value is greater than 0.05, the null hypothesis of no differences between group means cannot be rejected without enough shreds of evidences. Even though, a gradual increase in the mean value of employees’ continuance commitments was noted with the level of experience. (Less than 2 years, µ = 3.06; 2-5 years, µ = 3.38; 6-10 years, µ = 3.22; Over 10 years, µ = 3.45).

H5a: There is a significant difference in employees’ affective commitments among employees’ education level

The ANOVA test results yielded a statistically significant effect, F(2,84) = 4.542, p = 0.013, η² = 0.101. Since the significant level is less than 0.05 (p = 0.000), the null hypothesis was rejected. It indicates those employees’ affective commitments are significantly different based on their education level. The Levene’s F test results, F(3,81) = 0.449, p = 0.640 indicate an equal variance across all the education-based grouping categories. Further, weaker clinical significance (η² = 0.101) and indicates a strong level of accuracy and adequate power (observed power 0.758) were noted in the analysis.

The nature of the differences among four-employee education groups was evaluated by following Scheffe post-hoc test. Through the analysis, a statistically significant different between the employees with degree qualifications and with other lower education groups was identified. Interestingly, descriptive statistic indicates a lower level of affective commitments when the employee education qualification is getting higher.

H5b: There is a significant difference in employees’ continuance commitments among employees’ education level

Similar to the previous test, ANOVA test was performed with reference to the continuance commitment.
Through the analysis, a statistically insignificant effect, $F(2,84) = 2.104$, $p = 0.13$ was identified. Since the significant value is greater than 0.05, the null hypothesis cannot be rejected without enough shreds of evidences. Even though, a gradual decrease in the mean value of employees’ continuance commitments was noted with the higher education levels. (GCE A/L, $\mu = 3.62$; Diploma, $\mu = 3.37$; Degree, $\mu = 3.18$).

**RESULTS AND DISCUSSION**

Initial analysis was carried out to determine whether there is an impact from middle-level managers’ organizational commitment on their job performance in the Agro-input distributing firms in Sri Lanka. According to the test results, affective and continuance commitments were identified as significantly affecting factors and its impact was noted as 58% in Sri Lankan market environment. In other words, field-level managerial employees’ emotional attachment to the organization and the perceived economic value of remaining with an organization are affecting their job performance. Also, it revealed that employees’ obligation to remain with the organization does not affect their job performance. Importantly, a negative constant value in the regression equation indicates the poor job performance of an employee who does not have an emotional attachment or economic value in working in Agro-input distributing firms.

According to the test results of the further analysis carried out based on demographic factors, employees’ age, gender, education and experience level show significantly different behaviour towards affective commitment. Thus, the related null hypotheses were rejected. In employees’ gender perspective, a significantly higher level of male employees’ emotional attachment with the organization was identified than female employees. On the other hand, descriptive statistic indicates a higher level of affective commitments when the employee experience and the age are getting higher. However, the opposite result was indicated with their education levels. Ones who are having higher education qualifications have denoted lower level of emotional attachment with the organization. However, in the continuance commitment perspective, only the marital status was indicated a statistically significant association. The perceived economic value of remaining with the organization is highly valued by married employees than unmarried employees in the Agro-Input distributing firms. On the other hand, though there weren’t a significantly different, aged and experienced field level managers had a higher concern on the economic value of continuing with present job title than young, lower experienced employees in Agro-input distributing firms. Interestingly, even for the continuance commitment aspect, employees with the higher educational background are having a lower perceived economic value of remaining with an organization. It implies poor job performance among highly educated field level managers than others.

**CONCLUSIONS AND IMPLICATIONS**

The primary purpose of this study was to investigate the implication of middle-level managers’ organizational commitment to their job performance in the Agro-input distributing firms in Sri Lanka. Due to rapid changes and heavy competition in the agricultural industry, making profits in the way they experienced in the past is inconceivable. So, firms require best performing field level managers since they are the key role players in this industry. Thus, top management is required to come up with the best possible strategies to get the maximum from their field-level managers.

According to the analysis, it is revealed that organizational commitments namely; affective commitment
and continuance commitment are affecting middle-level managers’ job performance but not the normative commitments. Thus, implementation of strategies which enhance emotional attachments to the firm and their perceived economic value will be key to gain higher performance from the middle-level field managers of this sector. Such implementations will ultimately cause to enrich whole organization performance.

As a conclusion, the analysis indicates that the longer the period field level managers attached with the industry, their emotional attachment to the firm and their perceived economic value with the firm is getting higher which caused to a higher level of job performance. Further, married field level male employees with a higher level of experience have shown a greater level of organizational commitments than other categories. Female employees have shown a lower commitment compared to the male category. There can be some cultural implication since this employment is specific to the field where most of the employees have to work closely with farmers and with society. Thus, top management should need to find a mechanism to enhance female employees’ commitment which fits Sri Lankan culture. However, highly educated middle-level managers’ organizational commitments were identified as lower with compared to other groups in this field. Therefore, without discouraging higher education, top management should find new ways to enhance their commitments towards the firm since it directly impacts their job performance. Furthermore, it is obvious that to grab future market opportunities, retention of their employees within the firm for a longer period will be a key for their job performance. Therefore, while utilizing motivational strategies, top management has to come up with a new set of strategies to get the maximum out of their workforce.

REFERENCES


MODERATING ROLE OF USER TYPES AND SYSTEM USABILITY ON IS SUCCESS MODEL: A META-ANALYSIS OF E-LEARNING USER SATISFACTION

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Abstract
Foremost literature of e-learning has expanded its research view on various aspects of e-learning. Significant amount of individual studies has assessed such aspects using various grounded theoreories. This study attempts a systematic review of 37 individual studies published in e-learning domain to extract a clear insight on e-learning user satisfaction. Along with the systematic review, we have converged and analyzed the outcomes of the reviewed articles and conducted a meta-analysis on the effect sizes among Information Systems Success Model (ISSM) related 13 correlations. Our systematic review and meta-analysis resulted that; (a) ISSM has acquired a considerable attention of the e-learning researchers and rarely used for meta-analysis in the field of e-learning, (b) the effect sizes between ISSM related factors depend on the user relationship type and the usability attribute type of the e-learning application, and (c) the foremost e-learning literature highly concerned on 03 usability attributes of e-learning applications such as, subjective satisfaction, learnability and efficiency. This study shows the moderating effect of user relationship factors and usability factors on various correlations. The results of this study formulates a clear insight on e-learning researchers, instructional designers and managers to improve the designing of e-learning systems in the future.

Keywords: Meta-Analysis, Satisfaction, e-learning, Usability, IS Success Model, System Design

1. Introduction
E-learning can be defined as a means of learning which can offer knowledge collaborating with the Information Technology regardless the time and physical location of the learner. Nowadays, there are numerous technologies of e-learning that are used by various educational institutes to deliver knowledge to their students in an innovative way. Different research has been done in e-learning satisfaction and, most of them attempted to elaborate the factors effecting the e-learning technology acceptance (Emmen, Akmal, & Ullah, 2015).
The foremost literature split the e-learning concern into main two angles; student and instructor. Day by day it is obvious that the concept of e-learning is spreading over different domains such as business and health sector because, the organizations in such sectors have recognized e-learning as a value added practice specially, to enhance their employee’s knowledge and skills (Mboni Kibelloh & Bao, 2013; Ojo, 2017). It is apparent that e-learning technologies have a positive effect on its users. Nevertheless, the impact of these effects may vary on e-learning user relationship type and the nature of the e-learning system. Most of e-learning satisfaction research have widely used well reputed and updated theories which has been constructed and gradually enhanced over decades.

A random review has discovered that Delone and Mclean Information Systems Success Model (ISSM) has acquired more attention in the e-learning satisfaction research. Majority of the research illustrates, the users’ intentions upon e-learning use, through this model. It is imperative to extract information from existing e-learning satisfaction studies in order to draw a picture of their research outcomes using ISSM. But, so far it is not found such study, and to date no research have illustrated whether effect sizes depends on the relationship type of the user or the nature of the e-learning systems usability. The key objectives of this study are to (1) systematically review present facts in e-learning satisfaction domain, and (2) to conduct a statistical comparison of the size of the effects within the general correlations in order to draw a line for a moderating effect of the user relationship type and e-learning system usability.

Based on these understandings we have derived our research question 01; What’s the mean causal effect size of a factor (System quality, etc.) on the intention to use and user satisfaction when using e-learning systems?

The foremost e-learning satisfaction studies have applied for various e-learning systems with different user relationship types. The key user relationship types of e-learning are, student-student interaction (SSI), student-instructor interaction (SII) and student-content interaction (SCI) (M. Kibelloh & Bao, 2014; Lu, Kuo, & Lee, 2012; Nattaporn Thongsri, Liang Shen, & Yukun Bao, 2019; Zamzuri, Shahrom, Kasim, Nasir, & Mamat, 2012). Yet, there is no investigation done to explain how effect size vary with different user relationship types (King & He, 2006) related to ISSM correlations and the nature/quality/usability of the e-learning system. Therefore, we have constructed our research question 02; Does the user relationship type and/or system usability have a moderating role on correlations in ISSM?

In order to answer these questions, this study conducted a meta-analysis of 216 correlations among various factors that were appraised in 37 independent studies. Following sections of this paper will elaborate; the well reputed theories used by e-learning satisfaction research in section 02 and research approach will be explained in the section 03 then in the section 04 analysis & results. Finally, in the section 05, conclusion and future work will be presented.

2. **Satisfaction and Acceptance Theories related to e-learning**

There are various streams of studies in the Information System (IS) satisfaction literature that investigate
why and how users adopt and satisfy with IS. According to Singh (2005), users of IS gain the net benefits of the system through perceived ease of use and perceived usefulness. Further, he elaborates that satisfaction is achieved through acceptance. Therefore, satisfaction will be reached by the user via the understanding of the perceived usefulness and ease of use. The findings of Venkatesh and Davis (2000) emphasize, that information technology adoption studies can be differentiate between, studies that focus on system implementation success and satisfaction at organization level, and studies that focus on the system acceptance through actual system use at individual level, based on the Technology Acceptance Model (TAM). Eom and Ashill (2018) explained in their system model, that it is benefited to have a systems approach to e-learning. Because, it helps to analyze the e-learning applications as collection of interdependent entities which are associating with each other. Further, this interdependence and inter cohesions will enhance the satisfaction of e-learning users.

A study that synthesized expectation confirmation model (ECM), TAM, theory of planned behavior (TPB) and flow theory, have introduced a novel model to demonstrate the e-learning users’ continuous intention of using e-learning. According to the model, the perceived usefulness of the e-learning application makes the highest satisfaction. The model formulated by DeLone and McLean (2002) explains that their model extends its view at both individual and organizational level. But, their recent update to the model emphasize, at each level the attitude of the intention to use, is affected by the overall satisfaction of the user who gained the satisfaction via the quality of the system and other attributes (DeLone & McLean, 2002; Ojo, 2017). Wen et al. (2014) revealed in their study, that information quality and system quality are imperative at same level for the user satisfaction. Via the ISSM they have confessed that satisfaction is a prerequisite for the continuance intention (Wen et al., 2014).

TAM and ISSM were the mostly used grounded theories within the domain of e-learning. TAM has acquired the highest attention for various meta-analysis. Therefore, ISSM has grabbed our attention to conduct the research. Studies which have used ISSM for e-learning acceptance and satisfaction are widely interested in the association between constructs in which the data is analyzed in a statistical way using Structured Equation Modeling (SEM). The results of such studies are presented with a set of correlations by indicating dependent variables, independent variables, significant level (p) and size of path coefficient (b).

3. Research Methodology
In order to answer the formulated research questions, a literature review was conducted according to preferred reporting items for systematic reviews and meta-analysis (PRISMA) statement to elicit empirically discovered facts on e-learning satisfaction. During the systematic review the research studies were examined on the basis of key words, related to satisfaction or key words related to quality/usability of the system. Commonly available search engines such as yahoo, google (google scholar) and various research repositories such as Web of Science, Science Direct, IEEE explorer has been used to search studies.
The total research methodology comprises three consecutive phases namely; identification, screening and eligibility phases. The articles used within the review has been subjected to three iterations based on different factors. These iterations were proceeded to narrow down the number of articles. During the first iteration the scrutiny was done using number of key words. This process was purely based on their research topics with respect to the key words defined to conduct the research. The key words used in this phase are “e-learning satisfaction”, “e-learning and usability”, “e-learning satisfaction and usability”, & “e-learning and user satisfaction”. The inclusion and exclusion criterions has been applied to filter the documents based on its topic. Inclusion was done based on the e-learning user satisfaction and usability. The topics which reflected or intimate the inclusion criteria were taken for the second iteration and rest of the articles were removed due to the various aspects reflect by the topic which does not fit to the research concern. At the end of the first iteration 215 records were considered for further identification.

The second phase removed 22 articles as they were duplicates of the same research, resulted via different research databases. 193 articles were screened based on their abstracts. The inclusion criteria of this phase was, whether the abstract focused on user relationship types; SSI, SII, SCI, and Usability User satisfaction or user perspectives of e-learning. The abstracts which did not clearly indicated these concerns were excluded in this phase. Subsequently, 103 articles were removed and only 90 articles were taken for further analysis at the eligibility phase. To guarantee a consistent analysis, the characteristics, coding facts and results were stated. Following information were recorded in a master table,

- Relationship type – whether the study discuss about SSI, SII or SCI
- Ground theory – The ground theory used to ascertain the satisfaction
- Sample size – The respondents number of the study out of the research population
- Correlation – The correlations which were evaluated in the study. This information was specified along with Independent variable (IV), Dependent variable (DV), path coefficients and significance levels.

It was obvious that TAM and ISSM has grabbed the highest attention of the screened studies and TAM has been used for different kinds of meta-analysis in e-learning domain. Then, based on three criteria’s namely; (1) ground theory must be ISSM, (2) Studies must convey path coefficients of correlations and, (3) must be used e-learning system and discuss about usability of the system, we have filtered the deeply analyzed studies for the meta-analysis and resulted 37 studies (see Table 01). Thereafter, the meta-analysis was taken place to amalgamate numerous research outcomes, considering the effect size and relative sample size (King & He, 2006).
<table>
<thead>
<tr>
<th>#</th>
<th>Study</th>
<th>Journal</th>
<th>e-learning Relationship Type</th>
<th>Sample Size</th>
<th>Usability Attribute</th>
</tr>
</thead>
<tbody>
<tr>
<td>02</td>
<td>Silva, Meirelles, Filenga, and Filho (2014)</td>
<td>Turkish Online Journal of Distance Education</td>
<td></td>
<td>291</td>
<td>Learnability</td>
</tr>
<tr>
<td>03</td>
<td>Seta, Wati, Muliawati, and Hidayanto (2018)</td>
<td>Indonesian Journal of Electrical Engineering and Informatics (IJEII)</td>
<td></td>
<td>157</td>
<td>Satisfaction</td>
</tr>
<tr>
<td>04</td>
<td>Yosep (2015)</td>
<td>Journal of Communication &amp; Information Technology</td>
<td></td>
<td>149</td>
<td>Satisfaction</td>
</tr>
<tr>
<td>05</td>
<td>Chiu, Chiu, and Chang (2007)</td>
<td>Info Systems Journal</td>
<td></td>
<td>289</td>
<td>Efficiency</td>
</tr>
<tr>
<td>06</td>
<td>Ramayah and Lee (2012)</td>
<td>The Turkish Online Journal of Educational Technology</td>
<td></td>
<td>250</td>
<td>Learnability</td>
</tr>
<tr>
<td>08</td>
<td>Lin and Chen (2012)</td>
<td>International Journal of Distance Education Technologies</td>
<td></td>
<td>412</td>
<td>Learnability</td>
</tr>
<tr>
<td></td>
<td>Authors</td>
<td>Journal/Magazine</td>
<td>Volume</td>
<td>Pages</td>
<td>Keywords</td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>--------</td>
<td>-------</td>
<td>------------</td>
</tr>
<tr>
<td>18</td>
<td>Chi, Liang, Shu, and Chiu (2015)</td>
<td>International Review of Research in Open and Distributed Learning</td>
<td></td>
<td>670</td>
<td>Satisfaction</td>
</tr>
<tr>
<td>20</td>
<td>Chao and Tung (2007)</td>
<td>British Journal of Educational Technology</td>
<td></td>
<td>247</td>
<td>Satisfaction</td>
</tr>
<tr>
<td>29</td>
<td>Ramírez, Rondan, Arenas, and Alfaro (2017)</td>
<td>Journal of Telematics and Informatics</td>
<td></td>
<td>250</td>
<td>Learnability</td>
</tr>
</tbody>
</table>
Table 02 of this article abridges facts on the sample data given by the e-learning satisfaction studies in our research. Due to the multiple samples used by some studies the sample number is higher than the papers which are finally reviewed. This table provided us an insight on: (1) students type was given the highest attention in e-learning satisfaction research, (2) instructor type was given the least attention, (3) employees type too has grabbed the attention of e-learning research and, (4) the average sample size with respect to each user type in e-learning setup.

**Table 02 Summary of review studies samples**

<table>
<thead>
<tr>
<th>Sample Type</th>
<th>Sample (N)</th>
<th>Min Sample size</th>
<th>Max Sample size</th>
<th>Avg Sample size</th>
<th>Cumulative Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student</td>
<td>28</td>
<td>88</td>
<td>674</td>
<td>363</td>
<td>10168</td>
</tr>
<tr>
<td>Instructor</td>
<td>3</td>
<td>82</td>
<td>369</td>
<td>112</td>
<td>636</td>
</tr>
<tr>
<td>Employee</td>
<td>7</td>
<td>185</td>
<td>378</td>
<td>264</td>
<td>1849</td>
</tr>
<tr>
<td>Overall</td>
<td>38</td>
<td>82</td>
<td>674</td>
<td>333</td>
<td>12653</td>
</tr>
</tbody>
</table>

Note: Table header abbreviations: Min – Minimum; Max – Maximum; Avg - Average

4. **Data Analysis**

Based on 216 records on causal effects extracted through our systematic review we first, carried out a descriptive analysis on them. Thereafter, while proceeding with the meta-analysis we looked for conceivable moderating behaviors of e-learning user relationship type and the usability concern.

4.1. **Analysis on path coefficients**

With respect to the analyzed records, we summarized the statistics of path coefficients which will be
present in Table 03 of this article. Following pillars has been generated to build this summery; Independent variable (Independent), dependent variable (Dependent), in reviewed studies number of incidences of analyzing this relationship (n), how many of them are significantly positive (nSig+), how many of them are non-significant positive (nNSig+), how many of them are significantly negative (nSig-), how many of them are non-significant negative (nNSig-), maximum significant positive coefficient size (Sig+Max), minimum significant positive coefficientsize (Sig+Min), significant positive average of coefficient sizes (Sig+Avg), maximum significant negative coefficientsize (Sig-Max), then the minimum significant negative coefficientsize (Sig-Min). This table was formulated with the intension of extracting the average path coefficient sizes to visualize the theoretical model of ISSM with respect to the calculated data. This intention resulted the Figure 01 of this paper.

Figure 01 model represent the summery of ISSM correlations discussed in e-learning satisfaction literature. The close observation of this model depicts two different types of relationships namely; the links formerly proposed by ISSM, and additional links introduced by existing e-learning satisfaction studies. In this model, path coefficient sizes represent three values, such as, Max, Min and Avg. Max is the maximum path coefficient estimated by a study, Min is the minimum coefficient size estimated by a study and Avg is the average of path coefficient sizes found on e-learning satisfaction studies. Majority of e-learning satisfaction studies that we have reviewed mostly sanction the correlations originated by ISSM model. Therefore, we believe that ISSM provides a strong ground for investigating the factors which makes an influence on the satisfaction of e-learning users.
Table 03 ISSM correlations identified in existing e-learning satisfaction studies

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent</th>
<th>n</th>
<th>nSig+</th>
<th>nSig-</th>
<th>nNSig+</th>
<th>nNSig-</th>
<th>Sig+Max</th>
<th>Sig+Min</th>
<th>Sig+Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISSM Original paths</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SQ</td>
<td>USE</td>
<td>13</td>
<td>10</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>0.75</td>
<td>0.09</td>
<td>0.29</td>
</tr>
<tr>
<td>SQ</td>
<td>CIU</td>
<td>8</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.28</td>
<td>0.11</td>
<td>0.19</td>
</tr>
<tr>
<td>IQ</td>
<td>USE</td>
<td>11</td>
<td>10</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0.69</td>
<td>0.21</td>
<td>0.37</td>
</tr>
<tr>
<td>IQ</td>
<td>CIU</td>
<td>5</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.39</td>
<td>0.13</td>
<td>0.24</td>
</tr>
<tr>
<td>SVSQ</td>
<td>USE</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0.31</td>
<td>0.10</td>
<td>0.19</td>
</tr>
<tr>
<td>SVSQ</td>
<td>CIU</td>
<td>5</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0.30</td>
<td>0.17</td>
<td>0.24</td>
</tr>
<tr>
<td>SQ</td>
<td>SAT</td>
<td>28</td>
<td>24</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0.76</td>
<td>0.12</td>
<td>0.32</td>
</tr>
<tr>
<td>IQ</td>
<td>SAT</td>
<td>24</td>
<td>20</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>0.91</td>
<td>0.19</td>
<td>0.37</td>
</tr>
<tr>
<td>SVSQ</td>
<td>SAT</td>
<td>12</td>
<td>7</td>
<td>0</td>
<td>4</td>
<td>1</td>
<td>0.65</td>
<td>0.20</td>
<td>0.40</td>
</tr>
<tr>
<td>USE</td>
<td>SAT</td>
<td>9</td>
<td>8</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0.90</td>
<td>0.07</td>
<td>0.33</td>
</tr>
<tr>
<td>SAT</td>
<td>USE</td>
<td>10</td>
<td>9</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0.52</td>
<td>0.18</td>
<td>0.33</td>
</tr>
<tr>
<td>SAT</td>
<td>CIU</td>
<td>18</td>
<td>17</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0.86</td>
<td>0.22</td>
<td>0.53</td>
</tr>
<tr>
<td>SAT</td>
<td>NB</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.69</td>
<td>0.22</td>
<td>0.53</td>
</tr>
<tr>
<td>CIU</td>
<td>USE</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.85</td>
<td>0.22</td>
<td>0.48</td>
</tr>
<tr>
<td>USE</td>
<td>CIU</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.64</td>
<td>0.22</td>
<td>0.43</td>
</tr>
<tr>
<td>USE</td>
<td>NB</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0.17</td>
<td>0.17</td>
<td>0.17</td>
</tr>
<tr>
<td>NB</td>
<td>CIU</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.15</td>
<td>0.15</td>
<td>0.15</td>
</tr>
</tbody>
</table>

Other causal links assessed by satisfaction literature

| EQ                    | USE       | 2  | 1     | 0     | 1      | 0      | 0.27   | 0.27   | 0.27   |
| EQ                    | SAT       | 2  | 2     | 0     | 0      | 0      | 0.24   | 0.17   | 0.20   |
| IQ                    | PU        | 5  | 5     | 0     | 0      | 0      | 0.34   | 0.06   | 0.26   |
| PU                    | SAT       | 3  | 2     | 0     | 1      | 0      | 0.38   | 0.33   | 0.35   |
| PU                    | CIU       | 2  | 2     | 0     | 0      | 0      | 0.45   | 0.10   | 0.27   |
| SQ                    | PU        | 5  | 3     | 0     | 2      | 0      | 0.91   | 0.30   | 0.55   |
| SE                    | SAT       | 2  | 1     | 0     | 1      | 0      | 0.20   | 0.20   | 0.20   |
| SE                    | USE       | 2  | 2     | 0     | 0      | 0      | 0.48   | 0.15   | 0.31   |
| USE                   | ELOC      | 1  | 1     | 0     | 0      | 0      | 0.12   | 0.12   | 0.12   |
| SAT                   | ELOC      | 1  | 1     | 0     | 0      | 0      | 0.85   | 0.85   | 0.85   |
| PEOU                  | SAT       | 1  | 1     | 0     | 0      | 0      | 0.38   | 0.38   | 0.38   |
| SQ                    | PEOU      | 2  | 2     | 0     | 0      | 0      | 0.62   | 0.51   | 0.56   |
| IQ                    | PEOU      | 1  | 1     | 0     | 0      | 0      | 0.21   | 0.21   | 0.21   |
| PEOU                  | CIU       | 1  | 0     | 0     | 1      | -      | -      | -      |
| SVSQ                  | PEOU      | 1  | 0     | 0     | 1      | -      | -      | -      |
| USABILITY             | SQ        | 1  | 1     | 0     | 0      | 0      | 0.22   | 0.22   | 0.22   |
| EFFICIENCY            | SQ        | 1  | 1     | 0     | 0      | 0      | 0.19   | 0.19   | 0.19   |
| RELIABILITY           | SQ        | 1  | 1     | 0     | 0      | 0      | 0.37   | 0.37   | 0.37   |

Note: Table header abbreviations: number of studies(n), significant positive (nSig+), significant negative (nSig-), non-significant positive (nNSig+), non-significant negative (nNSig-), significant maximum (Sig+Max), significant minimum (Sig+Min), significant average (Sig+Avg).

Variables in the sequence of appearance: system quality (SQ), information quality (IQ), service quality (SVSQ), usage (USE), satisfaction (SAT), continuous intention of using (CIU), net benefits(NB), education quality (EQ), perceived usefulness (PU), self-efficacy(SE), perceived ease of use (PEOU).
During our review, we realized that some of the studies researched on some other external variables and these factors tend to make a significant influence on the satisfaction of the user. Table 03 illustrates the other factors which were assessed by e-learning satisfaction studies. Table 04 summarizes the coefficients sizes of the correlations of ISSM. The path coefficients which are strong according to the summary are; IQ – USE, IQ – CIU, SVSQ – CIU, SQ – SAT, IQ – SAT, SVSQ – SAT, SAT – USE, and SAT – NB along with comparatively large mean values and rather less standard deviations. SQ on CIU and SVSQ on USE has the weakest influence along with a mean value of 0.19. USE – NB, NB – CIU, USE – CIU and CIU – USE were excluded for further analysis as there were less than five e-learning satisfaction studies.

**Table 04 Summary of coefficient sizes on ISSM correlations**

<table>
<thead>
<tr>
<th></th>
<th>SQ - USE</th>
<th>IQ - USE</th>
<th>SVSQ - USE</th>
<th>SQ - CIU</th>
<th>IQ - CIU</th>
<th>SVSQ - CIU</th>
<th>SQ - SAT</th>
<th>IQ - SAT</th>
<th>SVSQ - SAT</th>
<th>USE - SAT</th>
<th>SAT - USE</th>
<th>SAT - CIU</th>
<th>SAT - NB</th>
</tr>
</thead>
<tbody>
<tr>
<td>NoS</td>
<td>10</td>
<td>10</td>
<td>05</td>
<td>08</td>
<td>05</td>
<td>24</td>
<td>20</td>
<td>07</td>
<td>08</td>
<td>08</td>
<td>09</td>
<td>17</td>
<td>06</td>
</tr>
<tr>
<td>CSS</td>
<td>3783</td>
<td>3808</td>
<td>1328</td>
<td>2745</td>
<td>1578</td>
<td>1607</td>
<td>8690</td>
<td>7276</td>
<td>3116</td>
<td>3355</td>
<td>3289</td>
<td>5794</td>
<td>1534</td>
</tr>
<tr>
<td>Mean</td>
<td>0.29</td>
<td>0.37</td>
<td>0.19</td>
<td>0.19</td>
<td>0.24</td>
<td>0.24</td>
<td>0.40</td>
<td>0.37</td>
<td>0.40</td>
<td>0.33</td>
<td>0.33</td>
<td>0.53</td>
<td>0.53</td>
</tr>
<tr>
<td>Median</td>
<td>0.22</td>
<td>0.35</td>
<td>0.17</td>
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<td>0.39</td>
<td>0.30</td>
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<td>0.90</td>
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Table vertical header abbreviations: number of studies (NoS), cumulative sample size (CSS), standard deviation (St - Div), minimum (Min), maximum (Max)

Variables: system quality (SQ), information quality (IQ), service quality (SVSQ), usage (USE),

Note

**Figure 1** Summarized model of ISSM causal pathways

Original ISSM causal paths

Additional paths found
4.2. Identification of moderating factors

The foremost literature of e-learning reveals that SSI and SII are more obvious user relationships types and most of e-learning research are done on these two relationships (Baturay, 2011; Goh, Leong, Kasmin, Hii, & Tan, 2017; Paechter, Maier, & Macher, 2010). At the same time several studies in the domain of e-learning emphasize, on the interaction between student and the content of e-learning system (Bao, Xiong, Hu, & Kibelloh, 2013; Bernard et al., 2009; Shyu & Chou, 2008; Wang, 2017). According to King and He (2006) and Šumak, Heričko, and Pušnik (2011), along with the other relationship types, employee category too is counted as an e-learning user relationship as employees use e-learning systems within their working context. Therefore, we consider that, experience of the user plays a valuable role to be satisfied with the system that they use.

In addition, all the studies in our systematic review investigated on the users who use e-learning systems. In their investigation we observed that these studies are indirectly interested in discussing the usability factors of the e-learning system that users were using. According to Hollender, Hofmann, Deneke, and Schmitz (2010) the concept of usability invented by Neilson is the quality criteria that can be used to assess an IS content interfaces. Usability has different attributes such as; learnability, memorability, efficiency, error prevention and subjective satisfaction.

During our investigation we realized that majority of studies has been discussed on three attributes namely; learnability – how fast can a user learn to accomplish a task, efficiency – how fast an experienced user can complete a task and subjective satisfaction – how much does the user like to use the system based on the content of their system. With this identification, we desired to examine whether the effect size depends on the usability attributes achieved through the e-learning system. In that terms we assumed that the type of the user relationship and the type of the usability attribute as moderator variables for this study.

4.3. e-learning user relationship type

The outcomes of the analysis made on the thirteen causal links for SSI, SII and employee are given in Table 05. SQ – SAT, IQ – SAT, SAT – CIU and SAT-NB correlations were found for all relationship types and SQ – USE, IQ – USE, SVSQ – USE, USE – SAT and SAT – USE correlations were found only on SSI and employee. But, SQ – CIU, IQ – CIU, SVSQ – CIU and SVSQ – SAT correlations were found only on SSI. It is obvious that the mean value of IQ – USE correlation for SSI and employees are close to each other. At the same time the path coefficient mean values for SQ – SAT was close to each other for SSI and SII while the mean value for the same was little bit lower for employees. It is noticeable that SQ and SAT makes a considerable influence on the USE for SSI comparatively to employees. Due to no sufficient number of studies which analyzed this correlation for SII, a comparison could not have made with SII. But, our comparison reveals that path coefficient sizes for the influence made by SAT on CIU and NB are comparatively larger for SII than SSI and employees.
Table 05 Summary of coefficient size ($\beta$) by e-learning user relationship type

<table>
<thead>
<tr>
<th></th>
<th>SQ - USE</th>
<th>IQ - USE</th>
<th>SVSQ - USE</th>
<th>SQ - CIU</th>
<th>IQ - CIU</th>
<th>SVSQ - CIU</th>
<th>SQ - SAT</th>
<th>IQ - SAT</th>
<th>SVSQ - SAT</th>
<th>USE - SAT</th>
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Note: Table vertical header abbreviations: number of studies (NoS), cumulative sample size (CSS), standard deviation (St - Div), minimum (Min), maximum (Max), student - student interaction (SSI), student- instructor interaction (SII), employee (Emp)
Variables: system quality (SQ), information quality (IQ), service quality (SVSQ), usage (USE), satisfaction (SAT), continuous intention of using (CIU), net benefits (NB)

4.4. Usability Attribute Type
After the coefficient size comparison of user relationship type, the coefficient sizes of usability attribute types were taken for comparison. The analysis regarding the 13 causal relationships with respect to the usability attributes discussed in studies are presented in Table 06. With regards to the correlations, the mean values were different to one another except SVSQ-USE, IQ-CIU, SQ-SAT and SAT-NB. Their mean values were close to each other. But, while in SQ-USE, USE-SAT and SAT-USE mean values were higher for subjective satisfaction, in SQ-CIU and SVSQ-CIU mean values were higher for learnability with respect to other usability attributes in that correlation.
Table 06 Summary of coefficient size (β) by usability attribute type

<table>
<thead>
<tr>
<th></th>
<th>SQ - USE</th>
<th>IQ - USE</th>
<th>SVSQ - USE</th>
<th>SQ - CIU</th>
<th>IQ - CIU</th>
<th>SVSQ - CIU</th>
<th>SQ - SAT</th>
<th>IQ - SAT</th>
<th>SVSQ - SAT</th>
<th>USE - SAT</th>
<th>SAT - USE</th>
<th>SAT - CIU</th>
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<td>5</td>
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Note: Table vertical header abbreviations: number of studies (NoS), cumulative sample size (CSS), standard deviation (St - Div), minimum (Min), maximum (Max)

Variables: system quality (SQ), information quality (IQ), service quality (SVSQ), usage (USE), satisfaction (SAT), continuous intention of using (CIU), net benefits (NB)

4.5. Meta-analysis performed on ISSM causal links

According to ISSM correlations in Table 04, the meta-analysis was conducted. This analysis was based on different independent studies. Therefore, this meta-analysis was performed based on random effect. The reason behind to conduct this study on random effect basis because, we assume the different independent studies contain different effect sizes to one another. To validate the random effect basis use, we assessed the heterogeneity test Q and I². According to Huedo, Meca, Martinez, and Botella (2006), the Cochran’s Q test makes a strong ground to identify a meaningful heterogeneity between studies analyzed within a meta-analysis. I² is possible to take as the percentage (%) of overall variability within effect sizes based on real heterogeneity. Basically, I² represent the degree of true heterogeneity (Huedo et al., 2006). The estimation of path coefficient effect sizes along with the results of heterogeneity test are presented in Table 07 as a summary.

With respect to all path coefficients, Q estimations were significant. This proves that the null hypothesis on homogeneity is rejected. It is interesting to acquire difference among studies because it designates that each intervention might not be workable equal way all the time. The investigation of these differences will bring a better understanding about the factors which influence the intervention. As per Higgins and
Thompson (2002) classification and according to $I^2$ value, it is found a higher heterogeneity for number of correlations. But, in SQ – CIU, SVSQ – CIU, SVSQ – USE, IQ – CIU, SAT – USE and SAT – NB resulted lower heterogeneity Q. Even though they resulted with lower Q values, except SQ – CIU and SVSQ – CIU all other causal links resulted with high $I^2$ which indicates a considerable variance of studies. In that terms, the results indicate that basis of random effect is an acceptable method for meta-analysis.

Table 07  The estimation of path coefficient effect sizes along with the results of heterogeneity test

<table>
<thead>
<tr>
<th>NoS</th>
<th>Total Sample Size</th>
<th>Hedges’ g</th>
<th>Standard error</th>
<th>Variance</th>
<th>95% Lower Limit</th>
<th>95% Upper Limit</th>
<th>Z</th>
<th>P (effect size)</th>
<th>Heterogeneity test (Q)</th>
<th>df (Q)</th>
<th>P (heterogeneity)</th>
<th>I² (%)</th>
</tr>
</thead>
<tbody>
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<td>10</td>
<td>3783</td>
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<td>226.084</td>
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<td>96.019</td>
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<td>7.110</td>
<td>0.000</td>
<td>94.466</td>
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<td>94.073</td>
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<td>0.161</td>
<td>0.610</td>
<td>3.361</td>
<td>0.000</td>
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<td>0.013</td>
<td>90.473</td>
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<td>0.485</td>
<td>5.468</td>
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<td>0.760</td>
<td>9.565</td>
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<td>0.581</td>
<td>0.659</td>
<td>7.874</td>
<td>0.000</td>
<td>105.137</td>
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<td>0.000</td>
<td>109.129</td>
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</tr>
</tbody>
</table>

Note: Variables: system quality (SQ), information quality (IQ), service quality (SVSQ), usage (USE), satisfaction (SAT), continuous intention of using (CIU), net benefits (NB)

In accordance with the investigation on moderator, we grouped our studies as per the e-learning user relationship type. The combined effect sizes (Hedges’ g) for all 13 causal links for three user relationship types are summarized in Table 08. They are represented along with the confidence intervals (CI), Z and p values. It is clear that for SAT – NB, SAT – CIU and USE – SAT the effect sizes are considerably higher for SSI; for IQ – SAT and SAT – NB the effect sizes are considerably higher for employees and for SAT – NB & SAT – CIU effect sizes are higher for SII. In that observation, satisfaction makes a higher influence on the perceived net benefits of all three types of user relationship categories. It was apparent that satisfaction makes a higher influence on continuance intention of using the e-learning systems for both SSI and SII. For employees, the content information quality of the e-learning systems makes a higher influence on their e-learning satisfaction.
### Table 08 Summary of effect sizes of moderator variable – user relationship type

<table>
<thead>
<tr>
<th>Variable Used</th>
<th>NoS</th>
<th>Hedges’ g</th>
<th>Standard error</th>
<th>Variance</th>
<th>95% Conf. Int.</th>
<th>Z</th>
<th>p</th>
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<td></td>
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<tr>
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<td></td>
<td></td>
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<td>Upper</td>
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<tr>
<td>SQ – USE</td>
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<td></td>
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<tr>
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<td>0.065</td>
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<td>1.334</td>
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<td>0.846</td>
<td>0.132</td>
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<td>0.004</td>
<td>0.515</td>
<td>0.762</td>
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</tr>
<tr>
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<td>0.686</td>
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</tr>
<tr>
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<td>0.009</td>
<td>0.232</td>
<td>0.610</td>
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<tr>
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<td>0.425</td>
<td>0.091</td>
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<td>2.100</td>
</tr>
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<td></td>
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</tr>
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<td>0.180</td>
<td>0.032</td>
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<td>1.281</td>
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<td>0.643</td>
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<td>SSI</td>
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<td>1.866</td>
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<td>1.527</td>
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</table>

Note: student student interaction (SSI), student instructor interaction (SII), Variables: system quality (SQ), information quality (IQ), service quality (SVSQ), usage (USE), satisfaction (SAT), continuous intention of using (CIU), net benefits (NB)

Thereafter, we clustered the studies as per the found usability attributes from studies taken for our meta-analysis namely; subjective satisfaction, learnability and efficiency. As per Table 09 most of the effect sizes are close to each other for all three usability attributes within each causal link. But, there were exceptional situations that we observed with respect to the usability attributes discussed upon the
particulare-learning system. Our observation reveals, satisfaction has a greater influence on continuanceintention of using thee-learning system and its net benefits where it reflect on all three usability attributes of that e-learning system.

<p>| Table 09 Summary of effect sizes of moderator variable – usability attribute type |
|---|---|---|---|---|---|---|</p>
<table>
<thead>
<tr>
<th>NoS</th>
<th>Hedges’ g</th>
<th>Standard error</th>
<th>Variance</th>
<th>95% Conf. Inter.</th>
<th>Z</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>SQ - USE</td>
<td>Satisfaction 5</td>
<td>1.272</td>
<td>0.426</td>
<td>0.181</td>
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<td>0.004</td>
<td>0.141</td>
<td>0.401</td>
<td>4.074</td>
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<td>0.008</td>
<td>0.273</td>
<td>0.625</td>
<td>4.999</td>
</tr>
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<td>IQ – USE</td>
<td>Satisfaction 4</td>
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<td>0.068</td>
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<td>1.351</td>
</tr>
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<td>0.245</td>
<td>1.103</td>
<td>3.081</td>
</tr>
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<td>Satisfaction 3</td>
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<td>0.025</td>
<td>0.039</td>
<td>0.657</td>
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<td>-0.011</td>
<td>0.858</td>
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<td>Satisfaction 6</td>
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<tr>
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<td>0.250</td>
<td>0.671</td>
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<td>0.366</td>
<td>0.888</td>
<td>4.715</td>
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<td>Satisfaction 15</td>
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<td>0.126</td>
<td>0.016</td>
<td>0.526</td>
<td>1.019</td>
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<td>Efficiency 6</td>
<td>0.669</td>
<td>0.082</td>
<td>0.007</td>
<td>0.508</td>
<td>0.830</td>
<td>8.134</td>
</tr>
<tr>
<td>IQ – SAT</td>
<td>Satisfaction 12</td>
<td>0.733</td>
<td>0.127</td>
<td>0.016</td>
<td>0.484</td>
<td>0.981</td>
</tr>
<tr>
<td>Learnability 7</td>
<td>1.439</td>
<td>0.363</td>
<td>0.132</td>
<td>0.727</td>
<td>2.152</td>
<td>3.960</td>
</tr>
<tr>
<td>Efficiency 4</td>
<td>0.651</td>
<td>0.154</td>
<td>0.024</td>
<td>0.350</td>
<td>0.952</td>
<td>4.238</td>
</tr>
<tr>
<td>SVSQ – SAT</td>
<td>Satisfaction 8</td>
<td>1.065</td>
<td>0.301</td>
<td>0.090</td>
<td>0.476</td>
<td>1.654</td>
</tr>
<tr>
<td>Learnability 3</td>
<td>0.748</td>
<td>0.175</td>
<td>0.031</td>
<td>0.405</td>
<td>1.092</td>
<td>4.266</td>
</tr>
<tr>
<td>USE-SAT</td>
<td>Satisfaction 2</td>
<td>2.553</td>
<td>1.556</td>
<td>2.423</td>
<td>-0.497</td>
<td>5.604</td>
</tr>
<tr>
<td>Learnability 2</td>
<td>0.537</td>
<td>0.082</td>
<td>0.007</td>
<td>0.376</td>
<td>0.698</td>
<td>6.523</td>
</tr>
<tr>
<td>Efficiency 5</td>
<td>0.415</td>
<td>0.177</td>
<td>0.031</td>
<td>0.067</td>
<td>0.762</td>
<td>2.338</td>
</tr>
<tr>
<td>SAT-USE</td>
<td>Satisfaction 4</td>
<td>0.931</td>
<td>0.168</td>
<td>0.028</td>
<td>0.603</td>
<td>1.260</td>
</tr>
<tr>
<td>Learnability 3</td>
<td>0.532</td>
<td>0.059</td>
<td>0.003</td>
<td>0.416</td>
<td>0.648</td>
<td>9.008</td>
</tr>
<tr>
<td>SAT-CIU</td>
<td>Satisfaction 11</td>
<td>1.330</td>
<td>0.171</td>
<td>0.029</td>
<td>0.995</td>
<td>1.664</td>
</tr>
<tr>
<td>Learnability 5</td>
<td>1.362</td>
<td>0.430</td>
<td>0.185</td>
<td>0.519</td>
<td>2.204</td>
<td>3.168</td>
</tr>
<tr>
<td>Efficiency 2</td>
<td>2.303</td>
<td>1.061</td>
<td>1.126</td>
<td>0.223</td>
<td>4.383</td>
<td>2.170</td>
</tr>
<tr>
<td>SAT-NB</td>
<td>Satisfaction 3</td>
<td>1.379</td>
<td>0.485</td>
<td>0.236</td>
<td>0.428</td>
<td>2.330</td>
</tr>
<tr>
<td>Learnability 1</td>
<td>1.304</td>
<td>0.103</td>
<td>0.011</td>
<td>1.101</td>
<td>1.507</td>
<td>12.610</td>
</tr>
<tr>
<td>Efficiency 2</td>
<td>1.327</td>
<td>0.144</td>
<td>0.021</td>
<td>1.045</td>
<td>1.610</td>
<td>9.204</td>
</tr>
</tbody>
</table>

Note: Variables; system quality (SQ), information quality (IQ), service quality (SVSQ), usage (USE), satisfaction (SAT), continuous intention of using (CIU), net benefits(NB)

According to Šumak et al. (2011) and Jo, Dag, and Dyba (2007), we resulted a summary of effect sizes based on the sizes of Hedges’ g values as large (L), Medium(M) and small(S). The interpretation of effect sizes of this study are given in Table 10. This result discloses that the impact of SAT as individual variable on NB and USE are seeming close to each other for the user relationship type and the usability attribute type of the e-learning system. Also SQ, IQ and SVSQ as independent variables on CIU behave in a
similar way for user relationship type and usability attribute type of the e-learning system. But, for other causal links, the effect size of the causal relationship varies on the two moderators. As an example, SQ has a high impact on USE according to the subjective satisfaction of the e-learning system. Similar behaviors can be seen in SVSQ on SAT and USE on SAT, where the moderation of subjective satisfaction of the learning system is high. At the same time, IQ makes a high influence on SAT for employees and learnability of the e-learning system. But, SQ & SVSQ makes a low impact on USE for learnability and subjective satisfaction of the e-learning system respectively.

Table 10 Overall summary of moderator variables effect sizes

<table>
<thead>
<tr>
<th>Relationship type</th>
<th>SQ - USE</th>
<th>IQ - USE</th>
<th>SVSQ - USE</th>
<th>SQ - CIU</th>
<th>IQ - CIU</th>
<th>SVSQ - CIU</th>
<th>SQ - SAT</th>
<th>IQ - SAT</th>
<th>SVSQ - SAT</th>
<th>USE - SAT</th>
<th>SAT - USE</th>
<th>SAT - CIU</th>
<th>SAT - NB</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSI</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>L</td>
<td>M</td>
<td>M</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>SII</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>L</td>
</tr>
<tr>
<td>Employee</td>
<td>M</td>
<td>M</td>
<td>S</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>M</td>
<td>L</td>
<td>/</td>
<td>S</td>
<td>M</td>
<td>M</td>
<td>L</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Usability Attribute type</th>
<th>Satisfaction</th>
<th>Learnability</th>
<th>Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSI</td>
<td>L</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>SII</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Employee</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
</tbody>
</table>

Note: Effect sizes interpretation: large (L), medium(M), small(S), student student interaction (SSI), student instructor interaction (SII), Variables: system quality (SQ), information quality (IQ), service quality (SVSQ), usage (USE), satisfaction (SAT), continuous intention of using (CIU), net benefits(NB)

5. Discussion, Conclusion, Implications & Future Research

The key objective of our study was to identify the causal effect size in ISSM related correlations and then to find out whether there are aspects which may plays a moderating role within these links. We combined number of individual research studies on the satisfaction of e-learning systems and derived an overall conclusion through prevailing knowledge in the domain of e-learning. Our systematic review revealed that ISSM is one of highly used ground theory in e-learning satisfaction research.

We have undertaken a systematic review with respect to the existing foremost literature in the domain of e-learning satisfaction. This review consisted with 37 studies and all of them were published in journals. All these studies were based on a e-learning system and have done quantitative analysis. This lead to set the background for us in order to conduct our data analysis.

As per our descriptive analysis, a model for satisfaction along with the facts on maximum, minimum and average coefficient path sizes in ISSM causal relationships were formulated. According to present e-learning satisfaction studies, ISSM causal relationships are widely supported. Therefore, we can confirm that ISSM provides a better model to assess the satisfaction of e-learning applications. Furthermore, our review dig into set of factors that may influence the key constructs of ISSM. Some of them are appeared in our formulated e-learning satisfaction model.
The meta-analysis that we conducted on causal link coefficient sizes revealed that sizes of satisfaction on net benefits and actual use; system quality, information quality & service quality on continuance intention to use are closer for three different user relationship types and usability attribute types. Satisfaction on net benefits resulted a large effect size and satisfaction on actual use resulted a medium effect size according to our summery presented in Table 10. Based on this, it is possible to conclude that in general, overall satisfaction makes a higher impact on user’s perceived net benefits of using an e-learning system. In the relationship between satisfaction and continuance intention to use, except employees, SSI and SII resulted a higher effect sizes. Overall, SSI resulted large effect sizes in other ISSM correlations. With respect to usability attributes of e-learning system used by users, except system quality, service quality of the e-learning system on its actual use, other causal effect sizes were in the range of medium to large. But, system quality makes a smaller effect on the actual use when the learnability is focused in the e-learning system and service quality makes a lower effect on the actual use when the subjective satisfaction is focused in the e-learning system. Furthermore, related to all usability attributes found on existing studies, overall satisfaction makes a higher impact on the continuous intention of users to use the e-learning system and their perceived net benefits. Based on this discussion, it is obvious, that e-learning system designers should seriously focus the usability attributes of their design to achieve the users’ satisfaction and to encourage them for continuous use.

According to Abuhlfaia and Quincey (2018), N. Thongsri, L Shen, and Y. Bao (2019) & Šumak et al. (2011) usability aspects of the e-learning system may generate an influence on the learner satisfaction. This study results reveal that the e-learning foremost literature discussed the usability aspects of e-learning systems in an indirect manner and our summary of results depicts that there is a tendency of usability aspects to moderate the overall satisfaction of the e-learner. In that terms, instructional designers, e-learning system designers and managers at education domains can lesson, that new implementation of e-learning systems are better to be focused on usability attributes, specifically on subjective satisfaction, learnability and efficiency of the e-learning system.

There are several implications of our findings for managers in the field of education and other professional domain who engage with e-learning. It is noted that SSI is the highest attentive user relationship with respect to e-learning satisfaction, specifically when investigating learners continues intention of using the e-learning system and their perceived net benefits. Particularly, for the managers in other professional domains can lesson from the SSI behavior resulted in e-learning satisfaction research to influence the satisfaction of existing e-learning systems they use and they can focus on these factors when they introduce new e-learning systems to their employees.

Along with the outcomes of our research, it is obvious that ISSM takes lead in e-learning satisfaction foremost literature. Besides, TAM is also has been used by many researchers and meta analysts to investigate the acceptance of the e-learning technologies. Therefore, we would like to suggest that future studies would be better to base on different ground theories other than ISSM and TAM or convergence of...
these two theories. At the same time, the external factors that we have found through our study can be used to analyze various aspects of e-learning satisfaction such as behavioral intention, attitude, culture etc.

As per the methodology of this research, the article scrutiny was stringent with certain criterions. This, we identify as a limitation of our study which drew a margin of 37 for number of articles to be analyzed. Due to our strict policy on filtering the studies in our systematic review, though we lack information particularly on SII with respect to number of aspects in our investigation, we are eager to conduct a research particularly on SII e-learning satisfaction in the future. Also we would like to acquire the attention of e-learning researchers, that while there is occasional attention which has been given for SII and employee interaction, no attention is given at all for SCI in the existing literature of e-learning satisfaction. It is vital to mention that, as there are large number of research done on SSI, the outcomes pertaining to SSI can set a robust background for the investigation of SCI relating to e-learning satisfaction.

6. References


THE NEXUS OF BELT AND ROAD INITIATIVE AND BREXIT: OPPORTUNITIES AND CHALLENGES FOR CHINA AND UK IN THE NEW ERA OF GLOBALIZATION

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ABSTRACT
This article illuminates one of the central concerns of the world economy; the overwhelming economic sovereignty of other nations owing to China’s mighty economic position. Contending the existing research, this study investigates the establishment of a symbiotic relationship between the Belt and Road Initiative (BRI) and Brexit for the socio-economic development of Eurasia. The three-stage review methodology was adopted to summarize and analyze the unfolding of two socio-economic events of recent history with significant geopolitical impacts in the future. The results of the study professes the establishment of the nexus between BRI and Brexit. The study focuses on understanding what opportunities and challenges are most important for Chinese EMNEs while competing both at home and abroad. The findings of this study are important for regulatory bodies and policymakers aiming for FTA with other countries of the world in the new era of globalization. With much debate and confusion about the post-Brexit UK economy and how China’s BRI plays its role, this paper has sought to clarify every possibility in which China can establish a symbiotic relationship with the UK for developing the entire region. The study justifies its contribution by highlighting nine points of complementarity, if efficiently managed, can have a substantial influence on the socio-economic development of not on China and the UK.

KEYWORDS Belt and Road Initiative, Brexit, Symbiotic Relationship

JEL CLASSIFICATION F02; F15; O10

Introduction
The last decade of the 21st century has witnessed some major political and economic changes that will determine future peace and prosperity. Among others, the rise of protectionism as a backlash of globalization is the prominent one. Globalization predominantly resulting in the unequal distribution of economic and political power leveraging certain dominant nations’ competitiveness (X. Chen, 2018) laid the foundation of many policy and philosophical issues, specifically in developing economies (Bhandari,
2013). From 1980’s, globalization has witnessed shifting of production facilities from developed to emerging due to rapid advancements in technology, investors-friendly regulations of liberal trade and investment regimes. Remarkable progress has been made by countries having substantial domestic and inward investment resulting in poverty alleviation and improving the living standards of millions of people. However, global inequality and poverty increase resulting in lagging behind some countries while some, due to investment outflow faced the situation of loss of well-paid industrial jobs (W. Liu, Dunford, & Policy, 2016). Criticizing globalization, (Rodrik, 2011) contented the co-existence of economic globalization with national sovereignty and democratic politics professing the sacrifice of one of the two for bearing the globalization fruits.

As the scholarly debate about globalization in crisis ignites, China’s “Belt and Road Initiative“ not only makes it an emerging leader of globalization (X. Chen, 2018) but its inclusive approach guarantees exploration (W. D. Liu, Dunford, & Gao, 2018). China stresses the strategic global trade and industry corporations addressing issues related to employment, investment, economic and infrastructure development. This approach offshoots from the inclusive domestic development experience of China involving a pursuit for speedy outcomes, self-dependency and engaging economically deprived communities in supping work, services, and goods. This socio-economic model of the handshake between state and market, unlike in the case of neoliberalism, results in win-win outcomes (W. Liu et al., 2016). Thus, China aspires to the development of a new inclusive global stage aimed at benefiting more regions and people through economic globalization.

The industrially developed nations, advocating globalization in the past, have entangled its importance with their shifting political ideologies (X. Chen, 2018). President Trump’s rhetoric of ‘America First’ shows the United States’ intentions of taking a big step back from globalization. Despite negative consequences and recent retreats of America and the West, China has stepped up to the front with its own version of inclusive globalization. In the past two decades, there has been an incredible transformation in emerging economies resulting in the growth of EMNEs. In order to maintain economic growth, China is now encouraging its EMNEs to undertake outward internationalization (Peng, 2012) through outward foreign direct investment (OFDI), by adopting the strategy of international mergers and acquisitions (M&A) in advance economies. Countries around the world, especially in Europe is responding accordingly to recent political and economic changes. Leaving the European Union by UK (Brexit) recently, due to the failure of the EU to address economic issues at the cost of UK sovereignty is expected to have a long-lasting effect. Consequently, the UK will look for some bilateral and multilateral agreements to support its drenching economy. China’s BRI can take this opportunity as a destination for its EMNEs OFDI. However, owing to the stakes of the US and EU member countries, the road to the UK will be full of challenges.

The Belt and Road, since its launch in 2013, started seeking the attention of researchers and scholars to examine its distinctive features and impact on the world. Several studies conducted focusing on BRI’s impact on the Middle East, South East Asia, and Central Asia, however, the impact of such a huge initiative on Europe has revived much less attention (Casarini, 2016). On the other hand, the Brexit will have a significant impact on the economic and trade relations not only between the EU and the UK but other major economic powers. Several studies have been conducted on the effect of Brexit on the United
Kingdom and the European Union (Mui, 2016). However, despite strong economic ties, the post Brexit relations between China and the UK in the BRI perspective have not been sufficiently explored (Q. Kong, 2019). The study, therefore, fills the gap by complementing the existing literature related to the symbiotic relationship between China and the UK in the context of BRI and Brexit.

Thus, the launching of mega projects like Belt and Road Initiative (BRI) aimed at encouraging investment initiatives and developing infrastructure in the new globalization era provide a unique set of challenges and opportunities across Eurasia (Li, 2018). This study, therefore, attempts to contribute to the existing literature by identifying the unique set of challenges faced by emerging multinational enterprises (EMNEs) aiming to internationalize pertaining to the lack of managerial capabilities and technological advancements in the specific context of BRI. Owing to the regionalization and protectionism by developed nations of the world, the study further contributes to the prevailing body of knowledge as it attempts to investigate how China’s BRI can serve as a catalyst in establishing a symbiotic relationship with the UK in the post Brexit scenario.

**History of Belt and Road**

The reunification of the world economy by the end of the cold war is fuelled with many changes, the most prominent among them was globalization. The philosophy behind was the emergence of a new governance system aimed at the erosion of the nation-states’ power to govern their economies (Telò, 2016). As the world is threatened by the globalization backlash, attempts are being made to provide new concept “globalization 2.0” circumventing previous linkages by relying on infrastructure investment as a way of developing trade and financial ties (James, 2017). The world appears to be at the cross-road of opting protectionism and nationalism as a globalism backlash or a transition to a very new kind of globalization sometimes referred to as globalization 2.0. As the US and western power steer away from globalization, China is taking a lead role by propagating its own version of “Inclusive Globalization” with its “Belt and Road Initiative” (X. Chen, 2018).

The Belt and Road (in Chinese, 一带一路 yī dài yī lù or, BRI) project was initiated by President Xi Jinping in 2013, during his visit to South East and Central Asia, proposing the idea namely the ‘21st Century Maritime Silk Road’ and building of a “Silk Road Belt” (Minghao, 2016). In the same year in December at China’s Central Economic Work Conference, BRI explicitly expresses China’s global approach and development. In March 2015, the project was officially announced by the Ministry of Commerce (MC) of China, Ministry of Foreign Affairs (MFA) and, the National Development and Reform Commission (NDRC) with the consent of the State Council, by issuing the future action plan of integrated development of the 21st Century Maritime Silk Road and the Silk Road Economic Belt (W. Liu et al., 2016). The BRI entered a new historical age in May 2017, when the first conference was hosted by Beijing on Belt and Road International Cooperation. The China’s inclusive development initiative was appreciated through the participation of more than 1500 delegates from 70 international bodies and 29 heads of the States, around 100 ministers and foreign delegates from more than 130 countries (W. D. Liu et al., 2018). The platform served the countries to strengthen their cooperation and become a part of ‘open, inclusive and beneficial to all’ globalization. By September 2018, around 130 countries and international organizations have signed a collaboration with China. (Dunford & Liu, 2019).
Aims and Objectives of BRI

The decline of global demand and China’s domestic economic growth requires China to generate growth through the inclusion of its underdeveloped provinces. The BRI also described as, “mercantilist endeavor” (Djankov & Miner, 2016), designed with the aim of utilizing China’s overcapacity in construction materials for boosting Chinese state-owned enterprises’ exports in the new market and recycle their accumulated wealth (Rolland, 2017). The project with this sheer size and ambition, to which a substantial amount of intellectual, diplomatic and financial resources has been dedicated, has the potential of becoming a defining political and economic construct of the current time. Designed for stimulation of economic development through enhancement of regional interconnectivity, the BRI envisions the integration of the world’s biggest landmass over a dense network of “soft” and “hard” infrastructure all linked to China (from telecommunication, transportation, energy infrastructure to political coordination and financial integration). Beijing anticipates the success of the project will transform Eurasia’s political landscape thus strengthening China’s position as a greater regional power (Rolland, 2017). Thus, BRI serves as a catalyst for regional economic growth and connectivity through the reflection of China as an emerging global driver of economic growth and prosperity (W. Liu et al., 2016).

The BRI has several motivations. First, it is critical for the sustainability of the economic drive of China. The global financial crisis of 2007-08 also affected China’s economic growth and the country is driving with domestic reforms as the top priority. The momentum of the economic boom is direly needed as the GDP has dropped below 7 percent. Beijing has not only to provide space to China’s transition model of economic development but also strengthen mutual interest with other nations in the light of slow economic growth. Based on a win-win cooperation model with other nations, it must proactively explore to tap the complementary advantages (Minghao, 2016). Secondly, as a pillar to China’s foreign policy of ‘Go West’, the project not only aims at addressing developmental inequality between underdeveloped western lands and coastal areas but further extending its cooperation to its western neighbors. The BRI has already attracted sub-nation governments and Chinese corporations owing to the golden opportunity of enhancing economic openness. Thirdly, the project is answering to China’s biggest challenge of energy security. By 2030, China’s petroleum imports will reach 75 percent of total requirements if measures for crimping energy consumption are not taken (Brugier, 2014).

Forth, through BRI China may consolidate its status as the promoter of South-South cooperation and the largest developing country. Despite China’s enthusiasm for the promotion of relations with the EU, the United States, and other Western nations, ties with the Global south should be strengthened by adopting a more forward-looking and an elusive approach. By positioning itself as a ‘state in the middle’ between developing and developed nations, China seeks to maximize its strategic space keeping in view the dynamics of the global economic scenario. Lastly, there is a growing concern in China, Western countries and other emerging economies about deteriorating security situation of maritime transportation routes in Eurasia’s inner lands, as a consequence of extremism and terrorism, transcontinental systematized crimes and other non-traditional safety threats. Beijing believes that the endemic cause of radicalization and instability in the countries with global economic deprivation can be addressed through economic cooperation within the context of BRI (Fallon, 2014). This new concept of inclusive globalization emerged in retort to the malpractices of globalization for the last 30 years (W. D. Liu et al., 2018).
Furthermore, this ambitious trade and development project anticipates connecting Chinese MNEs the Middle East, Asian subcontinent, Europe and Africa by land and sea routes (E. Kong, Wei, Swallow, & Thomson, 2019). China’s unprecedented OFDI growth made it the second-largest country after the United States (Y. H. Chen, Xu, & Yi, 2019). Thus, the BRI aims to provide support to EMNEs in responding to the “anti-globalization” movement in the form of enhanced protective measures by the national government (Bremmer, 2014) by providing Chinese version of inclusive globalization or Globalization 2.0.

Challenges Along The Belt and Road

The transformation in emerging economies, in the last three decades, gave the EMNEs the role of global player due to remarkable growth. After learning several organizational and technological expertise by EMNEs from AMNEs during inward internalization, they have opted for some unorthodox means, such as outward foreign direct investment (OFDI), to become critical players in the global market. The Chinese MNEs have been facilitated by the government by offering an attractive incentive program (Peng, 2012). The BRI promotion resulted not only in EMNEs growth and a greater level of globalization but also in discourse about the de-globalization as the probable repercussion of globalization (Cuervo-Cazurra, Mudambi, & Pedersen, 2017; Meyer, 2017). Such backlash has resulted in the weakening of interdependence among different countries thus slowing the MNEs and EMNEs development due to growing restrictions on investment and trade (Witt, 2019). Western economies and the USA adopted protectionism for developing their infant industry and attaining industrial supremacy before advocating free trade, even dictating other nations for unconditionally opening their markets for protecting their interests (Dunford & Liu, 2019). Despite the fact that the Chinese government made it mandatory for foreign investors to partner with Chinese MNEs, they learned far less than they hoped, resulting in adaptation of indigenous innovation strategy (Grimes, Yang, & Policy, 2018). This strategy made the Chinese EMNEs compatible with the AMNEs of USA and Western economies resulting in the US intentions resist its rise by imposing restrictions on the Chinese MNEs (Dunford & Liu, 2019).

This gigantic international trade network is not free form environmental concerns. Many countries of the world are watching how this project will address sustainability-related issues, especially in the
transportation and construction industries. The motorized accountable for 23 percent of worldwide energy-related CO2 emission and extraction of raw material for cement manufacturing in the construction industry are the main concerns for environmentalists (Solmecke, 2017). The MNEs, the main stakeholders of BRI, struggle in the creation of profound sustainability-related changes requiring multinationals giving up profitable and well-tested business practices. These challenges have a significant impact on Chinese MNEs. Since these EMNEs are at infancy, they must develop their weaknesses like inadequate governance system, absence of international experience, the dearth of managerial aptitudes, unavailability of technological strength and brand value (Luo & Tung, 2018). The BRI can convert such challenges into opportunities. Furthermore, the large scale and inclusive nature of this project have certainly much more to offer to AMNEs as well depending up how can it leveraged by AMNEs in their favor.

The BRI, being a mega project required a huge amount of finance. For implementing the BRI strategy, the Chinese government has already developed a 40 billion Silk Road fund (Sarker, Hossin, Yin, & Sarkar, 2018). Other funding institutions including Export-import bank of China, China Investment Corporation, China Development Bank and the State Administration of Foreign Exchange has already allotted funds in 2015 (Table 1).

### Table 1: Fund allocation for BRI project (Sarker et al., 2018)

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Funding Mechanism (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Authorized Capital Size</td>
</tr>
<tr>
<td><strong>Multilateral Development Banks</strong></td>
<td></td>
</tr>
<tr>
<td>Asian Infrastructure Investment Bank</td>
<td>100</td>
</tr>
<tr>
<td>New Development Bank</td>
<td>100</td>
</tr>
<tr>
<td>Silk Road Fund</td>
<td>40</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>Projected US$90 billion annual lending by the “big four” banks in 2016</td>
</tr>
</tbody>
</table>

**Methodology**

This research adopts the review protocol (Jones, 2004; Seuring & Müller, 2008) and discourse analysis, an increasingly popular methodology in organization and management studies (Phillips, Sewell, & Jaynes, 2008). In the first phase, the problem and review protocol was defined, the document were selected applying search criteria and then read and evaluated. As this paper seeks to explore the nexus between BRI and Brexit and how two nations can architect their future symbiotically, a broad collection of data
was a primary requisite. The lack of availability of empirical research about the topic makes exclusive research studies on BRI and Brexit, published documents, reports on official websites and newspaper articles as an obvious choice of the study. Thus, the study adopted an exploratory research approach (Yin, 2017) giving liberty to explore insights into the challenges and opportunities for China’s BRI in the post Brexit scenario. Seven major databases namely ScienceDirect, EBSCO, Taylor & Francis, Emeralds, Web of Science, Sage Premier and Wiley were searched for the related articles. The search terms were Belt and Road Initiative and Brexit with the search limit of “peer-reviewed” articles.

In the second phase, the discourse analysis was applied, which involves having distance from the data, embedding the data in the social, making a political stance explicit, and having a focus on self-reflection as a scholar doing research (Jahedi, Abdullah, & Mukundan, 2014). Thus the study, after review protocol, adopts historical discourse analysis using content analysis (Vine & Meyer, 2004) to summarize and analyze the unfolding of two socio-economic events of recent history with significant geopolitical impacts in the future. Based on the careful section of the articles on the basis of relevance to the research topic, the content of the material was carefully understood. Therefore, the analysis below is based on the review protocol and discourse analysis of the articles, newspapers reports and websites through major databases.

Result Analysis

Brexit: A Window of Opportunity for China’s BRI

The analysis of the literature reveals that the negative consequences of globalization have resulted in regional integration of nation-states such as the European Union and BRIC (X. Chen, 2018). However, countries like the United Kingdom, which have a lucrative history in the world economy did not gain as expected in becoming part of the EU (Somai, 2017). Like Trump’s protectionist movement of America First, UK also decided to leave the EU (Brexit) in order to rejuvenate its lost glory as one of the world’s economic and political power. Several economic and societal reasons support the British choice of Brexit including its highest contribution to the EU budget and receive too few sources form the common funds. The influx of immigrants, the second most important reason, from new member countries has not only negatively affected the average UK wage level, but has also deprived natives of jobs (Conway, 2014). The changing power dynamics in Europe after the reunification of Germany in the 1980s and its strong emergence from the global financial crisis and British political culture which rests on the principles of totalitarianism; totalitarianism in the sense of ruling by decree, also made a significant contribution to Brexit.

The Brexit, like BRI, is destined to face some serious challenges. The EU Cohesion Policy, introduced in 1988, despite the decline of money spend in the UK has exorbitant aftermath on designing and implementing of UK’s regional economic and social development policies (Bachtler & Begg, 2017). As a result of Brexit, the UK is required to negotiate on more than 100 new trade agreements enhancing exporters’ access at the same time providing sustained protection to potentially important but internationally less competitive industries (Rollo, Lydgate, & Wilkinson, 2016). As per the estimate of the London School of Economics, the FDI inflow may decrease by 22% as a result of Brexit in the next decade. However, post-referendum economic growth proved a positive impact on FDI (Kekic, 2017). UK’s real GDP, since the referendum, has shown significant growth as compared to the Eurozone.
Despite such positive signs in the UK economy, the continuity can only be guaranteed through reducing ambiguities by delineating clear post-Brexit regulations.

*The Symbiosis of BRI and Brexit*

After three years of uncertainty and speculations, the deadlock finally broke when on 29th October 2019, the UK parliament vote in favor of the general election in December ("BBC," 2019). This gave the Conservative ruling party and Liberal Democrats a breathing space to work in their own agendas. However, Prime Minister Boris Johnson got re-elected announcing Brexit top priority. Immediately after the election, Prime Minister Boris Johnson was congratulated by world leaders including US President Donald Trump hinting to strike a “massive” new trade deal (Meredith, 2019). Therefore, China must adopt a proactive approach to grab the opportunity of benefiting as the first mover. Although the UK has already responded positively to BRI for the sake of its own benefit, the political and economic analyst believe that the future of BRI is most likely to be associated with the future of Brexit, so China must respond to the UK’s decision of their politico-economic destiny.

*Symbiosis in “New Deal Brexit”*

The Conservatives’ biggest win after 1987, made it clear that the majority of people of the UK are in favor of Brexit. Even if Boris Johnson’s government is successful in securing a winning deal with the EU, the UK will continue to play its role in implementing the Belt and Road Initiative. China and the UK enjoy high complementarity in industrial structure, advocates similar concepts of the open market and have a common wish to promote free trade and expand two-way investment (CBBC, 2016). In the third-country market, the UK and Chinese MNEs are already collaborating with each other in projects related to infrastructure, energy and logistics. For serving projects in third-country markets, the UK talent in manufacturing and technologies is being used as a platform by Chinese MNEs. Furthermore, for operating in a risky and unfamiliar business environment, UK based companies also provide professional services and advice to their Chinese counterparts. The synergic collaboration between the UK and Chinese companies are evident from the prevailing projects along the Belt and Road. Many British firms such as London Metal Exchange, HSBC, British Petroleum (BP), Linklaters and KPMG are providing world-class services and innovative solutions along with the Belt and Road corridors project across Africa and Eurasia.

The aim of this initiative is to bridge the gap between infrastructure funding and the infrastructure needs of developing countries. However, such a huge gap of US$1 trillion per year, mostly from Belt and Road countries, cannot be funded solely by Chinese sources (Oxenford & Subacchi, 2017). For the purpose, “dim sum” bonds are introduced for filling this huge gap through the internalization of the renminbi. London can offer as a natural site for renminbi-denominated financing of the Belt and Road Project. It is a hub to a diverse international group of venture capitalists, offering compliance with international accounting and reporting standards, with the competency of supporting complex project finance instruments.

*Symbiosis in “No-Deal Brexit”*

Finding reveals that if the UK leaves the EU customs union without making any deal,
politico-economic reshuffling will lead to the re-appropriation of strategies of many world economic powers. The EU role, being the largest supplier and the major export market for the UK, cannot be ignored in the UK’s future economy. However, the UK is already in negotiation with several developed and emerging economies for signing 20 new Foreign Trade Agreements. China, holding a natural strategic partner position with the UK enjoys high complementarity in industrial structure advocates similar concepts of the open market and has a common wish to promote free trade and expand two-way investment (CBBC, 2016). China’s new approach to “going out” strategy encourages Chinese EMNEs to opt for OFDI with its belt and road initiative, thereby seeking to implement its development model across the regions.

Analysis of the literature on UK’s Brexit reveals that entering into risky, unfamiliar and challenging business and geographical environments is a scenario that plays well to the expertise of UK firms. As the strong partnership between Chinese and UK firms, playing to their distinctive competencies, is already shining along the Belt and Road South Asian regions, the UK connection as a springboard to international business is providing a win-win condition for the UK and China. On the other hand, Chinese firms with vast experience of building power generation facilities and a modern network of roads, railways, and airports are ready to exploit these opportunities. In such a scenario, Brexit will open up new avenues for BRI as leaving the EU will require the UK to sign around 100 foreign trade agreements. So Chinese EMNEs have the opportunity to capitalize on their strength to develop a symbiotic relationship with AMNEs of the UK. Analysis of studies professes that due to several competitive advantages including English language, light regulations, exceedingly developed capital market, flexible labor markets and a strong rule of law, Brexit will have a negligible impact on the UK.

The weakening of the pound will also boost FDI inflow in addition to the UK’s traditional location advantage. The UK government’s investment-friendly policies including a reduction in the rate of corporate tax and infrastructural investment with the ambition of new trade agreements across the world can leverage the Chinese EMNEs in their quest for outward internationalization in the form of OFDI. Beijing can tackle the financial aspect of the project for addressing the associated insecurities of some nations the internationalization of the renminbi. The UK is the largest exporter of financial services and London is the financial center in Europe, can provide a platform for renminbi-denominated financing of BRI projects. It can provide access to international investors in diverse domains, offers compliance with international reporting and accounting standards, and has the capability of supporting erudite project financing tools. London’s access to international monetary organizations and international companies is more than any other financial center of the world. London has been chosen as a preferred location by many institutions in Asia-Pacific, Middle-East, North American and Europe for issuance of renminbi-denominated bonds. London’s attractiveness to investors has also increased due to its internationally recognized role in arbitration and foreign exchange functions. The loss of European ‘passporting’ rights, as a result of Brexit, triggers London’s offshore expansion to counter any decline in European business.

London, in turn, can also offer various opportunities to Chinese EMNEs in the form of market infrastructure. London’s quality of credit, transparency and accounting standards gives it an edge over onshore markets and Hong Kong. (Oxenford & Subacchi, 2017). The role of “green finance” in the
development of BRI will always be critical. Due to global greenhouse gas emission standards, infrastructure investment is expected to meet strict environmental standards thus making sustainability-oriented infrastructure projects more attractive (Oxenford & Subacchi, 2017). The Chinese government acknowledges the successful financing of the BRI project through ‘green bonds’. London, as a center of ‘green bonds’, can position itself in an advantageous manner. London based Climate Bonds Initiative is the pioneer to offer the first set of standards for ‘green bonds’ in 2014 makes London Stock Exchange with a highly developed offer in the area (Grene, 2015). In 2015, Agriculture Bank of China in London became the first Asian institution to issue RMB-denominated ‘green bonds’. (China, 2015). Thus both countries can develop a win-win situation if such bonds are either secured or provided political risk insurance from host country government.

The most difficult challenge the UK may face in post-Brexit, in addition to trade negotiations, is protection from EU hard play aiming to discourage other member countries from exiting the union (Rollo et al., 2016). In such a situation, the UK will look for ‘No-deal Brexit’ in order to protect its long term strategic interests. China can step up as an option to help the UK to boost its domestic industry as it has the necessary infrastructure and expertise of making domestic growth and development. Beijing expects the Sino-UK trade deal will not only advocates Chinese interests in the West but can serve as a base for Chinese EMNEs aiming for OFDI thereby making the new acquisition and enhancing the global brand value. ("Asia News Monitor," 2019).

Discussion

Due to the complementarity in the Sino-UK dynamics, the economic partnership between the two countries is deepening with time. This complementarity, stemming from the corresponding economic bequest and development strategies of both countries, is affirmed by emerging patterns of mutual trade and investment inflows (Q. Kong, 2019). China is being seen by the rest of the world as an economic powerhouse. Although the UK has no interest in China’s indifference for a unified Europe (Yilmaz & Changming, 2018), yet it cannot overlook its trade with China due to the Brexit associated risks. The reduction in trading cost and boosting of FDI as a result of Sino-UK FTA is yet to be seen enough to compensate for the Brexit associated trade and investment loss in the context of BRI. However, for both China and the UK, a UK-China FTA can potentially be intended to address optimally the strategic needs of both nations.

UK Perspective

In the post Brexit scenario the UK, most likely, would not be a part of the single European market. The availability of options outside the EU would significantly impact the trade negotiations between the two countries. The UK’s decision to find the substitute for Single Common Market in order to reduce its dependency on EU trade, at least partially, is the need of the time. The UK-China FTA would open China’s doors, as the world’s most populous country, for UK firms providing education and financial services and technologically advanced products. China, being the world leader in manufacturing with reliable and low-cost labor-intensive products can attract UK consumers thus sustaining their living standards at much lower costs. The UK is primed to be the beneficiary of China’s ambition to open its capital account.
As more and more countries are adding to China’s ever-expanding FTA network, the UK would find itself in the worst scenario if misses an opportunity to become a partner with such a huge trading superpower. Such a partnership can be instrumental in the liberalization of the Chinese market by removing prevailing barriers (tariff and non-tariff) to the trade of goods, the liberalization of investment flows; and trade liberalization in services between the UK and China. Based on the past empirical data about the outbound investment, UK’s export of goods to China and the UK’s loin’s share in China’s foreign trade and investment, there is a huge potential for investment flow and export of good (Q. Kong, 2019). The UK has always promoted liberalism and such FTA would face less political resistance as there is no widespread sentiment opposing free trade as evident from Conservative Party win in the recent elections. Among the prominent European powers, the UK has always been the advocator of free trade with China based on its liberalism conviction. The UK’s restriction on Chinese EMNEs through political means can be rarely seen in the past (Adams, 2015). In a nutshell, the UK is in need of an economic partner as it is ready to leave the EU at the start of 2020. A symbiotic partnership through FTA can help in tackling the challenges associated with Brexit. Such an arrangement between China and the UK can play a vital role in the institutionalization of complementary economic and trade relations.

**Chinese Perspective**

Although the UK may lose its economic importance outside the Single Common Market or without closer trade relations with the EU, the Sino-UK partnership could still be customized to the economic needs of China. Furthermore, there is no potential threat in the near future to the UK’s position in the international financial market despite the fact that outside the EU it will be middle size economy. The well-established education system would also attract the Chinese higher education sector. A free trade agreement with the UK will provide a platform to China for flexing its economic muscles, along with its political will and aptitude for setting trade agenda globally. Furthermore, an FTA for China with the UK would have significant global effects hence paving the way for engagement in a wholesale strategy thus helping the government in implementing reforms. President Xi Jinping show continued commitment to the liberalization of the Chinese market for trade and investment. China, a country on the road to embrace FTA strategy, can have the UK as a natural destiny.

The economic penetration of China into the European market may meet populist backlash. There are mounting concerns in western nations that China’s BRI aims to tackle its industrial overproduction through a policy of dumping and offering good lower than production cost thereby bringing the entire European industry to its knees. It would be unmanageable for Brussels to compete against prejudiced export practices with counterpoise tariffs if China is designated as a market economy by Europe. Anticipating their vulnerability, the European manufacturing sector is mounting pressure on EU member states against granting market economy status to China. This would make really difficult for Chinese EMNEs to penetrate the European market. In such a mixed situation of hopes and fears, China can take advantage of the UK’s desire to promote relations with China for the purpose of reducing dependency on the EU. The Chinese telecom giant Huawei has been cautiously given node by the UK government for its 5G network but also for EMNEs looking for the UK as a potential destiny for their OFDI ventures. This can be a strong symbiotic relationship. China will offer its telecommunication expertise to bring 5G
revolution in the UK aiming to attract more business after Brexit. In return, the UK will help the Chinese EMNEs by providing manufacturing, technical and financial services for enhancing their international competitiveness. Thus, an economic arrangement with the UK (see table 2), one of the major economic and political power in Europe, would not only give a message of China’s intention of economic cooperation, not a competition but would also serve as an economic base-camp for China to trade with the rest of Europe.

Table 2: Summary of the Nexus of BRI and Brexi

<table>
<thead>
<tr>
<th>Complementarity</th>
<th>Chinese Perspective</th>
<th>UK Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dim Sum Bonds</td>
<td>Helps to fill the gap between infrastructure needs and funding through internationalization of Renminbi and also making it an currency for international transaction</td>
<td>London by offering compliance with international accounting and reporting standards with competency of supporting complex project finance instruments can attract diverse group of venture capitalists.</td>
</tr>
<tr>
<td>Going-Out Strategy</td>
<td>Chinese EMNEs opting for OFDI can take help from UK firms, in post Brexit collaboration, having expertise of entering into risky, unfamiliar and challenging business for applying springboard strategy</td>
<td>UK can adopt the indigenous development collaborating and leaning from the vast experience of Chinese firms in the field of power generation and the development of network of roads, railways and airports</td>
</tr>
<tr>
<td>Currency Depreciation and Corporate Tax Reduction</td>
<td>The EMNEs aiming for OFDI finds a level playing field being incentivized through currency depreciation and corporate tax reduction.</td>
<td>Attract more investment thereby increasing the foreign direct investment</td>
</tr>
<tr>
<td>Internalization of Renminbi</td>
<td>London being the financial center in Europe can address in financial insecurities by providing a platform for renminbi-denominated financing of BRI projects. Its attractiveness as internationally recognized body for arbitration and foreign exchange functions can be capitalized by Chinese EMNEs for offshore mergers and acquisitions</td>
<td>London, in turn, can also offer various opportunities to Chinese EMNEs in the form of market infrastructure. London’s quality of credit, transparency and accounting standards gives it an edge over onshore markets and Hong Kong</td>
</tr>
<tr>
<td>Green Finance</td>
<td>Beijing recognize the role of green finance in the success of OFDI</td>
<td>London based Climate Bonds Initiative being the pioneer to offer</td>
</tr>
<tr>
<td>Source</td>
<td>Description</td>
<td>Impact</td>
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<tr>
<td>--------</td>
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<tr>
<td>ventures of EMNEs in BRI project due to global CO2 emission standards</td>
<td>the first set of standards for ‘green bonds’ in 2014 makes London Stock Exchange with highly developed offer in the area an attractive destination for investors</td>
<td></td>
</tr>
<tr>
<td>No deal Brexit</td>
<td>UK’s “no deal Brexit” strategy aiming protection against EU hard play can pave the way for Chinese EMNEs aiming OFDI thereby making new acquisition and enhancing global brand value</td>
<td>Chinese EMNEs selection of UK as an OFDI destination can place UK in a strong bargaining position while negotiating with EU by providing an option in case of “no deal Brexit”</td>
</tr>
<tr>
<td>Free Trade Deal</td>
<td>An economic partnership between two countries can would result in UK firms providing services (education and financial services) and technologically advanced products. Such partnership could be instrumental in the liberalization of the Chinese market by removing prevailing barriers</td>
<td>China bring the world leader in manufacturing, would offer reliable and low cost labor intensive products of China thereby attracting UK consumers and sustaining their living standards at much lower costs. Based on the past empirical data about the outbound investment and UK’s export of goods to China and UK’s loin’s share in China’s foreign trade and investment, there is huge potential of investment flow and export of good</td>
</tr>
<tr>
<td>Market Economy Status</td>
<td>An economic arrangement with UK, one of the major economic and political power in Europe, would not only give a message of China’s intention of economic cooperation not competition but would also service as an economic base-camp for China to trading with rest of Europe</td>
<td>A symbiotic partnership through FTA can help in tackling the challenges associate with Brexit. Such arrangement between in China and UK can play a vital role in the institutionalization of complementary economic and trade relations.</td>
</tr>
<tr>
<td>High speed internet</td>
<td>China is already facing tough resistance from US over granting 5G licensing. By providing expertise to UK telecom companies delivering free internet in the country, China can prove itself as a rightful claimer of 5G</td>
<td>Providing free broadband to every house and business across the country utilizing Chinese expertise, UK can become preferred destination for foreign investors which are willing to work in tech businesses.</td>
</tr>
</tbody>
</table>
Conclusion

This paper explores the Sino-UK symbiotic trade relationship in the light of BRI and Brexit. We find nine complementarity areas where both countries can provide leverage to each other in this major politico-economic transition. By giving market economy status to China, UK has positioned itself to welcome RMB in the city of London and be the first mover to join the Asian Infrastructure Investment Bank. Nevertheless, this does not mean that the trade negotiations between the two countries would be easy. China has shown its willingness to deepen bilateral ties through an open attitude with the UK government on China-UK FTA. The UK, outside the EU customs union, would be better positioned to deal with any non-EU country such as China. As the UK is preparing to sign FTAs with other countries in anticipation of Brexit, China is flexing its muscles to counter Donald Trump’s America first strategy by speeding up trade agreements with Europe. Beijing’s faith in the UK’s economy is demonstrated by multibillion-dollar investment. All UK need is an exhaustive response to China’s initiative, focusing not only on trade and economy but also on political, financial and cultural interaction. Thus, the bilateral arrangement between the UK and China can provide a window of opportunity for BRI implementation in true spirit. The Belt and Road Initiative, if managed effectively, can be a source of development and prosperity for the entire Eurasian region. Our study contributes to the existing literature by identifying the challenges faced by emerging multinational enterprises (EMNEs) aiming for OFDI pertaining to the lack of managerial capabilities and technological advancements in the specific context of BRI. The limitation of the length of paper and time has left some space for improvement. For instance, this research has taken earlier work of scholars for exploring the nexus of BRI and Brexit. Thus, a qualitative study in the future can further enrich our understanding. Future research can also take into consideration how BRI can support the UK’s small and medium-sized enterprises, especially in technology-oriented sectors.

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EMPLOYEE ENGAGEMENT-PERFORMANCE RELATIONSHIP THROUGH INNOVATIVE WORK BEHAVIOUR AND INTENTION TO STAY

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ABSTRACT
Engaged employees tend to show more innovative behaviour towards the completion of their tasks which results in their better performance. One of the toughest challenges faced by the HR managers is to ensure that their workforce is engaged. Highly engaged employees also tend to show high levels of intentions to stay with the organisation. Employee engagement being an individual level construct must first impact on behavioural outcomes like Innovative work Behaviour and Intentions to stay. This study is an attempt to establish a conceptual relationship between employee engagement and employee performance through its impacts on innovative Work Behaviour and his/her Intentions to stay with organisation. The innovative behaviour and intentions to stay with the organisation play a significant role to determine the actions of an employee to perform or not to perform efficiently. Some avenues for future research are also discussed.

KEY WORDS: Employee Engagement, Employee Performance, Innovative Work Behaviour, Intention to Stay.

INTRODUCTION
The latest buzzword among the practitioners and consultants in the field of human resource management is ‘Employee Engagement’. Recent popularity gained by the construct of employee engagement is credited to its positive effects on organisations’ performance. Employees displaying high levels of engagement are considered to be the source of competitive advantage. Organisations in order to survive in the contemporary business world need a group of employees who are Engaged (Cauldron, 1996)
in the Organisation’s Values and Goals and who try to achieve Organisation’s objectives with maximum potential they have. Scholars (e.g. Harter et al. 2002; Bates, 2004 etc), have claimed that levels of employee engagement can be used to predict employee outcomes, organisational effectiveness and even financial performance (like shareholders return). In times of rapid globalisation, the role of human resources has become crucial. They not only need to do their job physically, but also mentally and emotionally. Ensuring employees to be sufficiently engaged in their job is considered as one of the toughest challenges faced by HR managers. Part of this challenge can be ascribed to the lack of universal definition of the construct and universally accepted measurement technique. Also, it requires lot of efforts on the part management side to really engage employees. Moreover, there is little agreement on the differences between alike attitudinal concepts such as job satisfaction, organisation commitment, job involvement etc. Mike Johnson, in his book titled, ‘The New Rules of Engagement’, contended that “the ability to engage employees, to make them work with our business, is going to be one of greatest organizational battles in the coming years”. Organisations nowadays are trying their level best to ensure that their employees are engaged as it helps to predict employees’ intentions to stay with organisations, go the extra mile in their jobs, and more importantly provide the necessary competitive advantage to the organisation. Although, there is little agreement on the universal definition of employee engagement but Energy, Involvement and a Willingness to contribute to organisational success are core to the construct (Albrecht et al, 2015). The purpose of this paper is to establish the relationship between engagement and overall job performance of an employee through a comprehensive literature review. Being an individual level construct, employee engagement is supposed first to influence the individual outcome variables like Innovative Behaviour, Intentions to stay with the Organisation and the stress, then to overall organisational performance. Limited studies have been conducted in terms of the relationship between these outcome variables (Innovative Behaviour and Intentions to Stay) and employee engagement. This paper is an attempt to explore the literature in view to get more insights about the trending topic of employee engagement, so that organisations can strive more to reap the benefits of engaged employees.

EMPLOYEE ENGAGEMENT

The concept of Engagement was first introduced by William A. Kahn. According to Kahn (1990), engagement means to be psychologically as well as physically present when occupying and performing an organisational role. It is the application of oneself physically, cognitively, and emotionally in performing work roles. Kahn’s work was based on Goffman’s study (1961a) in which he proposed that, “people’s attachment and detachment to their role varies” and people act out momentary attachments and detachments to their roles (Kahn 1990:694). Kahn found that there were three psychological conditions related with engagement or disengagement at work: Meaningfulness, Safety, and Availability. Kahn’s premise was that people employ and express or withdraw and defend their preferred selves based on their psychological experiences of self-in-role. The psychological conditions identified by Kahn (1990) were empirically tested by May et al (2004). Their study found a significant relationship between these three conditions and Engagement. Meaningfulness was found to have the strongest relation to different employee outcomes in terms of engagement (Kular et al,2008). An alternative model of engagement
comes from the ‘burnout’ literature, which describes job engagement as the positive antithesis of burnout, noting that burnout involves the erosion of engagement with one’s job (Maslach et al. 2001). However, Schaufeli et al. 2002 took a different perspective by considering burnout and engagement as opposite concepts that should be measured independently with different instruments. In order to measure engagement on different instruments distinct from burnout, Schaufeli et al. (2002) used the terms Vigor and Dedication as opposites of Exaustion and Cynicism in burnout literature and gave the most prominent definition of Engagement. They defined engagement as, “Positive, fulfilling, work-related state of mind that is characterized by Vigor (i.e. high level of energy and mental resilience), Dedication (i.e. enthusiasm) and Absorption (i.e. full concentration during work)”. Kahn (1990) and Maslach (2001) worked on the psychological conditions that are necessary for engagement, they only tried to explain the possible antecedents of engagement. They failed to explain why individuals will respond to these conditions with varying degrees of engagement (Kular et al. 2008). Saks (2006) argued that SET (Social exchange theory) can be better theoretical rationale for understanding why individuals respond to a particular condition. In the same vein Robbinson et al. (2004) described engagement as a two-way relationship between the employer and employee. In this two way relationship, one way for individuals to repay is through their level of Engagement (Saks, 2006). Hewitt Associates (2004), defined engagement as “the state in which individuals are emotionally and intellectually committed to the organisation or group, as measured by three primary behaviours: Say (Employees speak positively about the organisation to others inside and out), Stay (Employees display an intense desire to be a member of the organisation) and Strive (Employees exert extra effort and engage in behaviours that contribute to business success).” Engaged employees exhibit these three behaviours, namely Say, Stay and Strive. ‘Passion for Work’ is what Truss et al. (2006) call employee engagement. Scholars (like Shaw, 2005) called engagement as emotional and intellectual commitment to the organisation. Meere (2005) asserted that employees can be engaged, not engaged or diengaged. Highly engaged employees are 1.3 times more likely to be high performers than less engaged employees. They are also five times less likely to voluntarily leave the company (Thomas, 2012). Shuck and Wollard (2010) defined employee engagement as an “individual employee’s cognitive, emotional and behavioral state directed towards positive organizational outcomes. Newman and Harrison (2008) argued that the presence of three behaviours namely performance in job, citizenship behaviour and involvement as the indicators of employee engagement. Bakker et al (2011) contended that although it is unlikely there will ever be universal agreement about a single definition and measure of engagement, however, energy, involvement and a willingness to contribute to organisational success are core to the construct (Albrecht et al, 2015).

**CONSEQUENCES OF EMPLOYEE ENGAGEMENT**

The study of Saks, 2006 made significant contribution toward the advancement of the construct. Saks’ study (2006) was first of its kind to differentiate between Job engagement and Organisation engagement. Saks (2006) also asserted that Social Exchange Theory (SET) can be a better theoretical approach to understand and study engagement. Neither Kahn (1990) nor Maslach (2001) included possible consequences of engagement. However, Kahn (1992) argued that engagement steer both individual outcomes and organisational outcomes. Being an individual level contract, engagement is
supposed to first impact individual outcomes, then can lead to business outcomes (like growth and productivity of organisations). Several reasons can be attributed to expect that engagement lead to several work related outcomes. Sonnentag (2003), and Schaufeli and Bakker (2004), defined engagement as ‘fulfilling, positive work-related experience and state of mind’ and found engagement to be related to good health and positive work effect. These positive experiences and emotions are likely to result in positive work outcomes (Saks, 2006). Schaufeli and Bakker (2004) contended that employees with higher levels of engagement are likely to have greater attachment to their organisation i.e engagement and organisational commitment are positively related. They also found a negative relationship between engagement and intention to quit. There exists more trusting and high quality relationship between engaged employees and their employer. Study conducted by Bakker et al (2006) on school principals and teachers showed that: (i)- Engaged principals scored higher on In-role and extra-role performance; (ii)- Engagement was strongly related to creativity i.e. higher the level of work engagement in school principals, the better they were able to come up with a variety of ways to deal with work related problems; (iii)- engaged school principals were seen as transformational leaders i.e. being able to inspire, stimulate and coach their co-workers. Employee engagement reflects the level of commitment and involvement of an employee towards the organization and its values (Sundaray, 2011). McEwen (2011) observed that engaged employees are fully involved, and are enthusiastic about their work. They care about the future of their organizations and are willing to invest discretionary effort to see their organization succeed. Given the positive consequences on the work-related outcomes, organisations in the contemporary competitive business world are required to ensure that their human resources are engaged. Gallup (2002) categorised employees as Engaged, not-engaged and actively disengaged employees. Employees who consistently strive to give their best to accomplish their roles are engaged employees according to Gallup. Not engaged employees do what they are spelled to do, not willing to align their goals with organisational goals. Among these categories, dangerous are employees who are actively disengaged i.e. they not only perform poorly but also discourage high performing employees. Employers need to ensure that at least their workforce is not actively disengaged so that the contagion effects of negative emotions of actively disengaged may result in adverse impact on organisational results.

EMPLOYEE ENGAGEMENT AND INNOVATIVE WORK BEHAVIOUR

The experience of positive work attitudes (including gratitude, joy, and enthusiasm) seem to broaden people’s thought–action repertoire, implying that they constantly work on their personal resources (Fredrickson, 2001). Moreover, engagement is related to better health, that implies employees can apply their skills and energy to perform their work role effectively and efficiently. They will use their resources to find better way to perform their job and hence lead to innovative behaviour. This innovative behaviour is enhanced by perceived organisational support, leaders’ support, favourable working conditions which are all considered to be positively related to employee engagement. In the same vein, Latham et al (2005), argued that when employees believes that their opinions and contributions are valued, they get more involved in the management processes, which allows the improvement in tasks and targets within the organisation. Parker and Collins (2010) defined employee innovative bahaviour as those actions initiated by employees to improve the existing work practices or to introduce new ones for the
organisation and for themselves. Employees’ innovative behaviour is the foundation of higher performance for the organization and therefore, it is very important to identify that what facilitates or encourages this innovative behaviour by employees (Scott & Bruce, 1994). Findings of Bakker et al, (2009) asserted that engaged workers are characterized by high levels of mobility, low neuroticism, and high extraversion, which helps employees to quickly adapt and respond to changing surroundings. Sundaray (2011) considered employee engagement as key to retaining talented people and as sources of distinctive competencies which are very difficult to imitate. This also implies that engaged employees are enthusiastic about their work and will often be fully immersed in their job. The outcomes will be improved ways of doing things putting creativity and innovation into great perspective. Outcomes of the various studies suggest that levels of engagement can be driving force toward the innovative working behaviour of employees.

EMPLOYEE ENGAGEMENT AND INTENTION TO STAY WITH ORGANISATION

One of the biggest challenge organisations are facing is the problem of retaining the competent and talented work force. Sometimes turnover can be fruitful for the employers in that, it can be positive, refreshing, and helpful in introducing new ideas and techniques. However, turnover among top-performers can be harmful for the organisation (Hellman, 1997). The lack of recognition and rewards, individual development, career advancement, empowerment, management leadership, respect for employees, retaining talented employees, supervisory issues, culture fit, and job security are some key drivers identified by International Survey Research that prompts an employee to move from one organisation to another. The competition for talent is continuously growing and is given more importance in the recent times (Johanim et al, 2012). Intention to stay is defined as employees’ intention to stay in the present employment relationship with their current employer on long term basis (Johanim et al, 2012). This is an inverse concept of turnover intention or intention to quit. Vandenberg and Nelson (1999) defined employees’ intention to quit as an individual’s estimated probability that they are permanently leaving their organization at some point soon. When the employees’ contributions are recognised and rewarded fairly, they are most likely to stay with their employer (Taylor, 2002). “The challenge today is not just retaining talented people, but fully engaging them, capturing their minds and hearts at each stage of their work lives” (Lockwood, 2007). The key drivers of intention to stay with the organisation mirror several of the employee engagement factors as specified by Buckingham et al. (1999) (i.e. recognition, development, opportunity, encouragement, care). Moreover, Towers Perrin Report (2003), asserted that 66% of highly engaged employees reported that they have no plans to leave compared to 36% of moderately engaged individuals and 12% of disengaged employees. Furthermore, 2% of highly engaged employees reported they are actively looking for another job compared to 8% of moderately engaged and 23% of disengaged employees. Gubman (2004) also reported that disengaged employees are more likely to actively look for another job. Greater the employee’s engagement in the company, the greater the intention to stay (Fernandes and Balu, 2018). From the results of various studies, we can extrapolate that employees’ intention to stay with the organisation can be influenced by the levels of engagement an employer has. However, there is limited empirical studies exploring the relationship between employee engagement and intentions of staying with the organisation, particularly in the Indian context.
EMPLOYEE ENGAGEMENT AND EMPLOYEE PERFORMANCE

The financial or non-financial outcomes of an employee that has direct relation with the overall effectiveness and success of an organisation indicates the performance of an employees. Various studies had shown that fostering employee engagement is an important way to enrich performance (Anitha J. 2014). Highly engaged employees are reported to be involved in more innovative behaviour as compared to employees who score low on engagement scales. Scholars (like Christian et al., 2011; Rich et al., 2010; Leiter and Bakker, 2010 etc) have established the positive relations of employee engagement with job performance, task performance, and organisational citizenship behaviour, productivity, discretionary effort, affective commitment, continuance commitment, levels of psychological climate, and customer service. Demerouti and Cropanzano (2010) argue that engagement can lead to enhanced performance as a result of various factors. One of the main reason people innovate in the workplace is to bring performance gains through the introduction of new technologies and new work methods which are better than existing ones (Yaun and Woodman, 2010). Whittington and Galpin (2010) contended that engaged employees demonstrate extra-role behaviours which results in creativity and innovation in performing tasks. Improved efficiency and job performance increase the competitiveness and success of an employee, which ultimately leads to better organisational competitiveness. This innovative behaviour can be expected to be demonstrated more by employees who are fully engaged with their job and organisation as highly engaged employees are 1.3 times more likely to be high performers than less engaged employees (Thomas, 2012). Moreover, employees with clear intentions to stay with organisations try to contribute their level best towards the achievement of organisational goals. Intention being a psychological antecedent of the actual behaviour (Ajzen and Fishbein, 1980), can be critical factor to determine individuals’ action to perform or not to perform. As noted by Schaufeli and Bakker (2004), engaged employees likely have a greater attachment to their organization and a lower tendency to leave their organization. People with intentions to stay with the organisation for long time can be expected to perform well in their assigned tasks.

CONCEPTUAL MODEL

CONCLUSION AND SUGGESTIONS FOR FUTURE RESEARCH
Much has been researched on the conditions and the contexts which lead to employee engagement, however, as far as the literature is concerned, there is no universal consensus on definition of engagement. From the last two decades, the construct has gained much attention due to its positive influences on employees’ performance and ultimately to organisational effectiveness. Innovation is the need of the hour whether it will be in processes or the products. Innovative behaviour can be the outcome when employees are fully engaged in their job and with their organisation. Limited attention has been paid to the relationship of engagement levels and innovative work behaviour. From the results of various studies, it can be extrapolated that innovative behaviour can work as a mediator in the relationship between employee engagement and employees’ overall performance. In the Indian context, empirical studies need to be conducted in order to provide more insights. Another important aspect in this relationship is the employees’ intention to stay with his/her organisation on long term basis. The recent trend at most workplaces suggests that employees leave organisation as soon as they find anything inconsistent with their own goals or when better options are provided to them. Engaged employees are among the top performers in the organisation as well as demonstrate the highest levels of intention to stay with their organisation. Outcomes of studies suggest that intention to stay with the organisation can play a significant role in overall performance of an employee. This relationship also needs to studied empirically. Moreover, it will be interesting to investigate employees’ performance with low scores on his/her intention to stay with the organisation.

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FACTORS AND CONDITIONS OF THE LABOR MARKET IN
MACEDONIA AND THE REGION - CONDITION AND ANALYSES

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Abstract
Having in mind the specific economic and social development of Macedonia and the countries of the West Balkan, recognized by the condition of the market labor, the labor sustains the most important determinants of the economical dynamic and the trends in the employment and unemployment rates. The aim of this paper is to identify and evaluate the relative importance of certain determinants of the labor market’s condition in the countries of the West Balkan, in order to define recommendations for concrete measurements of employment policies, that could contribute in better performances and higher efficiency in the market of labor. The accent is on the factors that could be improved with only the coordinated implementation of a summary of strategies that can simultaneously affect the economic growth and development, professional environment, association of the educational institutions with the market of labor and total implementation of active measurements aimed towards the unemployed population.

Key words: labor market, unemployment, West Balkan region, active employment measurements

1. Introduction

Businesses are satisfied with their business results, competitiveness of their products and trends in customers’ demand in 2018. Majority of business subdges expect to hire new employees and further expand their business operations. However, there is less satisfaction with the overall economic situation, although hard macroeconomic indicators suggest that the South East Europe (SEE) economies reached its 10-year peak. Such contrast between business sentiments and economic indicators is likely caused by insufficient reforms in both business environment and regulatory framework, which are still perceived as unfavourable. Frequently cited problems, such as the sustainability of macroeconomic framework, functioning of tax administration, effectiveness of labour market, and consistency and predictability in the rule of law, are still perceived as the most binding constraints. In addition, businesses generally feel detached from business policy-making processes, suggesting that their governments lack commitment when it comes to listening, understanding and resolving businesses’ main concerns. It should be noted that governments’ effort on digitalisation of public services seemingly shows positive results, as businesses are increasingly satisfied with that process and find it very useful. The survey results confirmed the trend observed in the previous waves of Balkan whereby business executives are generally
more open towards regional and EU cooperation (67% and 64%), compared to the general public (65% and 56%), as they are seeking new market opportunities and demand for their goods and services.

2. Literature review

The Keynesian economy focuses on the fact that unemployment is the result of an insufficiently effective demand for products and services in the economy. According to (Romer 1990: 64) economic growth led to internal sectoral economic changes. These changes lead to structural unemployment. Technological development changed the way of production by reducing the number of employees. While (Pissarides, 1990) and (Vinay, P. 1999: 1091-1115) state that technological development helped for the reduction of unemployment due to the effect of capitalism. (Zaglar, 2006: 53) analyzed the ratio between economic growth and unemployment in the United Kingdom in the period 1982-1999, and the results showed a strong and negative correlation between economic growth and unemployment. According to him, fast-moving economies will face structural unemployment for a short period. Unemployment can be minimized by effective planning and human capital improvement. Many economists analyze this ratio between economic growth and unemployment to make estimates from the Okun coefficient. In particular, Okun (1962) at the time of the Kenyanism referred to a stable ratio between the GDP growth and the change in the percentage of employment. The others on the list were Smith (1975), Gordon (1984), Knoester (1986), Kaufman (1988), Prachowny (1993), Weber (1995), Musa (1997a, 1999), Attfield и Silverstone (1998), Lee (2000), Harris and Silverstone (2001), Sogner и Stiassny (2002), and Silvapulle et al (2004). In the domain of the labor market, the transition was prompted by two driving forces: ownership restructure and sectoral reallocation (Blanchard, 1997). As a result, the transition countries, in which the Republic of Macedonia belongs, represent a heterogeneous group and differ according to the experiences, as well as the degree of success in the implementation of the transitional employment reforms (Svejnar, 2002: 3-28).

The countries of Central Europe (CEE), the Baltic countries and Slovenia were most successful in overcoming the initial recession, achieving dynamics of their GDP and employment, which can stylizedly be represented in the form of the Latin letter U. For the success of the transition process in these countries, recently accompanied by Romania and Bulgaria, speaks of the fact that they are today full-fledged EU members. Contrary to this group of countries, the countries that originate from the former Soviet Union, and today constitute the Commonwealth of Independent States (CIS) and the countries of Southeast Europe (SEE), still face high and persistent unemployment as a consequence of their low institutional capacity which generates modest development opportunities (Boeri, 2000: 274).

Among the above groups of countries, this paper will focus on the functioning of the labor markets in the SEE countries, of which Macedonia is an integral part. Unemployment at the start of the transition has reached high rates in almost all transition countries, and especially in SEE and as such is the only historical phenomenon that requires the need to be thoroughly explored (Tichit, 2006:351). This unemployment is still termed 'transition unemployment' because it is a result of the shock of systemic reforms and, as such, differs in many respects from other types of unemployment (Mickiewicz and Bell, 2000). General characteristics of transitional unemployment are: pronounced segmentation of the labor
market, long duration of unemployment and low likelihood of exit from the status of unemployment (Cazes and Nesporova, 2003). Almost all transition countries, at the beginning of the transition process, have introduced passive labor market policies that, according to their 'broadbased', are similar to those encountered in the developed countries of the OECD (Riboud et al., 2002). However, this kind of 'natural experiment' has proved unsustainable and has forced governments to shorten the rights enjoyed by the unemployed quickly (Boeri, 2000; Vodopivec et al., 2003).

3. The workforce market

3.1. Aims of the employment strategies in the European Union

In the EU, the policy of the labor market is defined for a long period of time, as part of the long-term strategies. Because of the insufficient fulfillment of the aims from the Lisabon Strategy, determined in 2000, in 2010 in Brussels, a strategy for a smart, sustainable and inclusive development was made, called “Europe 2020”. The main goals of this strategy in the field of employment policy are (http://europa.eu/legislation_summaries/employment_and_social_policy/eu2020/em0040_en.htm):

• Increase of the participation rate od the workforce- the aim is to increase the employment rate of men and women between the ages od 20-64, up to 75% until 2020. In order to achieve this, the member-countries work on the stimulation of the increased participation of the youth, older workers, low-qualified workers and legal migrants. Also, the importance of the principles of flexibility and mobility of the labor is promoted within the national employment policies;

• Increase of knowledge and skills of the workforce- New skills that satisfy the needs of the labor market aiming to increase productivity and employement of the workers, are in the making. The operativization of these measures is implemented through increasement of the quality of formal education, and also promoting of the lifelong learning concept. It insists on opening programmes for worker training, with low and medium qualifed people, and especially for support from social institutions and business activities;

• Improvement of the systems of education and training-including investing in improving of the quality of these systems, with adjustment of the teaching methods to socio-economic trends, aiming toward increasing the employment of individuals. It’s expected that by 2020, rates of premature termination of education will be less than 10%, with at least 40% from people aged 30-34 years;

• Fighting social exclusion-this measure is aimed towards the most vulnerable population, with low financial status, that doesn’t have of has a harder access to the labor market. Within the employment policy, specific policies of the labor market are defined through active and passive measures. In the EU countries, there is a special system of classification of the active and passive policies of the labor market.

3.2. The condition of the labor market in the West Balkan

In relation of the labor market, statistics recognize five essential notions:
Activity rate, employment rate, population capable of work, economically active population (workforce),
unemployment rate

- The population capable of work constitutes of all the people between 15 and 79 years of age.
- Economically active population or workforce, constitutes of all the employed and unemployed people in one national economy.
- The activity rate is a relationship between the economically active population (workforce) and the population capable of work.
- The employment rate represents a participation of the employed population in the population capable of work.
- The unemployment rate represents the participation of the unemployed population in the economically active population (workforce)

As contribution to these terms, the economic and sociological sciences also interpret the term *unemployment*, which, according to the International Labor organization (ILO), is defined as a condition in which a certain number of people don’t have employment, want to work, have actively pursued employment in the past 4 weeks, and are immediately ready for employment. ([http://ww2.prospects.ac.uk/cms/ShowPage/Home_page/Main_MenuNews_and_information/Graduate_Market_Trends/Definitions_of_International_Labour_Organisation_measures/p!edXbLa](http://ww2.prospects.ac.uk/cms/ShowPage/Home_page/Main_MenuNews_and_information/Graduate_Market_Trends/Definitions_of_International_Labour_Organisation_measures/p!edXbLa))

The condition of the labor market often is a reflection of wider tendencies associated with the dynamics of the economic growth and development, and also the changes in the economic structure. The unemployment rates, as indicator of the labor market, are affected by factors associated with the political state of the country, educational system and demographic factors. Therefore, the analyses of the condition and tendencies of the labor market is an important indication of the economic development of every country.

This paper makes comparative analyses of the labor market in the West Balkan and the EU. The West Balkan region’s representatives are: Serbia, Bosnia and Herzegovina, Macedonia, Montenegro and Albania. The main goal of the paper is to establish the condition of the labor market, to identify the main determinants of the differences in values of key indicators, and also form recommendations for improvement of the condition of this market.

The analyses cover the factors of labor supply of these countries, or the employment and unemployment, which are primarily associated with the problems in relation with the inconsistency of the work demand, which are mainly a result of an inadequate system.
Table 1: Employment and unemployment rates in the countries of the West Balkan and EU in the period of 2007-2017.

<table>
<thead>
<tr>
<th>Godina</th>
<th>Albania</th>
<th>BiH</th>
<th>Crna Gora</th>
<th>Makedonija</th>
<th>Srbija</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employment</td>
<td>Unemployment</td>
<td>Employment</td>
<td>Unemployment</td>
<td>Employment</td>
<td>Unemployment</td>
</tr>
<tr>
<td>2007</td>
<td>13.5</td>
<td>48.4</td>
<td>28.9</td>
<td>34.5</td>
<td>19.4</td>
<td>40.5</td>
</tr>
<tr>
<td>2008</td>
<td>13.1</td>
<td>47.9</td>
<td>23.3</td>
<td>37.2</td>
<td>17.2</td>
<td>41.5</td>
</tr>
<tr>
<td>2009</td>
<td>13.8</td>
<td>47.0</td>
<td>24.0</td>
<td>36.7</td>
<td>19.1</td>
<td>40.3</td>
</tr>
<tr>
<td>2010</td>
<td>14.2</td>
<td>46.6</td>
<td>27.2</td>
<td>35.1</td>
<td>19.7</td>
<td>39.7</td>
</tr>
<tr>
<td>2011</td>
<td>13.9</td>
<td>47.9</td>
<td>27.6</td>
<td>34.7</td>
<td>19.7</td>
<td>39.4</td>
</tr>
<tr>
<td>2012</td>
<td>13.4</td>
<td>49.7</td>
<td>28.1</td>
<td>34.3</td>
<td>19.7</td>
<td>39.7</td>
</tr>
<tr>
<td>2013</td>
<td>15.6</td>
<td>45.3</td>
<td>27.5</td>
<td>34.3</td>
<td>19.5</td>
<td>39.7</td>
</tr>
<tr>
<td>2014</td>
<td>17.5</td>
<td>44.9</td>
<td>27.5</td>
<td>34.0</td>
<td>18.0</td>
<td>40.2</td>
</tr>
<tr>
<td>2015</td>
<td>17.1</td>
<td>46.8</td>
<td>27.7</td>
<td>33.8</td>
<td>17.5</td>
<td>40.3</td>
</tr>
<tr>
<td>2016</td>
<td>15.2</td>
<td>47.7</td>
<td>25.1</td>
<td>35.1</td>
<td>17.7</td>
<td>40.1</td>
</tr>
<tr>
<td>2017</td>
<td>13.9</td>
<td>48.3</td>
<td>25.6</td>
<td>34.7</td>
<td>16.1</td>
<td>40.6</td>
</tr>
</tbody>
</table>

Source: World Bank Database, 2018

There’s a tendency of minor increase of the employment rate in all mentioned countries, except the data for the EU, which have the highest rates.

From the West Balkan countries, Albania and Serbia have the highest employment rates, and Bosnia and Montenegro have the lowest.

Albania has a higher unemployment rate in 2017, compared to 2007, and has the lowest unemployment rate compared to all countries from the West Balkan.

Macedonia, Bosnia and Herzegovina have the highest unemployment rates from 2007-2017.

As expected, the average unemployment rate in the EU is drastically lower than the one in the West Balkan region.

Because the dynamic of economic growth is an important factor in the unemployment rate and its changes, we’re going to include the rates of economic growth in the countries of West Balkan and EU.

In relation to this, BDP in the West Balkan region has decreased for more than 6 percent points, or from the growth rate in average of 5.3% to -1.5% in 2009. A similar situation was noticed in 2012, in a somewhat smaller measure. From the data in table 1 it’s obvious that the rates of economic growth is in correlation with the rate of employment, i.e unemployment is associated with the decrease of economic growth, and vice versa in almost all of the noted countries.

It is estimated that the coefficient of elasticity of the employment rate compared to the growth rate of BDP was around 0.4, which means that every increase, or decrease of the rate of economic growth by 1% was accompanied with increase, or decrease of employment by 0.4 (Western Balkans Labor Market Trends, 2017: 21).

A notable characteristic of the labor market in the West Balkan, is the presence of non-formal employment, which in the most part is a result of inadequate and insufficient employment, or laws that regulate this area. Informal employment is very high in vulnerable groups, especially with young people, women and the elderly (Oruč & Bartlett, 2018:13).

### 3.2.1. Competitiveness as an aspect of West Balkan economies
One of the reasons for the unfavorable tendencies of the labor market is associated with the general level of uncompetitiveness of the West Balkan economies. According to the global report of competitiveness, the level in these countries is relatively low. Between the twelve observed pillars of competitiveness, we identify three that are more related to the condition of the labor market, and on which the classification of the West Balkan countries is based, from the period from 2017-18.

Table 2: Clasification of the West Balkan and EU-11 from chosen competitiveness pillars

<table>
<thead>
<tr>
<th></th>
<th>Albania</th>
<th>BiH</th>
<th>Macedonia</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>West Balkan</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>High education and training</td>
<td>49</td>
<td>91</td>
<td>76</td>
<td>61</td>
<td>59</td>
<td>67</td>
<td>45</td>
</tr>
<tr>
<td>Efficiency of the labor market</td>
<td>91</td>
<td>123</td>
<td>95</td>
<td>74</td>
<td>92</td>
<td>95</td>
<td>67</td>
</tr>
<tr>
<td>Technological preparedness</td>
<td>78</td>
<td>69</td>
<td>61</td>
<td>48</td>
<td>72</td>
<td>66</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: Global Competitiveness Report 2017-18, World Economic Forum, Geneva

Therefore, the countries of the West Balkan are ranked much higher than the average rank-list of the eleven most highly developed countries in the EU. The most notable difference is in relation of the parameters of macroeconomical environment, which can be related to transitional processes and instability present in the region of West Balkan. Also, the countries of this region are characterized with insufficient efficiency of the labor market, which is mostly dominant in the case of Bosnia and Herzegovina, and also the underdevelopment and inadequacy of the institutions, which, among other things, should regulate the function of the labor market.

Tightly associated with the level of competitiveness of the countries in the West Balkan, especially according to the pillars of ‘Higher education and training’, and ‘Technological preparedness’, is the perception of the employers for the quality of the people that pursue employment and their qualifications and skills.

A higher level of harmony between the skills needed for the available employment, and the ones owned by the applicants, facilitates their association, which on the labor market level has a positive effect on the increase of the employment rate.

Anyhow, the situation in the West Balkan countries is not on an envious level in this view, because the employers face serious problems while seeking employees with the needed level of skills.

The longterm unemployment results in losing the existent knowledge and skills, which additionally complicates every employment. As an addition to this, is the low preparedness of the employers to invest in workplace training, and the programmes for association of the institutions of higher education in professional practice (Bartlett & Arandarenko, 2012: 3).
Chart 1: Vertical inconsistency of the graduated students in the countries of West Balkan (in %)

<table>
<thead>
<tr>
<th>Country</th>
<th>Skill level lower than needed</th>
<th>Qualifications match the skills needed</th>
<th>Qualifications above the skills needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>17</td>
<td>46</td>
<td>37</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>15</td>
<td>48</td>
<td>37</td>
</tr>
<tr>
<td>Macedonia</td>
<td>20</td>
<td>47</td>
<td>33</td>
</tr>
<tr>
<td>Montenegro</td>
<td>12</td>
<td>55</td>
<td>33</td>
</tr>
<tr>
<td>Serbia</td>
<td>15</td>
<td>46</td>
<td>39</td>
</tr>
<tr>
<td>West Balkan</td>
<td>15</td>
<td>48</td>
<td>37</td>
</tr>
</tbody>
</table>

Source: Bartlet, Uvalić, 2016: 53.

As we can see on picture 3, the situation is similar in all west Balkan countries, with the exception of Montenegro, that has a slightly more favourable situation, because 55% of the youth has the levels of qualification adequate to the needed skills for a certain workplace. The vertical consistency of needed qualifications and education is reflected in terms of salaries, productivity, employment satisfaction and if the work is not consistent with the qualifications, there is a big possibility of leaving the place of employment or labor market (Marjanovikj, 2018: 94).

In doing so, we should have in mind that transformation is more often discussed if the situation is observed from the point of view of people that pursue employment, while most employers estimate that the qualifications of the workforce are below the ones needed.

3.3. Market of workforce in Macedonia-condition and dynamics

The condition of distribution of workforce, chronologically from 2008 to 2017, is noted in the following table:
Table 3: Overview of distribution of workforce from 2008 to 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Total working age population</th>
<th>Labour force</th>
<th></th>
<th>Activity rate</th>
<th>Employment rate</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Employed</td>
<td>Unemployed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>1,633,341</td>
<td>919,424</td>
<td>609,015</td>
<td>310,409</td>
<td>56.3</td>
<td>37.3</td>
</tr>
<tr>
<td>2009</td>
<td>1,642,360</td>
<td>921,543</td>
<td>622,720</td>
<td>298,814</td>
<td>56.1</td>
<td>38.4</td>
</tr>
<tr>
<td>2010</td>
<td>1,652,026</td>
<td>954,928</td>
<td>659,557</td>
<td>295,371</td>
<td>57.8</td>
<td>39.9</td>
</tr>
<tr>
<td>2011</td>
<td>1,656,215</td>
<td>940,048</td>
<td>645,085</td>
<td>294,962</td>
<td>56.8</td>
<td>38.9</td>
</tr>
<tr>
<td>2012</td>
<td>1,669,965</td>
<td>943,055</td>
<td>650,554</td>
<td>292,502</td>
<td>56.5</td>
<td>39.0</td>
</tr>
<tr>
<td>2013</td>
<td>1,672,460</td>
<td>956,057</td>
<td>678,838</td>
<td>227,219</td>
<td>57.2</td>
<td>40.6</td>
</tr>
<tr>
<td>2014</td>
<td>1,676,198</td>
<td>958,998</td>
<td>690,188</td>
<td>268,809</td>
<td>57.3</td>
<td>41.2</td>
</tr>
<tr>
<td>2015</td>
<td>1,676,400</td>
<td>938,599</td>
<td>723,550</td>
<td>225,049</td>
<td>57.0</td>
<td>42.1</td>
</tr>
<tr>
<td>2016</td>
<td>1,678,890</td>
<td>948,559</td>
<td>723,550</td>
<td>225,049</td>
<td>56.5</td>
<td>43.1</td>
</tr>
<tr>
<td>2017</td>
<td>1,679,935</td>
<td>954,212</td>
<td>582,773</td>
<td>371,439</td>
<td>56.8</td>
<td>44.1</td>
</tr>
</tbody>
</table>

1) Because of calculations of the sample and rounding up calculated results to one number, sometimes deviations are possible in the total of the results that are obtained by summing up individual items.

According to the data of the State Statistical Office, in the IV quarter of 2019, the labour force in the Republic of North Macedonia numbered 968,604 persons, of which 807,362 were employed, while 161,242 were unemployed persons. The activity rate in this period was 57.5, the employment rate was 47.9, while the unemployment rate was 16.6.

Chart 2: Graphic presentation of employment and unemployment rates

The indicators of the labor market in the fourth quarter of 2018, show further increase in the number of employed people, which is more expressed compared to the increase in the previous quarter. At the same time, the unemployment rate is down to 19.4%, which is a new historical minimum. The surveys of
business tendencies generally indicate a raised optimism in terms of employment in the next trimester. On the side of the offer, the annual increase of active population, which started in the last quarter of 2016, still continues. In terms of indicators of competitiveness, despite minor positive movements on annual level in the productivity of the labor in the last three quarters, the expenses for labor per unit of product still mark a growth. (Quarterly report of national bank, 2019:18).

Table 4: Employment state in the population in 2018 and 2019 regarding rate of activity and gender

<table>
<thead>
<tr>
<th>T-4: Labour force and activity rates ¹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total working age population</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>2018/IV</td>
</tr>
<tr>
<td>2019/III</td>
</tr>
<tr>
<td>2019/IV</td>
</tr>
</tbody>
</table>

¹) Because of calculations of the sample and rounding up calculated results to one number, sometimes deviations are possible in the total of the results that are obtained by summing up individual items.


The data from the researches of the institute of statistics show that the activity rates of the population (economically active population aged between 15 and 64) in the period from 2018 to 2019 are relatively stable and are somewhere around 56,9%. During the quarter analyses in 2019, a mild increase in average by 0.3 percent points is observed (p.p), which results in a value of 57.5% in 2019 (Table 1).

Viewed by periods, from the fourth trimester of 2018, to the fourth trimester of 2019, the unemployment is lowered by 24 561 people.

The analyses show that the total active population in the fourth quarter is increased by 0.4%, on annual level, while the activity rate was 56.9%.

The number of unemployed people in the fourth quarter decreased by 10.9% on annual level, while the unemployment rate is on a level of 19.4% (annual and quarterly decrease by 2.5 pp, and 1.4 p.p respectively).

Viewed by structure and gender, from the fourth trimester of 2018, to the fourth trimester of 2019, the unemployment is decreased in men by 21 560, and in women by 3 001. (table 5).
Table 5: Change of the employment state in population for the fourth trimester of 2018 and 2019 (economical activity and gender).

<table>
<thead>
<tr>
<th>T 5: Population aged 15 years and over by economic activity and gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV quarter 2018</td>
</tr>
<tr>
<td>persons</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>Labour force</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Men</td>
</tr>
<tr>
<td>Women</td>
</tr>
<tr>
<td>Employed</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Men</td>
</tr>
<tr>
<td>Women</td>
</tr>
<tr>
<td>Unemployed</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Men</td>
</tr>
<tr>
<td>Women</td>
</tr>
<tr>
<td>Inactive population</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Men</td>
</tr>
<tr>
<td>Women</td>
</tr>
</tbody>
</table>


4. Recommendations:

The limitations, which the economies of the countries of West Balkan face, result in an unfavourable condition of the labor market in a form of insufficient investments, the accompanied positive effects on the economy, and labor market could be realised.

These investments usually mean new technologies which would promote the level of technological development of economies. Still, in order for this tendencies to be expressed positively on the labor market, they should be accompanied by measures aimed towards raising the levels of knowledge and skills of the educated staff, sustainable economic growth and development, political and economic instability, and also negative demographic trends, aging and emigration of the population.

Because the situation of the labor market is affected by the macroeconomic performances, we need to strengthen the bases of a sustainable and stable economic growth.

The reforms should be in the direction of improving of the work of domestic and foreign economic subjects, simplified procedures for starting new businesses, promoting entrepreneurships, preferential tax politics, etc. Especially significant, is the possibility of targeting these policies by targeting the vulnerable groups, such as youth, women and children with special needs. This way, these groups can be encouraged to include themselves in the labor market. Also, these measures assist the creation of larger possibilities of
employment and entrepreneurship.
On the other hand, the challenge of the insufficient number of qualified employees according to the needs of the labor market, under conditions in which there are insufficient employment offers with adequate skills, is one of the obstacles in the growth of the employment rate. This reflects in a limited labor market for the employers (offer), which leads to slower increase of the employment rate, and increased demand for innovative ways for increased adequacy and productivity of the workforce. For the policy creators, this means less new workplaces in the economy, macroeconomic challenges and failure to accomplish the strategic goals. Still, we should have in mind that the implementation of these measures has to be coordinated with the policies aimed towards increasing the work demand, in order to avoid the risk of increased structural unemployment.

Reference


https://databank.worldbank.org/databases


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A CONCEPTUAL FRAMEWORK OF TECHNOLOGICAL INNOVATION FOR THE FINANCIAL AND BANKING INDUSTRY IN INDONESIA

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ABSTRACT
Nowadays, technological innovation is a business innovation by relying on IT in business. Financial Technology (FinTech, in abbreviated) is technology innovation, provides the basis for business development solutions in various financial and banking industries. The purpose of this study and analysis is to develop a conceptual framework of technological innovation for the financial and banking industry in Indonesia as a case study. The research is a descriptive study with a qualitative method approach. Data from in-depth interviews, focus group discussions, and various surveys were critically reviewed and analyzed in this study. The main results of the study indicate that research forms a conceptual framework of technological innovation based on surveys and the theories that underlie it. This original contribution of this research can provide insight and understanding for researchers and practitioners who want to develop research models related to FinTech in more depth.

KEYWORDS: conceptual framework, technological innovation, fintech mechanism, business drivers, finance and banking industry.

1.0 INTRODUCTION
Nowadays, the new business models and technological concepts provide a basis for innovative solutions in finance(Gomber et al., 2017). The financial industry sectors have been strongly influenced by
digitalization in the past few years reflected by the emergence of FinTech, which represents the marriage or combines Finance and Information Technology(Minerwa, 2016; Gomber et al., 2017; Prawirasasra, 2018). According to Varga (2017) argue that FinTech services refer to companies that develop financial services and products by relying on the use of information technology that is far more intense. However, the term FinTech is in the spotlight of public debate in the fields of business and ambiguous for most people. Several large institutions have made definitions related to FinTech. The Board of the International Organization of Securities Commissions (IOSCO) stated that the term Financial Technologies or “FinTech” is used to describe a variety of innovative business models and emerging technologies that have the potential to transform the financial services industry(IOSCO, 2017). Also, World Economic Forums(WEF) added that FinTech, as new entrants have the potential for transformation and innovation in the business model of financial services(WEF, 2015). At the beginning of this study, it is necessary to clearly define the meaning and function of Fintech, specifically related to the financial and banking industry in Indonesia.

FinTech is a technological innovation that has lately become a way to facilitate business with mechanisms, especially those related to financial services(Teja, 2017; Oshodin & Karanasios, 2017). From the bank's side, in this case, banks can develop technology innovations as a guideline for the use of digital strategies, banks can develop a new business model that can connect new ideas according to business needs. Data from the Financial Services Authority (OJK, abbreviated in Indonesia) explains that digital banking as technological innovation has become mainstream and should run around 66% of banks in Indonesia, while the development of digital strategies for them is as part of their corporate strategy(OJK, 2017).

Furthermore, the FinTech mechanism is a way to improve existing service/product/business order processes to improve for customers or to make it transparent, accessible, or cost, etc. Evidence has shown that one of the FinTech mechanisms in the ways of creating/changing/improving payment systems in financial services. M-payment is one of the Fintech products that has changed the traditional way of payment. (Wulan, 2017). The Payment System is arguably the area most affected by FinTech mechanism development in the financial and banking industry(Thakor, 2019). In Indonesia, as FinTech mechanism products, m-payment usually refers to e-commerce platforms or online shopping systems that have developed unique versions of this FinTech product in their business(Teja, 2017). Referring to the last CBNC Indonesia survey in 2017 that FinTech payment products are the products with the highest percentage of all FinTech products in Indonesia(CNBC Indonesia, 2017). Also with the rapid development of payment systems based on FinTech products, Bank Indonesia as the central bank of Indonesia, has developed a blueprint that aims to navigate the National Payment System until 2025 in the Digital Age (Bank Indonesia, 2019). FinTech also has a mechanism in conducting disruption or collaboration in banking financial services. Many opinions from practitioners and researchers say that FinTech is a disruption in financial services(Oshodin & Karanasios, 2017; Dermine, 2017; Prawirasasra, 2018). In Indonesia, The Financial Services Authority made the targets in its master plan how FinTech collaborates with the financial services sectors, especially in Banks(OJK, 2017). However, there are still
many perceptions that the FinTech mechanism is only limited to the application of IT for finance. Therefore, regarding the FinTech mechanism, it needs to be analyzed critically in this study.

Zavolokina, Dolata, & Schwabe(2016), stated that technology, or commonly said as Information Technology, is the main driving force of business in the various area of business sectors. FinTech can indeed provide financial services to the public at a lower cost than traditional banking methods(Mutiara, Candanni, & Hasibuan, 2019). Meanwhile, technology is related to the Internet, for example, Cloud Computing or mobile Internet will encourage established financial services industry businesses, such as Lending money or banking transactions(Gomber, Koch, & Siering, 2017). The technology which further developed as FinTech has become the key to handling financial processes(Alt, Beck, & Smiths, 2018). Indeed, there has been an evolution of FinTech as a technology in the financial and banking industries(Prawirarasra, 2018; Thakor, 2019). According to argued that we are currently in the transition period between FinTech 2.0 to FinTech 3.0. Now, newly established FinTech organizations or established IT companies that enter the financial business domain collectively referred to as FinTech Companies(Gomber, Koch, & Siering, 2017). Startups, as FinTech services organization in Indonesia, is developing very rapidly. The latest data in 2019 from Startupranking (2019), Indonesia is ranked fifth from the list of countries in the world that have the most number of technology-based startups, with a total of 2182 startups. However, the money flow is also an important thing one of the business drivers (Zavolokina, Dolata, & Schwabe, 2016; Erosa, 2018).

There is no finding research related to the perspective of the Fintech as a technological framework, especially in Indonesia. In a study from Zavolokina, Dolata, & Schwabe, (2016) discussed the definition of FinTech which represents that meaning for the press and also provides a conceptual framework for use in research and scientific literature. Wulan(2017), in her research that focuses on how FinTech practices in Indonesia, where Indonesia still needs preparations such as mature technology, resources, users, and regulations. Research by Frame, Wall, & White(2018) describes the role of the financial system in a modern economy and how technological change financial innovation can affect social welfare. In the same year, Adom, Hussein, & Joe(2018) conducted research related theoretical dan conceptual framework. They stated that theoretical and conceptual frameworks guide the paths of research and offer the foundation for establishing its credibility. In 2019, research related to the FinTech phenomenon in Indonesia was carried out by Mutiara et al.,(2019).This research examines the development of various regulatory regulations in the field of fintech in Indonesia using qualitative through normative legal research.

This research aims to develop a conceptual framework of technological innovations for the Financial and Banking Industry in Indonesia as a study case. Research method conducted using a descriptive study with a qualitative method approach. The objectives of this study:

1. To critical review and analyze the definition and function of FinTech so that it plays a role as technological innovation in financial and banking industry,
2. To critical review and create a theoretical framework as a conceptual basis,
To critical review and create a conceptual framework as a final result in this study.

This study focuses on the specific problem of the role of FinTech, which is influenced by business drivers and has an impact on technology innovation in the Indonesian Financial and Banking Industry.

2.0 LITERATURE REVIEW

2.1 Technological Innovation
Technological Innovation is a business innovation by relying on IT in the financial and banking business industry. Financial services using innovative technologies offered by fintech companies (Saksonova & Kuzmina-Merlino, 2017). FinTech is a technological innovation that is the result of business innovation in the financial sector, which produces new services/products, new processes, and new business models. The technological innovation is an instrumental factor in creating new forms of a business process in such a competitive environment the current economic, the social and politic world is (Radu, 2015). Pollari(2016) stated that Technological Innovation with digitization had an impact on new business models. Nowadays, business models and technological concepts applied as a basis for innovative financial performance solutions.

2.2 FinTech Mechanism
The Fintech mechanism is a way of creating/changing/improving services/processes or business collaboration and with the application of IT for financial services. To increase for the customer, or to make it transparent, accessible, costs or fees, etc. (Zavolokina, Dolata, & Schwabe, 2016). So far, the FinTech mechanism seems to disturb the existence of the banking sector environment. However, when banks collaborate with FinTech, the banking sector will take several benefits (Prawirasasra, 2018). Dermine(2017) stated disruptive technology in banking based on historical perspective as the the technological innovations and their impact on the banking industry: electronic processing of data, telephone banking, internet, smart-phones, blockchain decentralized ledger technology, cloud computing, and applications of Artificial Intelligence with Robo-advisors. A bank is one of the examples of a financial industry that using an application of Information Technology (IT) in its daily task to fulfill the organization’s and customers’ needs. These activities are supported by the use of technological advancements; this reflected by the aspect of Applied IT to Finance (Varga, 2017).

2.3 Business Drivers
Zavolokina, Dolata, & Schwabe(2016) stated that technology or commonly said as IT is the main driving force of business in the various area of business sectors. Organizations included in the Fintech ecosystem will become good business drivers. FinTech service organizations are sources or FinTech companies that enter the financial business domain collectively or financial platforms supported by IT (Zavolokina, Dolata, & Schwabe, 2016; Gomber, Koch, & Siering, 2017) . Furthermore, money flows is also an important thing for business drivers (Zavolokina, Dolata, & Schwabe, 2016; Erosa, 2018). The definition of "Money Flow" is the same as investing, and is used as a business driver (Erosa, 2018). There are interactions of technology, business organization, and money flows generated by e-commerce transactions.
3.0 METHODOLOGY
This paper is a critical review and analyzes the conceptual framework of FinTech for the financial business sector. This research using a descriptive and qualitative approach as its main of research methodology (Creswell, 2015).

3.1 Sample and Data Collection
Sample and Data Collection needed in this study. Creswell (2015) argued for qualitative methods, research data collected through literature studies, in-depth interviews, and Focus Group Discussions with parties related to this matter. To create a conceptual framework, a critical review, and analysis of data from various journal sources and surveys. Data Survey obtained from those using FinTech services, including in research samples obtained through social media, such as WhatsApp's. Convenience Sampling techniques used for this study. Of the 160 prospective respondents contacted, 154 usable responses received. The 154 returned questionnaires represent a very satisfactory response rate of 96.25 percent.

3.2 Data Analysis
Data analysis using descriptive analysis approach. Furthermore, we conduct an evaluation phase to confirm the validity of FinTech's conceptual framework. This type of evaluation is called the confirm ability test (Creswell, 2015). Later, to complete the test we invited the FinTech practitioner, Financial Business Analyst, and IT/IS expert, which addresses to confirm a conceptual framework which has to develop and have a comprehensive understanding of FinTech.

4.0 ANALYSIS AND DISCUSSION OF THE RESULTS
In this study, a survey was conducted to the people in Indonesia to find out their perceptions of FinTech. The number of respondents is 154, and they are among students (46.1 percent), freelancer (5.3 percent), followed by the worker in the private sector (30.3 percent) and the government institutions employee (18.4 percent). The age of respondents ranged from 17 years to 55 years. FinTech users are 62 percent, aged between 20-30 years. The survey results stated that 53.2 percent of them quite familiar with FinTech. The survey results stated that 53.2 percent of them quite familiar with FinTech. The tone of the article displays an unbiased, impartial scientific attitude.

4.1 The Term and Function of FinTech
The term “FinTech” has been defined in many ways. Some researchers state that the meaning of FinTech represents a compound of "Finance" and "Information Technology". Based on a research survey conducted in several countries in the world by (Zavolokina et al., 2016b) as Research-1 and the results of this research survey, as Research-2 about people's perspectives in Indonesia on the define meaning of FinTech, shown in Table 1.
The results of these two research surveys provide many definitions of Fintech, as IT applications to Finance. Thus, the results of this study, FinTech, as an IT application for finance according to its mechanism, will create various technological innovations in the financial business sector.

The perception of Fintech's function from the two research surveys, shown in Table 2.

So, based on the results of the two surveys many stated that the main function of Fintech was to apply and combine IT into the financial industry sector.

Based on the survey conducted, then 85% of Indonesian people have a view about the definition of FinTech is the Application of IT in the financial sector. The same thing from a global survey conducted by Zavolokina, Dolata, & Schwabe(2016), where the survey results state that Fintech is the application of IT to finance. However, in this study, based on preferences related to FinTech in the Financial and Banking Industry stated that Financial technology (FinTech) used to describe new entrants technology, which has the potential for technological innovation for improving the new business model of financial services in the Financial and Banking Industry. This definition is following what has been stated by the World Economic Forums(WEF, 2015) and the International Organization of Securities Commissions(IOSCO, 2017) in describing FinTech.

### 4.2 Theoretical Framework

A theoretical framework is the application of a set of concepts taken from one or more theories to offer an explanation of an event or explain a phenomenon or research problem. certain(Imenda, 2014). Theoretical Framework is a framework based on existing theory in a field that is related to a study(Adom et al., 2018).

Next, the theoretical framework development described in Figure 2.

The development of this theoretical framework is based on the elaboration of Grand Theory, Intermediate Theory, and Applied Theory. The aim is to shape the construction and dimensions in the Conceptual
Framework in this study.

The first stage is a Grand Theory. The grand theory of this study is the Modern Monetary theory. It is underlying the FinTech problem. Griffith & Austin(2004) mentioned that the Modern Monetary theory elaborates related matters to electronic money and monetary policy, the money supply, and the speed of money flow. This theory has been put forward for too long, but it is still relevant to the FinTech problem in this era. The Grand Theory further elaborated into Middle Theory.

The second stage is the Middle Theory. There are three dimensions of the Middle Theory, namely Resources-Based View, Management of Technology, and Competitive. Middle Theory that used first is the Resource-Based View Theory(Barney, 2016). The essence of the Resource-Based View (RBV) theory is that firms could gain and sustain competitive advantages by constructing and employing valuable resources and capabilities(Wernerfelt,1995; Melville & Kraemer, 2004). The second Middle Theory is Management and Technology Theory includes the Diffusion of Innovations Theory developed by Rogers(1995). Diffusion of innovation theory represents how to make, change, and improve adoption technology, disrupt/collaborate, and apply IT to Finance. The speed of the organization in adopting an innovation is necessary (Pease & Rowe, 2005). The theory from Rogers defined Diffusion of Innovation as “the process by which an innovation communicated through certain channels over time among the members of a social system”.(Scott & McGuire, 2017). It also stated that innovation creates financial technology and organizational speed in adopting a technology innovation.

The third middle theory is based on the competitive theory. Porter & Millar(1985) stated that Competitive Theory has a role in describing how technology creates a competitive advantage. Based on this theory, technology innovation expected to develop new products/services, new business processes, and new business models.
The third stage is Applied Theory. There are three constructs of the theory, namely business drivers, FinTech mechanism, and technology innovation. Business drivers to transform how FinTech mechanisms create/change/improve, disrupt/collaborate, apply IT to finance, and create competition for technological innovation in financial and banking industry (Zavolokina, Dolata, & Schwabe, 2016; Wulan, 2017; Erosa, 2018). Mechanisms of FinTech include creation, improvement of existing service/product/process of business order to increase for the customer or to make it transparent, accessible, costs or fees, etc (Zavolokina, Dolata, & Schwabe, 2016). Technological innovation is an instrumental factor in creating new forms of value in such a competitive environment (Radu, 2015). Technological innovation with digitization had an impact on new business models. (Pollari, 2016).

The first construct that results from the translation of various theories is Business Drivers. Business drivers in the financial industry sector include technology, organization, and money flow (Fadilah et al., 2016). Business drivers affect infrastructure technology, including the application of financial technology in financial sector institutions (Rabhi, 2016). On the other side, an organization as a business driver directly influences technology innovation (Baporikar, 2018). The second construct of results based on the previous study is the FinTech Mechanism. The FinTech mechanism is a form of financial technology innovation that has recently become a way to facilitate business, especially those related to financial services (Kim, Ju Park, Choi, & Yeon, 2016; Oshodin & Karanasios, 2017). Dimensions or indications, such as creating/changing/improving, disruption/collaboration, and applied IT to finance, which is a
dimension of FinTech mechanism. Fintech can create disruption or collaboration in the financial industry sector (Prawirasasra, 2018). Finally, as the third construct is technological innovation (Radu, 2015; Saksonova & Kuzmina-Merlino, 2017), it has market development innovations to create new products/services, new business processes, new business models.

To complement the results of the theoretical framework, qualitative research at this stage also carried out in-depth interviews. The results of in-depth interviews with one of the Board of Commissioners of the Financial Services Authority (OJK) concluded that the Financial Services Industry must optimize business driving factors and the role of FinTech mechanisms in Indonesia. Thus, the need for collaboration to develop technological innovations by building the synergy of FinTech business with Industry Incumbents (Banks and Non-Bank Financial Institutions).

4.3 Conceptual Framework

Imenda (2014) also stated that a conceptual framework defined as the result of bringing together many related theoretical concepts to explain the research. Conceptual Framework is based on the concepts which are the main variables in a study (Adom, Hussein, & Joe, 2018). By referring to the theoretical framework developed in this study, it then developed into the conceptual model shown in Figure 2.

A conceptual framework, the basis of an empirical model for the future.

![Conceptual framework](source: Own work (2020))

The source of Figure 2. Conceptual framework

The concepts and definitions of operationalizing research variables explained as follows:

**Business Drivers variable**
The first construct that results from the translation of various theories is Business Drivers. In this study, it defined that Business drivers are the main factors influencing the FinTech mechanism, which in turn have an impact on technological innovation for the financial and banking industry in Indonesia. Business Drives determined as independent variables in this study. As for dimensions/indicators in Business
Drivers variables, among others: technology, organization, and money flow (Fernandes, Ferreira, & Raposo, 2013; Fadilah et al., 2016). The fact from the survey conducted revealed that according to perception, 68.8 percent that technology is the most influential factor as a business driver. Next, money flow (20.8 percent), and followed by the organization (10.4 percent) which supported drive business in this financial and banking industry.

**FinTech Mechanism variable**
The second construct of results that formed from a conceptual framework is a FinTech mechanism. FinTech mechanism defined a mechanism way of Fintech to creates new services/products, new processes, and new business models that will affect the performance of the financial services. The dimensions or indicators of the FinTech mechanism are like creating / changing / improving business services, disruption/collaboration, and IT applications for finance (Kim et al., 2016; Varga, 2017). Furthermore, the FinTech mechanism is determined as an intervening variable and moderating variable in the conceptual framework. Hypotheses developed that the FinTech mechanism is a mediating variable. There is a perception that business drivers will influence technological innovation if mediated by the FinTech mechanism. However, the Fintech mechanism is also determined as a moderating variable because it can create disruption or collaboration in the financial industry sector. It means that fintech mechanism can strengthen or weaken the influence of business driving factors on technological innovation. Based on the survey conducted revealed that according to perception, 67.9 percent that Applies IT in finance is the most influential factor as a FinTech mechanism. Next, creates /change/improve business (25.0 percent), Disrupt (1.9 percent), and create business competition (5.2 percent).

**Technological Innovation variable**
Finally, the construct of results is a technological innovation that acts as an independent variable in this study. Technological innovation in this study defined that a new innovation ways in financial services using the mechanism of FinTech. This variable has dimensions or indications of new services/products, new processes, and new business models in the financial and banking industry (Radu, 2015; Saksonova & Kuzmina-Merlino, 2017). This survey results revealed that technological innovation perceptions with Fintech produced new services/products by 37.6 percent. Furthermore, the survey results also state that 33.8 percent of Fintech produces new business models. Finally, 28.6% of this technological innovation produces a new process of the business sector in the financial.

Furthermore, hypotheses based on this conceptual framework can develop, as follows: Rabhi (2016), in his study, stated that business drivers influence the adoption of infrastructure technology in the financial and banking services industry. Based on this, the hypothesis is developed:

**H1:** Business Drivers have a positive effect on FinTech Mechanism.

According to Gomber and Parker (Gomber, Parker, Kauffman, & Weber, 2018) revealed the existence of the Fintech mechanism influencing technological innovation for financial services. Then the hypothesis:

**H2:** FinTech Mechanism have a positive effect on Technology Innovation
A study conducted by Baporikar(2018) states that organizations as business drivers create innovation. Then the hypothesis able to be developed as follows: 

H$_3$: Business Drivers have a positive effect on Technology Innovation

Business drivers expect to influence the FinTech mechanism implemented then it will impact the creation of technology innovation. Then it can be hypothesized that the FinTech mechanism mediates the influence of business drivers on technological innovation. Thus the hypothesis able to be developed:

H$_4$: FinTech Mechanism mediates the influence of Business Drivers on Technology Innovation

One of FinTech's mechanisms is disruption or collaboration. The view of many researchers states that FinTech disrupts financial services, which will weaken technological innovation. However, based on this fact, many financial and banking institutions are trying to collaborate with fintech companies. Then it can be considered that the FinTech mechanism will strengthen the influence on the creation of technological innovation. Thus, the hypothesis able to be developed as follows:

H$_5$: FinTech mechanism moderates the influence of Business Drivers on Technology Innovation

The results of the Focus Group Discussion concluded that the financial and banking industry supported sustainability programs through technological innovation to improve the welfare of the community and helped drive the financial inclusion for the real sector through economic development. Furthermore, the Validity Test carried out in a confirmation test conducted by Academics, FinTech practitioners, and practitioners in finance and banking. They positioned as verifiers. Based on these test results, the results of 80% of verifiers stated "confirm" the model developed from this Conceptual Framework. However, 20% confirm with notes related disruption/collaboration in the FinTech mechanism.

For the future study, the model produced in this study needs to be tested by quantitative methods using empirical models whose data is processed statistically.

4.4 Implication and Limitation

This study also provides a theoretical approach to the analysis of technological innovation phenomena in research theory. Regarding theoretical implications, this study provides a research framework for the theoretical concept of business drivers, FinTech mechanisms, and technological innovation. Modern Monetary Theory by Griffith & Austin (2004) is considered still very relevant as the Grand theory in studies related to FinTech. Modern Monetary Theory teaches things related to Electronic Money and Monetary Policy, then the money supply and the speed of money flow. Theoretically, the results of this study also have implications in encouraging academic researchers to study related technological innovation and FinTech in more depth.

This study provides practical implications for the financial and banking industry in how to create technological innovations in their business. Practically, based on the result of this study for owners and managers of the Fintech company, consider FinTech collaboration to technological innovation ways in the financial and banking industry. The financial and banking industry is required to have a strong
business driving factor and choose the right FinTech mechanism so that technological innovation developed sustainably.

The study has several limitations. First, the data source, which is literature from scientific journals and secondary data from various surveys, may have a bias. Because of that the results and discussion must be taken carefully. Second, the present study has limited by the relatively small size of the sample. Third, the questionnaire approach is not free to form a subjective opinion of the respondents. Finally, This finding limited studies on the chosen financial and banking industry in Indonesia context.

5.0 CONCLUSIONS
In summary, the purpose of this study and analysis emphasizes developing a conceptual framework of technological innovation for the financial and banking industry in Indonesia as a case study.

The results of this study have analyzed and defined the meaning of FinTech. Financial Technology (FinTech) used to describe new entrants technology, which has the potential for technological innovation for improving the new business model of financial services in the Financial and Banking Industry. The results of the theoretical framework in this study provide a systematic theoretical approach to the analysis of phenomena and concepts for business drivers, fintech mechanisms, and technological innovation. Based on the conceptual framework developed can describe an empirical research model for the future, which results in construct variables and the development of proposed research hypotheses.

Finally, with the research framework produced from this study, it will contribute to future empirical research proposals with a quantitative method approach. There are still many other studies in the future that can be done by academic researchers, related to technological innovation.

ACKNOWLEDGMENTS
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QUALITY MANAGEMENT SYSTEMS AND ENTREPRENEURIAL ORIENTATION ON FIRM PERFORMANCE OF SMALL MEDIUM ENTERPRISES: EVIDENCE FROM SERVICE INDUSTRY IN ZIMBABWE.

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Abstract
The study investigated quality management systems and entrepreneurial orientation on firm performance of SMEs in the service industry in Zimbabwe. The specific objectives included investigating how QMS approaches adopted by SMEs in the service industry in Zimbabwe impact firm performance, evaluate EO practises in SMEs in the Service Industry and its impact on firm performance and consequently recommend approaches that SMEs could employ in order to attain sustainability, operational excellence, growth and market share. The study utilized a quantitative technique and adopted survey research method using questionnaire where data was gathered by means of 30 companies purposively selected ISO-9001 certified SMEs in the service industry through convenience method of sampling. This study employed Logistic regression analysis for data analysis. The study revealed that results of multiple goodness-of-fit tests, such as the comprehensive test, Hosmer test, and Lemeshow test, show that our estimated logistic regression model is significant and can well predict the probability (probability) that SMEs can improve
firm performance in the service industry. The study also revealed that quality management system supports entrepreneurial orientation on performance of SMEs. Thus the study deduced that quality management system positively affects firm performance of SMEs in the service industry in Zimbabwe.

**Keywords:** Quality Management System (QMS), Firm Performance, Entrepreneurial Orientation (EO), ISO, Service Industry, Small and Medium Enterprises (SMEs).

1. **INTRODUCTION**

Small and Medium Enterprises (SMEs) play a fundamental role in the economies of Developed, Developing and Emerging economies and have been deemed as vital constituents of modern economies. SMEs take up a pivotal position in resolving socio-economic vices such as poverty, education and unemployment, especially in developing countries. Developed economies such as Japan, China, the United States of American, Australia, The United Kingdom and Switzerland track their development from development and growth of SMEs. In Zimbabwe, SMEs development and growth can be traced to Zimbabwe’s economy which has been highly volatile, characterised by shortages of foreign currency and electricity which has crippled the industry. The economy has been in distress since dollarization in 2009 (Nyoni & Bonga, 2017) and persists to be characterized by company closures with many workers losing their jobs through layoffs and retrenchments (Nyathi et al, 2018). The massive loss of jobs has been the biggest catalyst in promoting the growth and dominance of the Small and Medium Sized Enterprises (SMEs) in the country. Nyati et al. (2018) believe that with the support of Mugozhi & Hlabiso (2017), SMEs have become the safety net on which most people in Zimbabwe depend. The sensational growth of SMEs in Zimbabwe is not because it is easy to establish and manage but has become a necessity form of survival. Starting a small to medium enterprise is one thing, and its survival is another (Abduli 2013). Discerning which factors or practices lead to business success is an unfulfilled purpose of business (Pompe&Bilderbeek, 2005).

Global trends on the other hand indicate that currently SMEs operate in an increasingly challenging environment where customers are becoming more demanding, global competition is getting tougher and the life cycle of products is becoming shorter. Augmented by an acceleration of innovation processes, it is against this backdrop that SMEs strive to discover ways to develop their adaptive and reactionary abilities, giving them an undisputable edge over their competitors. Implementation of a quality management system is understood as a form of firm innovation in a context of high unpredictability (Maurand-Valet, 2015; Eve and Sprimont, 2016). Quality management system (QMS) therefore, provides requirements and standard guidance for establishing applicable quality management procedures to increase productivity, increase market share, reduce costs, and increase customer satisfaction. Owing to SMEs innovation capabilities, flexibility, entrepreneurial spirit, SMEs have demonstrated that they are more robust than multi-national and large enterprises in character (Matt et al. 2016).

Quality of products/services has been highlighted as one of the major obstacles that might impede SMEs’ growth (Mat Yunoh&Mohd Ali, 2015). Therefore, the adoption of a vibrant QMS can improve the quality
of products or services offered by SMEs (Oke & Oke, 2014). The main objective of QMS is to ensure that the company which produces goods or services is sufficiently well organized so that the quality of its products is consistently guaranteed thereby attaining competitive advantage. The competitive advantage of a company can be defined as the achievement of a favourable competitive position that leads to superior and sustainable economic performance (Porter, 1991). Variables generally considered as indicators of the economic firm performance are the increase/maintenance of the firm’s market share, profitability, and growth (Wiklund and Shepherd, 2005), whereby the last indicator has become one of the most noticeable drive in business research. If a company maintains its growth rate in a balanced way, it can bring a sustainable development, which is able to ensure the existence of the firm. Gibrat (1931) was the first to propose the idea of business growth, defined as “the change in the size of a company between two time periods”. This explanation clarifies why most authors have concentrated on the study of firm size, measured as the number of employees or in terms of assets and turnover of the organisation.

Although SMEs in Zimbabwe are regarded as the pillar of the economy, there have been signals from the SMEs Industry showing signs of challenges such as Entrepreneurial orientation deficiencies, lack of training and experience, poor market orientation, lack of competent management, low demand for products and services, intense competition, insufficient financial support, hostile and unfriendly business environment and constricted capacity for innovation among others. (Goriwondo et al 2012). Thus, a focus on Entrepreneurial Orientation (EO) is considered imperative for firms that want to engage in successful business operations [Dess and Lumpkin, 2005]. The EO concept helps to explain how managers can orient their organizations to gain competitive advantage [Anderson and Eshima, 2013]. EO highlights differences in strategic posture across firms (within as well as across industries) so that these differences in posture can be a basis of advantage over competitors [George and Marino, 2011]. Scholars generally postulate that firms gain competitive advantage as a result of outstanding organizational efficiency or effectiveness. In the context of EO, the focus has basically been on its influence on firm effectiveness. EO’s utility seems therefore to derive predominantly from its role in aiding firms become better at meeting their business goals.

This research is divided into the first part, which describes the research background; based on the purpose of this research, the second part of this article is a literature review on EO, QMS and SMEs firm performance, and research questions; the third part is the research methodology of this study, the fourth part being the model specification the fifth part is the discussion of results and findings, the sixth part is the conclusion.

2.0 LITERATURE REVIEW

2.1 Conceptual background of firm performance of SMEs

Although the research looks into determinants of firm performance is not a topical topic in the academic literature, it constitutes a field of study that involves great complexity due to the absence of consensus on a number of relevant aspects such as the selection of a clear and operational definition, the unit of analysis, and the theoretical framework to be adopted by the researcher (Combs et al., 2005). The large heterogeneity obtainable among firms is the main reason, as their different features and enormously divergent management models illuminate. Consecutively, firm performance is considered by
entrepreneurs in very different ways, depending on their business objectives and motivation. Furthermore, these objectives may evolve or change over time, and so, may the measure of success (Camisón and Cruz, 2008).

Firm performance is described as "a metric that quantifies the efficiency and effectiveness of a company's past actions by acquiring, collating, classifying, analyzing, interpreting, and disseminating appropriate data." (Lee et al., 2013). Firm performance has further been defined “as the achievement of organizational goals related to profitability and growth in sales and markets share, as well as the accomplishment of general firm strategic objectives” (Hult, Hurley, & Knight, 2004). Consequently, the competitive success of a firm can be explained as the attainment of a favourable competitive position that leads to sustainable and superior economic performance (Porter, 1991). Variables considered as indicators of economic firm performance are the increase or maintenance of the firm’s market share, profitability, and growth (Wiklund and Shepherd, 2005), whereby growth has become one of the most notable goals in business research. If a company maintains its growth rate in a balanced way, it can bring a sustainable development, which is able to guarantee the survival of the firm. Gibrat (1931) was the earliest researcher to propose the idea of business growth, and he defined growth as “variation in the size of a firm between two epochs”. This definition explains why most authors have focused on the study of firm size, measured as the number of employees or in terms of assets and turnover of the company.

Consistent with the aforementioned definitions, organizational performance in this study refers to the degree to which a firm has actually achieved its organizational goals with respect to growth in sales, increase in market share, and profitability relative to its competitors.

Numerous and varied proposals can be found in the academic literature regarding the concept and measure of firm performance. A number of authors have identified successful firms by means of qualitative variables, such as the capacity for innovation, satisfaction of employees/customers, entrepreneur satisfaction with the results and growth of the company, and the competitive position achieved. However, most of the studies published use quantitative indicators, economic indicators (in terms of profitability or productivity of the company), financial indicators or indicators of growth rate (Covin et al., 2006; Hill and Jones, 2011). This study will focus on Quality Management Systems and Entrepreneurial Orientation.

2.2 Quality Management System and firm performance

In contemporary studies, many researchers have examined the effect of implementation of QMS on firm performance. Lin et al. (2005) established that QMS through supplier participation affect organizational performance indirectly. Parvadavardini et al. (2016), in a research based on 152 Indian manufacturing companies, observed that QMS (supplier quality, strategic quality planning and process monitoring and control) influence quality performance, which in turn is positively associated to financial performance of firms. Al-Dhaafri and Al-Swidi (2016), in Dubai police departments, perceived positive impact of implementation of QMS on firm performance. In Japanese manufacturing sector, QMS was detected to be positively related to competitiveness of firms and quality performance (Phan et al., 2011; Anh and Matsui, 2006). On the contrary, in IT enabled small and medium enterprises (SMEs) in India, QMS
practices (capacity management, organizational management and quality documentation and security management) were detected to positively affect quality performance (Basu and Bhola, 2016). It was observed that firms that implemented QMS showed better financial performance in a study on small Australian manufacturing firms, (O’Neill et al., 2016). Agus (2005) deduced that implementation of QMS directly resulted in improved business performance, and indirectly improved product quality in an electronics industry study in Malaysia. Many organizations consider QMS with relation to TQM or ISO 9001 standards as a primary step in QMS implementation (Brown et al., 1998). In recent two decades, a large number of firms both large and small SMEs have implemented ISO standards and TQM practices as key QMS.

In addition, Quality Management System does not seem to fit particular attributes of SMEs. While QMS has constantly been at the nucleus of the working approach of large corporations, this cannot be presumed of SMEs. Given the attributes and specificities of the SMEs cited by the literature review, it gives the impression that QMS does not fit this category of companies. Inadequate resources, Simplicity of management and structure, Direct command and centralized decision making, low specialisation aggravated by limited skills and experience may be considered as persistent obstacles to the development, implementation and evaluation of a QMS in SMES (Messegheim, 1999). This view was authenticated by Fekari (2011) in an empirical study of 100 Moroccan SMEs in which the Researcher detected that the lack of human resources is the first obstacle to the quality management system for SMEs. Conversely, a growing number of theoretical and empirical studies (Guilhon and Weill, 1996; Messegheim, 1999, 2001) show that SMEs are also participants for the development and implementation of QMS to create competitive advantage and a pavement for accessing new national and international markets for SMEs. Continuing this line of reasoning, some researchers (Shea and Gobelli, 1995; Ajzen et al., 2016) deduced that setting up a quality management system is less difficult in a small business than in a large company, owing to the simplicity of its processes and procedures. Messeghem (2001) in an empirical study of 72 agro-food SMEs in the Languedoc-Roussillon region endorsed these propositions. The study has shown that the characteristics of SMEs marked by bureaucratic structures, the formalization of the planning and control system and the complexity of the information system are consistent with quality approaches.

The research studies discussed above indicate that relationship between QMS and firm performance has been adequately examined. However, there is lack of research regarding the role that the combination of QMS and EO exert on SMEs performance especially those in the service sector. The intended research strives to fill the gap by considering QMS and EO as key drivers on Firm Performance.

2.3 Entrepreneurial orientation

Over the past three decades, "entrepreneurial orientation" has played a key role in the field of entrepreneurship. Research on EO has thrived for continuous improvement of theory development and measurement technique (Lyon, Dess & Lumpkin, 2005; Wiklund & Shepherd, 2005; Yama, Mukem, &Jermittiparsert, 2019). EO research memoirs can be located in the seminal works of strategic management theorists, such as (Giraud Voss, Voss, & Moorman, 2005) and (Deshpandé et al., 2013), among others. Mantok et al. (2019) considered entrepreneurial firms as those characterized by pro-activeness, innovativeness, risk bearing, bold and aggressiveness strategic orientations when trailing
opportunities. Deshpandé et al. (2013) described entrepreneurial orientation as a firm-level predisposition and guarantee to embrace behaviours that result in the disparity of business or market, such as sustaining and initiating innovative ideas that lead to adopting new business operations, new products, in order to spread out to new markets, trying out new product offerings in the face of volatility, inspiring employees to be independent in initiating and implementation of innovative ideas, and monitoring industry trends and competitors’ best practices. Alam et al. (2015) conceptualized EO as "the strategy of top management on innovation, initiative and risk-taking".

Many researchers have argued that EO could lead to sustained competitive advantage and exceptional business performance (Boso et al., 2015; Hasan, Syyedhamzeh, & Ali, 2013; Lechner & Gudmundsson, 2014). The literature supports a positive relationship between entrepreneurial orientations with Firm performance. Li, Huang, and Tsai (2009) resolved that there was a statistically significant association between EO and Firm performance in a research with the sample of 165 productions, high-tech, and service firms in Taiwan. Jalali, Jaafar and Ramayah (2014) also established a positive link between EO and performance in the research sample of Iranian manufacturing SMEs. Zhang, Ma, and Wang (2012) have detected a positive and important link of Entrepreneurial Orientation with Firm performance in their study of SMEs in the North Eastern China.

Nevertheless, research has provided only restricted guidance of the longitudinal influence of EO on firm performance and the significance which QMS might have in this context. The purpose of this paper is to fill in some gaps in the literature. This research is needed to evaluate the impact on firm performance of the combination of EO and QMS. Entrepreneurial strategic orientation or are frequently used concepts to describe entrepreneurship or entrepreneurial activity as an organization-level phenomenon. There has been an increased interest on the relationship between a firm’s entrepreneurial orientation and firm performance in recent years. Research commonly demonstrations that entrepreneurial orientation has a positive effect on firm performance (Zahra and Covin, 1995, Brown, 1996, Junehed and Davidsson, 1998, Wiklund, 1999).

In line with the aforementioned empirical studies, a positive relation of entrepreneurial orientation blended with QMS on SME performance is also expected in the present study.

Therefore, in order to achieve the purpose of this study, the study hypothesizes that:

- **H₁**: There is a positive relationship between QMS implementation and SMEs firm performance.
- **H₂**: There is a positive association between entrepreneurial orientation and Firm performance of SMEs in the Service Industry in Zimbabwe.
- **H₃**: The positive relationship in H1 and H2 will be intensified with the combination of QMS and EO on SME performance

### 2.4 Research questions

In light of the above discussion and existing literature, we have raised the following research questions to guide our exploration of this research:

1. Do SMEs that implement QMS and EO outperform SMEs that do not implement QMS and EO?
2. Does QMS implementation and EO result in improved firm performance?
3. Is there any link connecting QMS, EO and firm performance?

3.0 METHODOLOGY OF RESEARCH

The target population of the study includes all ISO 9001 registered SMEs in the service sector of Zimbabwe. This study is cross-sectional, because the interviewee is interviewed only once. A list of SMEs in the service sector was obtained from the Ministry of SME Development of Zimbabwe. This study uses 30 small and medium-sized enterprises selected as samples size. The study used convenience random sampling technique in the study. The research information for the study was gathered through data collection from each company's quality assurance and operations department heads or their representatives. The reason for choosing SMEs in this industry is that Zimbabwe’s service industry constitutes part of the country’s industry and is a significant part source of GDP. Therefore, SMEs in this industry accounting for about 40% of GDP, which is a considerable proportion of the SME sector in Zimbabwe, (News Day, 2019).

The method used in this study is Logistic regression model. The first step is to summarize the variables and find the mean, standard deviation, skewness, kurtosis and the Jarque-Bera statistics of each variable. The study's dependent variable is firm performance, while there are binary independent variables: QMS practice, measurement by process management, feedback, process control, new product quality entrepreneurial orientation, inter-functional design, customer focus and management commitment.

4.0 MODEL SPECIFICATION

The model in the study is structured using the generalized regression analysis. The model that was used in the study to establish the relationships between the quality management system and entrepreneurial orientation on firm performance of SMEs in service industry in Zimbabwe was presented as follows:

\[ Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \varepsilon \]

Where;

- \( Y_i \) is Firm Performance
- \( X_1 \) = Process Management
- \( X_2 \) = Feedback
- \( X_3 \) = Process Control
- \( X_4 \) = New Product Quality
- \( X_5 \) = Entrepreneurial orientation
- \( X_6 \) = Inter-functional design
- \( X_7 \) = Customer focus
- \( X_8 \) = Management commitment
- \( \varepsilon \) = error term
- \( \beta_0 \) = a constant
- \( \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8 \) = regression coefficients;
5.0 Empirical findings and results discussion
5.1 Summary of descriptive statistics
Table 1: Summary of descriptive statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>Jarque-Bera</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent variable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm performance</td>
<td>7.63</td>
<td>1.91</td>
<td>-2.41</td>
<td>10.48</td>
<td>329.93 ***</td>
</tr>
<tr>
<td><strong>Independent variable (QMS practices)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process management</td>
<td>5.84</td>
<td>0.21</td>
<td>0.75</td>
<td>1.64</td>
<td>16.83***</td>
</tr>
<tr>
<td>Feedback</td>
<td>9.56</td>
<td>2.39</td>
<td>-0.49</td>
<td>2.46</td>
<td>5.22**</td>
</tr>
<tr>
<td>Process control</td>
<td>6.34</td>
<td>1.59</td>
<td>-1.32</td>
<td>2.38</td>
<td>30.64***</td>
</tr>
<tr>
<td>New product quality</td>
<td>6.19</td>
<td>1.55</td>
<td>-1.63</td>
<td>2.53</td>
<td>45.20***</td>
</tr>
<tr>
<td>Entrepreneurial orientation</td>
<td>7.52</td>
<td>1.88</td>
<td>-1.83</td>
<td>2.20</td>
<td>58.98***</td>
</tr>
<tr>
<td>Inter-functional design</td>
<td>2.22</td>
<td>0.26</td>
<td>1.18</td>
<td>2.04</td>
<td>27.05***</td>
</tr>
<tr>
<td>Customer focus</td>
<td>6.18</td>
<td>1.55</td>
<td>-1.97</td>
<td>2.61</td>
<td>65.32***</td>
</tr>
<tr>
<td>Management commitment</td>
<td>2.54</td>
<td>0.64</td>
<td>1.13</td>
<td>2.32</td>
<td>23.21***</td>
</tr>
</tbody>
</table>

Note: *** and ** indicate that the Jarque-Bera (JB) normality null hypothesis is rejected at the 1% and 5% significance levels.

The above table is the descriptive statistics of variables used in the research. In the table 1 above firm performance has value of the standard deviation is equal to 1.91. Furthermore the same statistics for process management, feedback, process control, new product quality, entrepreneurial orientation, inter-functional design, customer focus and management commitment are respectively equal to 0.21, 2.39, 1.59, 1.55, 1.88, 0.26, 1.55 and 0.64. In addition, Table 1 gives the values of skewness, kurtosis, and Jarque-Bera test, which help determine whether the data about the variables follow a normal distribution. The dependent variable (firm performance) is negatively skewed to the left compared to the independent variable feedback, process control, new product quality, entrepreneurial orientation, customer focus support. Also, the variables process management; inter-functional design and management commitment are positively skewed, flattering to the right. The kurtosis value of firm performance is observed to be greater than the normal value (3). This shows that the shape of this distribution is leptokurtic. The explanatory variables which includes feedback, new product quality and customer focus are deduced to be mesokurtic in terms of shape since they respectively have kurtosis values which are approximately 3 whereas the remaining variable including management commitment, inter-functional design, entrepreneurial orientation and process control are identified to be platykurtic in terms of shape since they respectively have their kurtosis to be approximately less than 3.
5.2 Multicollinearity test

Table 2 Multicollinearity test by VIF and Tolerance

<table>
<thead>
<tr>
<th>Independent variables (QMS practices)</th>
<th>VIF</th>
<th>Tolerance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process management</td>
<td>8.25</td>
<td>0.47</td>
</tr>
<tr>
<td>Feedback</td>
<td>5.21</td>
<td>0.76</td>
</tr>
<tr>
<td>Process control</td>
<td>1.77</td>
<td>0.83</td>
</tr>
<tr>
<td>New product quality</td>
<td>1.89</td>
<td>0.88</td>
</tr>
<tr>
<td>Entrepreneurial orientation</td>
<td></td>
<td>4.28</td>
</tr>
<tr>
<td>Inter-functional design</td>
<td></td>
<td>9.17</td>
</tr>
<tr>
<td>Customer focus</td>
<td></td>
<td>6.44</td>
</tr>
<tr>
<td>Management commitment</td>
<td></td>
<td>4.37</td>
</tr>
</tbody>
</table>

Note: Both VIF and Tolerance values are based on dependent variables (venture investment funds). VIF value is less than 10, tolerance value is greater than 0.2

Table 2 above therefore, shows the results of the multicollinearity test related to the independent variables used in the study are shown. The VIF value is much smaller than 10, and on the other hand, the tolerance value is also larger than 0.2. Therefore, this means that in the multiple logistic regression model, there is no multicollinearity relationship between variables. Given that there is no multicollinearity relationship in the multiple logistic regression specified in this study, we further estimate the determinants of firm performance in the following section.

5.3 Regression results and discussion

Model summary

Table 3 Results from the Model Summary

<table>
<thead>
<tr>
<th>Step</th>
<th>-2log-likelihood</th>
<th>-2log-likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>22588.164</td>
<td>22588.164</td>
</tr>
</tbody>
</table>

Table 3 above shows the respective values of Cox and Snell R-square and Negelkerke R-square, which describes the variation of the response variable explained by the model from a minimum value of 0 to a maximum value of about 1. The above statistics are described as R-square statistics rather than R-square value output from multiple linear regression analysis. The analysis results of Cox and Snell R-square and Negelkerke R-square give values of 0.581 and 0.785, respectively, which indicates that the 58.1% to 78.5% change in the response variable (firm performance) is caused by a set of explanatory variables used in the model explanation. The table additionally reports the logistic regression output of a logarithmic likelihood value of 22588.164, a relatively small empty model (the model consists of only constants in the
initial stage (step 0), indicating that the final model will be very useful in predicting firm possibility of performance is good or bad.

Table 4 Omnimbus test of model coefficients

<table>
<thead>
<tr>
<th>Block</th>
<th>Chi-square</th>
<th>df</th>
<th>Prob.Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>133.042</td>
<td>27</td>
<td>0.000</td>
</tr>
<tr>
<td>Block</td>
<td>133.042</td>
<td>27</td>
<td>0.000</td>
</tr>
<tr>
<td>Model</td>
<td>133.042</td>
<td>27</td>
<td>0.000</td>
</tr>
</tbody>
</table>

By using the Omnibus test of model coefficients reveals the overall performance of the model relative to the null model (the model without input predictors). This is called the goodness-of-fit test. As can be seen from Table 4, the p value of the model is 0.000, a significance level less than 0.05, the chi-square value is 133.042, and the degree of freedom (df) is 27. This shows that the fit of the model is significantly better than an empty model (the model in step 0), which leads to rejection of the null hypothesis. It can be seen that since the model expressed as quality management systems is significant (p-value <0.000), there is a significant relationship between SMEs' firm performance and quality management systems and entrepreneurial orientation.

5.5 Hosmer and Lemeshow test

Table 5 Hosmer and Lemeshow test

<table>
<thead>
<tr>
<th>Block</th>
<th>Chi-square</th>
<th>df</th>
<th>Prob.Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>8.883</td>
<td>8</td>
<td>0.352</td>
</tr>
</tbody>
</table>

Hosmer and Lemeshow tests are used to test the importance of the model and also to support the value of the model. The interpretation of this test is very different from the comprehensive test on model fitting in the previous section. For the goodness-of-fit test of Hosmer and Lemeshow, the probability of poor fitting is less than 0.05. Therefore, in order to support the significant fit of the model with the Omnibus test, a probability value greater than the 0.05 level of significance is needed. The results of Hosmer and Lemeshow test are shown in Table 5, the chi-square value is 8.883, and the probability value is 0.352. The probability value is greater than the significance level of 0.05, indicating that the support model is worth or very significant.
5.6 Model estimation results

**Table 6 Results from the logistic regression Model estimation**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Parameter estimates</th>
<th>Wald test value</th>
<th>Std. error</th>
<th>Exp(Beta)</th>
<th>Prob.value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>0.850***</td>
<td>68.562</td>
<td>0.103</td>
<td>2.339</td>
<td>0.000</td>
</tr>
<tr>
<td>Process Management</td>
<td>0.165***</td>
<td>11.014</td>
<td>0.050</td>
<td>1.179</td>
<td>0.001</td>
</tr>
<tr>
<td>Feedback</td>
<td>0.115***</td>
<td>7.716</td>
<td>0.043</td>
<td>1.122</td>
<td>0.007</td>
</tr>
<tr>
<td>Process control</td>
<td>0.002</td>
<td>2.174</td>
<td>0.001</td>
<td>1.002</td>
<td>0.140</td>
</tr>
<tr>
<td>New Product Quality</td>
<td>0.150**</td>
<td>5.355</td>
<td>0.065</td>
<td>1.162</td>
<td>0.021</td>
</tr>
<tr>
<td>Entrepreneurial orientation</td>
<td>0.173***</td>
<td>26.910</td>
<td>0.033</td>
<td>1.189</td>
<td>0.000</td>
</tr>
<tr>
<td>Inter-functional design</td>
<td>0.331***</td>
<td>13.168</td>
<td>0.090</td>
<td>1.392</td>
<td>0.000</td>
</tr>
<tr>
<td>Customer focus</td>
<td>0.305***</td>
<td>10.165</td>
<td>0.096</td>
<td>1.357</td>
<td>0.001</td>
</tr>
<tr>
<td>Management commitment</td>
<td>0.192**</td>
<td>5.864</td>
<td>0.079</td>
<td>1.212</td>
<td>0.015</td>
</tr>
</tbody>
</table>

Note: ** and *** represent 5% and 1% significance levels, respectively

Following confirmation of the importance of the logistic regression model, we are interested in taking Zimbabwe as an example to evaluate the impact of various quality management systems and entrepreneurial orientation on the performance of SMEs in the service industry. Therefore, Table 6 summarizes the estimation results of the logistic regression model based on the assumption that the quality management system practice and entrepreneurial orientation associated with improving the performance of SMEs in the service industry. The results given in Table 6 are based on parameter estimates, standard error values, Wald tests, odds ratios, and p-values of various variables used in the study. Parameter estimation is the interpretation of assumed values, Wald test values and odds ratio (exp(β)). The hypothesized value and the Wald test help to identify the variables and make the response variables of significant contribution while the odds ratio (exp(β)) reflects the multiplicative effect of various variables that are assumed in the model to improve firm performance. It can be seen from Table 6 that the parameter estimated value is 0.850, the intercept with p value of 0.000 and the Wald test value of 68.562 are statistically significant, and are different from 0 at the 1% significance level. Among the explanatory variables (QMS practice) for performance improvement of SMEs in the service industry, only process control is considered to be not statistically significant. Therefore, this shows that in different small and medium-sized enterprises, the improvement of firm performance does not depend on process control. The p-value of this variable (process control) is 0.140, which is greater than all standard significance levels (1%, 5%, and 10%, respectively). In terms of significant variables, the estimation results further reveal that the improvement of the process management in different SMEs has an important impact on the possibility of improving SMEs’ firm performance. The odds ratio of 1.179 supports this view, showing that the service industry, the progress of improving process management is 1.179 times that of improving SMEs’ firm performance. According to reports, feedback is statistically significant at the 1% level. The Wald test and odds ratios are 7.716 and 1.122, respectively. Therefore,
this shows that the possibility of strengthening feedback in the service industry to improve SMEs' firm performance is 1.122 times. At a 5% significance level, the p-value of the new product quality is 0.021 and the odds ratio is 1.162, which is statistically significant, indicating that the above variables are undoubtedly 1.162 times more likely to improve the performance of SMEs in the service industry. Interestingly, the entrepreneurial orientation Wald test has the highest value (26.910), the highest contribution to firm performance, and the odds ratio is 1.392. This proves that in the service industry, inter-functional design is more likely to improve SME performance than other designs by 1.392 times. In addition, the evaluation results also show that customer focus also plays an important role in firm performance. This proves the fact that the results of inter-functional design from Table 6 have a positive and significant impact on firm performance. The estimated ratio of 0.331 and 1.392 of the parameter indicates that the climax will be 1.392 times for inter-functional design, enhancing the firm performance in the service industry. Finally, the management commitments made in the same way have a significant statistical contribution to improving the performance of SMEs. The parameter estimates are positive and the odds ratio is 1.212. This finding undoubtedly supports the view that the role of management commitment in enhancing the performance of SMEs in the service industry is inevitable 1.212 times.

6.0 CONCLUSION
In conclusion, with the help of multiple logistic regression, process management, feedback, process control, new product quality, entrepreneurial orientation, inter-functional design, customer focus and management commitment as explanatory variables consistent with the practice of the quality management system, and the performance of SME companies On the other hand, it is used as a dependent variable. The results of multiple goodness-of-fit tests, such as the comprehensive test, Hosmer test, and Lemeshow test, show that our estimated logistic regression model is significant and can well predict the probability (probability) that SMEs can improve firm performance in the service industry. Regarding the estimation results, based on the Wald test value, the assumed value and the advantage ratio process management, feedback, process control, new product quality and entrepreneurial orientation, inter-functional design, greatly promoted the customer's attention and the possibility of management commitment to participate (probability), SMEs can improve firm performance. Only process control as a quality management system seems unimportant. Based on the results of this study, we suggest that Zimbabwe’s service industry should strengthen its quality management system in addition to process control to improve the performance of SMEs. The nature of modern business competition forces companies to do so continuously improve firm performance. This can be done by developing entrepreneurial orientation and applied the principles of QMS. This proposed study will deal with how SMEs in the service industry gain benefits through QMS practices in enhancing the success of firm performance of SMEs, thus having a positive impact on performance also a positive association between entrepreneurial orientation and Firm performance of SMEs in the Service Industry in Zimbabwe.

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SPILLOVER EFFECTS ON THE STOCK MARKETS: EMPIRICAL EVIDENCE IN VIETNAM AND SOUTHEAST ASIAN COUNTRIES

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ABSTRACT
This study assesses the impact of return spillover effects from five countries in Southeast Asia stock markets to Vietnam in the period 2000 - 2019 with weekly data. Through the estimation of co-integration between markets determined that there is no interaction in the long run between them. The impulse response function has also described the stock market in Vietnam tends to decline when shocks occur from related markets. Besides, the tests on causality and variance decomposition function have been more specific about the impact but not significant of regional markets to Vietnam. The research shows that spillover effects on Vietnam have a lag from 4 to 5 weeks during the study period.

Keywords: spillover effect, the Vietnam stock market, Southeast Asia countries, variance decomposition, impulse response function

JEL Classification Code: F02, F21, F3, F4

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1. INTRODUCTION
The Vietnamese stock market began operating in July 2000; the market has had a steady development, increasingly improved in structure, expanded in scale, becoming a vital capital channel in the economy. The Vietnam stock market capitalization reached VND 3,889 million, equivalent to 77.7%
of GDP by the end of June 2018. The Vietnam stock index has soared after a long period of effort and reached 1211 points on April 10, 2018, especially after ten years of the global economic crisis in 2008. Previously, this index re-established the highest level before the crisis economy in 2007 reached 1171 points. However, there are times; the market plummeted when falling to 235 points on February 24, 2009. In the last period of 2018, the Vietnam stock market "lost" while the economy has the most robust growth rate. This is due to many external causes from fluctuations in the world economy, trade wars increasingly tense, interest rates rise, the US dollar rises. Besides, there are many fluctuations in the commodity market, especially for crude oil, from which all previous forecasts become inaccurate. Investors and policymakers have always questioned how will the stock prices in the Vietnam stock market fluctuate? Which model should be leveraged by investors from past data? Based on that knowledge, they need to be psychologically prepared for the risks they face in the future. Therefore, securities investment is an attractive investment channel but also contains many hazards. Investors, in addition to the top concern, are return ratio, forecasting, and managing risk is also one of the strategic investors need to pay special attention.

The deep integration of economies in the context of globalization now helps financial systems in countries around the world to have interdependence and mutual interaction. Vietnam is increasingly integrating deeply into the world economy by joining and signing all international trade and financial agreements. The implementation of the ASEAN Economic Community (December 31, 2015) has helped the free flow of capital to and fro between countries in Southeast Asia, making the linkage of the stock market between countries in the region increasing. Therefore, studying the relationship between the return of the stock market will help investors have more information to forecast changes in stock prices when investing in the stock market. Since then, investors can also utilize this correlation to have a strategy to diversify the appropriate portfolio, increase return, and reduce risks. The return relationship between markets can be assessed through the concept of return spread (Oliveira, 2009). So far, the world has had many studies on the interaction and correlation between the return ratios of major stock markets such as the US, China, Japan, and Singapore. However, there are still quite a few studies focusing on developing countries' markets, particularly in Southeast Asia. Therefore, the author conducted this study to assess the spillover of Southeast Asian nations on the Vietnam market through regression analysis of securities indexes of Southeast Asian countries.

More specifically, if the stock markets of Southeast Asian countries have a close connection with Vietnam, it means that shocks or changes from the Southeast Asian stock markets will spread to affect Vietnam. Investors can forecast risks based on analysis of fluctuations in the stock markets of countries in Southeast Asia, as a basis for making more appropriate investment decisions.
This study will conduct consideration of the impact of the Southeast Asian stock market (including five countries Indonesia, Malaysia, Philippine, Singapore, Thailand) on Vietnam. Because these markets have data available to collect during the research period, they are also highly influential economies in Southeast Asia. Based on Figure 1, the ranking of Southeast Asian economies of International Monetary Fund & Edge Malaysia presented the gross domestic product (GDP) in 2018. In Southeast Asia, the country ranked Indonesia is the highest with more than 1075 billion USD. Followed by Thailand with more than 484 billion USD, Malaysia 365 billion USD, Singapore 350 billion USD, the Philippines 332 billion USD, and Vietnam ranked 6th with 241 billion USD.

So far, there have been many different studies investigating the dangerous effects of stock returns on stock markets. However, most of the research focused on the spillover effects of the developed stock market on the emerging stock markets. Studying the spread of profits from the emerging stock markets with each other is still a gap that needs a more comprehensive picture of the market. Moreover, with the data of the long time series over 20 years, going through the period of the global financial crisis in 2007 and 2008, this research is expected to bring more reliable results. The main purpose of the study is to fill this gap.

The structure of the study is set up as follows: an overview of the research topic. Part 2 of the author briefly presents the findings and findings that past studies have claimed. Part 3 covers methods and database analysis. The empirical results are presented in turn in section 4. Finally, Section 5 concludes the main contents of the results obtained.

2. LITERATURE REVIEW

Nowadays, the market concept seems to be separated from the idea of national borders and territories. For the financial sector, this became even more pronounced as the correlation and coherence between markets increased. When developed countries happen a shock in a financial market, this will bring the spread and similar effects in the markets of many other countries.

First, we briefly examine some of the effects of the spillover effects on financial markets with various types of financial investments and underlying assets. Using the empirical BEKK-GARCH model, research in India has proven that between the foreign exchange market and the bond market has a two-way spillover effect with an asymmetric effect (Sahoo, Behera), & Trivedi, 2018). This study, conducted between 2005 and 2017, found that the impact was still strong between the two markets even when there was foreign portfolio investment. When the rupee goes down, the stock market volatility is
stronger than when the rupee goes up. The asymmetric transmission of the stock market, foreign exchange market, gold bullion market, and international stock market were also found between 1996 and 2012 (Pal & Chattopadhyay, 2019). The author used the VAR model, along with the Granger causality test, variance analysis, and DCC-MTGARCH model in data analysis. The results have shown that directional movement from the world stock market to India's financial market.

In the stock market, one of the first empirical analyzes conducted on a global scale, including 41 countries, including Asia, Europe, Latin America, and the Middle East (Beirne, Caporale, Schulze-Ghattas, & Spagnolo, 2010). Many important findings have been made: In Asia and Latin America, the average profit spread effect is evident. Meanwhile, the European market found a spread in the variance of stock returns. One of the valuable studies on the spillover effects of real estate companies listed on different stock markets around the world using the EGARCH model (T. K. Nguyen, 2012). The study has followed regional markets of developed countries, emerging markets, and less emerging markets. The results show that in the developed countries market, the spillover effect takes place strongly in its region and spread to the remaining two regions. In emerging markets, there is no clear impact in the region, but it still receives a large impact from the US market. For less popular markets, spillover plays an important but uneven role among countries. In particular, the most powerful impact is China, the rest of the country fluctuated very low. In the US and German stock markets, there is no evidence to suggest that the spillover effects of daily trading prices impact on next morning trading prices (Baur and Jung, 2006). This study has shown that stock returns on the day affect the overnight stock markets of the remaining countries.

However, this goes against the efficient market assumption, when we say that the prices of securities in different markets correlate with the short and long term. In other words, it is possible to forecast stock prices in different markets after a certain time lag (Christoforos, 2008). Some studies focus on explaining stock prices that are affected by time lag rather than absorbing other factors. This means that information transmission is slow and unequal in its ability to absorb information into the prices of different securities in different markets leading to a spillover effect between markets. The main reason for this is due to the information asymmetry, the effectiveness of transmission channels, the level of platform development, and the institutional mechanism operating in heterogeneous markets that have created opportunities arbitrage trading on international stock markets (Onwumere, Braimah, & Idolor, 2018).

To a lesser extent, only in the stock markets of developed countries compared to less developed countries. Many studies were conducted early to assess the spillover effects of average returns and stock movement volatility (Liu & Pan, 1997), (Kharchenko & Tzvetkov, 2013), (Alfreedi, 2019), (Do, Powell, Yong, & Singh, 2019). This study assessed the impact of the US and Japan on Southeast Asian countries. The results determine that only the US market has a strong spillover effect on stock returns, and this conclusion cannot be found from the Japanese market. The same study on this area, however, with a wider scope in the region of 7 Asian countries, a study was conducted five years later (Miyakoshi, 2003), (Giles & Li, 2013). This study has added the opposite effect of Asian and Japanese stock markets in addition to the similar results of previous studies in these developed markets. The relationship between Asian and Japanese stock markets is becoming more and more clear (Ngan, Thi, Hien, & Nghia, 2019).

The Asian financial crisis served as a structural disruption, with the increasing correlation between
crisis states in the latter period. At the same time, the context of the world stock market’s sharp decline in the early 2000s was also an important event to study the correlation at the developed market countries (BenSaïda, Litimi, & Abdallah, 2018), (Hou & Li, 2020). During periods of the global financial crisis, spillover effects were detected using the multivariate GARCH model, combining the BEKK-GARCH method, and approaching the density of A DCC-MGARCH with Skewed-t. Density. Empirical evidence shows that the correlation of the spillover effects on the emerging markets is much lower than in developed countries (Bala and Takimoto, 2017), (Labidi, Rahman, Hedström, Uddin, & Bekiros, 2018), (Belcaid & El Ghini, 2019). This impact tends to increase during the crisis period. Moreover, the emerging stock market mainly fluctuates from itself stronger than the cross-impact.

Many Asian market research results have found evidence of the impact of leading the emerging markets from developed markets. This implies a strong connection between the developed markets and the emerging markets in Asia. The first study on the impact of the Southeast Asian stock market and the Chinese stock market was conducted in 2019. The author studied through two periods before and after the crisis. Phase 1 from 2000 to 2008 (crisis period) and phase 2 from 2008 to 2018. With the VAR-GARCH-BEKK model, research has shown that the Chinese stock market Strong impact on the rest of the markets, especially during and after the crisis (Hung, 2019). This method is also used to describe the strong influence of the US stock market to South Africa between 2005 and 2011 (Yonis, 2011) and many other studies.

In the emerging stock markets, a study has applied the expanded EGARCH model to investigate the asymmetric spread fluctuations among the emerging Asian markets, including; China, Pakistan, Hong Kong, Sri Lanka, and India (Jebran, Chen, Ullah, & Mirza, 2017). This study took into account the volatility period before, during, and after the global financial crisis in 2007. Several key findings of the article were found, in which the stock markets of India and Sri Lanka have a pervasive two-way impact before and after the global economic crisis. In the pre-crisis period, there was a two-way relationship in Hong Kong and India stock markets. Similar trends were found for Pakistan and India. In the post-crisis period, there was only a two-way relationship between Sri Lanka and Pakistan. The author did not find any clear fluctuations for the Chinese stock market to the rest of the markets. In another study conducted during 2010-2015 in the seven largest global emerging markets: China, India, Brazil, Russia, Mexico, Indonesia, and Turkey. The authors have found that China is the largest market with global spillover potential (Huidrom, Kose, & Ohnsorge, 2019). Anyway, the spillover of the emerging economies is still much smaller than countries with advanced economies in the world (G7).

"One Belt, One Road" - BRI’s original name, was first introduced by Chinese President Xi Jinping in late 2013 when it proposed to merge the Silk Road and Road Economic Belt. Maritime Silk 21st Century. From this initiative, the spillover effect of the Chinese stock market to countries along the belt has had an asymmetric influence, however, not significantly (Lu, Gao, & Huang, 2019). The influence of the Chinese stock market on the markets of countries where bilateral relations exist, especially in the period of the global financial crisis. The stock market of countries on the BRI belt is quite sensitive when negative news happens to the Chinese stock market. Also, the spillover effect of the Chinese stock market proved weaker than the opposite effect of the BRI market.

On a small scale, when analyzing the spillover effects on the stock market, scholars have
demonstrated that the US and Japanese stock markets have a strong impact on the VN index (M. K. Nguyen & Le, 2018). This study collected securities data between 2012 and 2015 and looked at causality in the frequency domain. The study found that for every frequency domain, the US S&P 500 index will affect the Vietnam stock market with different levels. The Nikkei 225 index only affects VNindex in the high-frequency domain. Thus, there is an asymmetric spillover effect in the frequency domain for major markets in the world on the Vietnam stock market.

A research team collected data on stock indices in South Asian countries from 2006 to 2014. The scholars revealed the strong segmentation of risk segments between the stock market. Vietnam compares with other countries’ markets such as China, India, Thailand, and Malaysia (Yin & Li, 2016). It is clear that the emerging stock markets and the Vietnamese stock market have no dynamic correlation with each other, nor are there spreading in the financial crisis. Concluding conclusions about the short-term disconnection between the Vietnam and China stock markets in the short term are found between 2007 and 2017 (Malik, Tran, Abumustafa, & Jamal, 2018).

Recently, academics have made statements that contradict previous conclusions (Yin & Li, 2016). The new findings have proved the existence of spillover effects on the stock market during the global economic crisis. The authors applied with larger sample size, including 17 emerging stock markets and seven developed stock markets (T. T. Nguyen & Thuy, 2016). The authors have applied the Copulas theory approach, which has yielded much more reliable results than traditional methods. Using the Copulas method in the analysis, another study showed the low dependence of the Vietnam stock market compared to Malaysia and Indonesia stock markets from 2009 to 2016 (Jiang, Nie, & Monginsidi, 2017). In particular, the phenomenon of variable spread and repayment has a strong impact from the Chinese stock market to the Vietnamese stock market both before and after the financial crisis. Globally, the greatest impact is during and after the financial crisis (Hung & Binh, 2017), (Hung, 2019). Another study has also found the effect of UK and US stock markets on the stock markets of ASEAN countries (Aumeboonsuke, 2019). Just as in a recent study, the relationship of the China stock market to the countries in the "One Belt One Road" project has been found. The spillover effect from the demands of the project countries, including Vietnam, is more powerful than the opposite effect from the Chinese stock market to the countries in the sample (Lu et al. al., 2019).

Asymmetry occurs when we consider the impact of bad news and good news on all six Southeast Asian stock markets, including Vietnam. The bad news has a much stronger impact on the stock price index variation than the good news. The study also points to the pervasive impact of developed stock markets on the region's stock market. The findings have made conclusions about the impact on the Vietnam stock market most strongly from the US stock market, other developed stock markets such as Japan, or Hong Koong show a positive influence, but weaker (Thanh & Huong Lan, 2016). However, when considering the relationship between the equity interest of the Vietnam stock market and other countries in Southeast Asia, the Vietnam stock market has a rather weaker impact than other countries. Pairs of remaining relationships of countries. This poses a problem for market policymakers to diversify their investment portfolios and to link and cooperate with countries around the world (Duong & Huynh, 2020).

Although previous studies have made different judgments about the existence of the spread effect
with a delay between the stock market indexes in the world, most have made the argument that the spread effect exists from the growing stock market to the emerging stock market. Even considering the relationship between the emerging stock markets together, most of them focus on the emerging markets with a long history in South Asia, such as China, Pakistan, India. The ASEAN region is still about Research drums that should be concerned. This study applied the VAR model, and Granger causality analysis is useful techniques to study the lagged linkage between stock markets. From the above research theories and the current situation of studying the effects of stock indices of ASEAN countries, namely, six countries: Indonesia, Malaysia, the Philippine, Singapore, Thailand, impact Vietnam? In the next section, the authors will use econometric methods to test this.

3. RESEARCH METHOD AND DATA

3.1. Research Methods

Authors conduct the use of descriptive statistics to ensure that the data set is meaningful and relevant to the economic nature. Then, start testing the data set stationary using the unit test according to Dickey's research, and Fuller (1979). Next, check the co-integration in the data pairs to be studied. We consider the relationship in the stock markets between Southeast Asian countries and Vietnam. The study conducted to conduct Johansen co-testing with the assumption that H0 does not co-exist between the two markets. If we reject the H0 hypothesis, the relationship between Vietnam and the 5 ASEAN countries is long-term. Conversely, if the H0 hypothesis is accepted, or a short-term relationship exists between these countries. Based on Sims's theoretical background in 1980, the study will implement a VAR model to estimate the spillover effects between markets. The equation determining the relationship between markets is as follows:

\[ Y = \alpha_i + \beta_i X + \mu_i \]  

Where:

- \( Y \) represents the stock market in Vietnam,
- \( X \) represents in the Southeast Asia stock markets,
- \( \alpha_i \) is the constant,
- \( \mu_i \) is the error.

The Bivariate VAR model is applied when considering the spillover effects of stock markets from Southeast Asian countries to Vietnam. Specific equations for each market pair are shown as follows:

\[ R_{t, vietnam} = c + R_{t-1, vietnam} + R_{t-2, vietnam} + R_{t, indonesia} + \epsilon_t \]  
\[ R_{t, vietnam} = c + R_{t-1, vietnam} + R_{t-2, vietnam} + R_{t, Malaysia} + \epsilon_t \]  
\[ R_{t, vietnam} = c + R_{t-1, vietnam} + R_{t-2, vietnam} + R_{t, Philippines} + \epsilon_t \]  
\[ R_{t, vietnam} = c + R_{t-1, vietnam} + R_{t-2, vietnam} + R_{t, Singapore} + \epsilon_t \]  
\[ R_{t, vietnam} = c + R_{t-1, vietnam} + R_{t-2, vietnam} + R_{t, thailand} + \epsilon_t \]

Where, \( R_{t, vietnam}, R_{t, indonesia}, R_{t, Malaysia}, R_{t, Philippines}, R_{t, Singapore}, R_{t, thailand} \) correspond to stock yields in Vietnam, Indonesia, Malaysia, Philippines, Singapore, and Thailand.

In the Bivariate VAR research model shown in Equations 2, 3, 4, 5, 6, we evaluate with two lags to determine the linkage between the Vietnam stock market and foreign markets in Southeast Asia.

On that basis, the study conducted estimation methods such as analysis of push response function, coefficients of variance decomposition. The push response function is intended to determine how the
sudden shock of one variable will affect other variables in the VAR model. Variance decomposition to analyze the variance of errors in the model. Besides, the Granger causality test is also used to determine the spread of return ratios between stock markets of Southeast Asia countries to Vietnam.

3.2. Research data

The weekly price index is applied to the VN index and the main indexes represented in the Southeast Asia stock market to ensure consistency and proportionality of time, as well as convenience in data collection. Range of time series over the past 20 years, from 2000 to 2019 of 6 countries in the region, including KLCI Bursa Malaysia, Jakarta Composite Index Indonesia, PSEI Philippines, STI index Singapore, SET index Thailand, and VN index Vietnam. After collecting raw data from the database of stock information websites such as Investing, Finance Yahoo, the author adjusted the data to ensure consistency and ensure the data set was stable and not biased. Some weeks in countries where the market is not trading due to holidays, the stock price of that week used is the stock price of the most recent trading week. The formula for calculating the return of a security is created from the natural logarithm result of the stock price divided by itself in the previous period as follows:

$$R_{i,t} = \log(P_t/P_{t-1})$$

4. EMPIRICAL RESULTS

4.1 Data

The parameters are shown in Table 1 to show a summary of the observed variables in the study. According to the detailed statistical table, the return ratios of the markets are relatively consistent with reality, and there is no occurrence of transactions with large external values, leading to biased estimates. With all 1001 observations of the study data, the author commented that it is sufficient to ensure the necessary conditions of estimation over time data. With the standard deviation value of the variables, it shows that the Philippine stock market is volatile (2526.377) is the strongest among the studied markets while the Vietnam stock market is the least unstable (262.6998) than other markets.
Table 1: Descriptive statistics of the variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>VIETNAM</th>
<th>THAILAND</th>
<th>SINGAPORE</th>
<th>PHILIPPINES</th>
<th>MALAYSIA</th>
<th>INDONESIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>510.6443</td>
<td>984.5890</td>
<td>2660.425</td>
<td>4239.593</td>
<td>1295.36</td>
<td>3026.695</td>
</tr>
<tr>
<td>Median</td>
<td>487.0600</td>
<td>841.5200</td>
<td>2871.050</td>
<td>3480.160</td>
<td>1363.21</td>
<td>2732.433</td>
</tr>
<tr>
<td>Maximum</td>
<td>1202.440</td>
<td>1835.900</td>
<td>3886.930</td>
<td>9061.750</td>
<td>1890.46</td>
<td>6672.990</td>
</tr>
<tr>
<td>Minimum</td>
<td>100.0000</td>
<td>261.3800</td>
<td>1222.980</td>
<td>993.3500</td>
<td>557.4300</td>
<td>342.3230</td>
</tr>
<tr>
<td>Skewness</td>
<td>0.627369</td>
<td>0.154311</td>
<td>-0.569964</td>
<td>0.287938</td>
<td>-0.225379</td>
<td>0.133979</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>2.609867</td>
<td>1.636033</td>
<td>2.005018</td>
<td>1.508910</td>
<td>1.510974</td>
<td>1.569841</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>72.01248</td>
<td>81.56703</td>
<td>95.48816</td>
<td>106.5641</td>
<td>100.9500</td>
<td>88.30308</td>
</tr>
<tr>
<td>Probability</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Sum</td>
<td>511154.9</td>
<td>985573.6</td>
<td>2663086.</td>
<td>4243832.</td>
<td>1296657.</td>
<td>3029722.</td>
</tr>
<tr>
<td>Sum Sq. Dev.</td>
<td>69011195</td>
<td>2.20E+08</td>
<td>4.38E+08</td>
<td>6.38E+09</td>
<td>1.77E+08</td>
<td>4.09E+09</td>
</tr>
<tr>
<td>Observations</td>
<td>1001</td>
<td>1001</td>
<td>1001</td>
<td>1001</td>
<td>1001</td>
<td>1001</td>
</tr>
</tbody>
</table>

Source: Authors' calculations

4.2 Verification of stationary’s data

This is an important test when analyzing the stationary time series. Finding out the unit test is one of the most critical findings of current economics. The author performs unit root tests with the ADF test to consider the integration degree of variables. The reports in Table 2 are visible that the variables are not stationary at the root at I(0). ADF test represents the stationarity of all variables at the 1st difference, with a high significance level (1%).

Table 2: Results of unit root tests of variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>I(0)</th>
<th>I(1)</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t - statistic value</td>
<td>P-value</td>
<td>t - statistic value</td>
</tr>
<tr>
<td>Indonesia</td>
<td>-0.121797</td>
<td>0.9452</td>
<td>-35.86455***</td>
</tr>
<tr>
<td>Malaysia</td>
<td>-1.125112</td>
<td>0.7077</td>
<td>-32.50506***</td>
</tr>
<tr>
<td>Philippines</td>
<td>-0.329860</td>
<td>0.9179</td>
<td>-31.84510***</td>
</tr>
<tr>
<td>Singapore</td>
<td>-1.494318</td>
<td>0.5363</td>
<td>-30.52363***</td>
</tr>
<tr>
<td>Thailand</td>
<td>-0.839029</td>
<td>0.8071</td>
<td>-32.19799***</td>
</tr>
<tr>
<td>Vietnam</td>
<td>-1.368043</td>
<td>0.5991</td>
<td>-26.68621***</td>
</tr>
</tbody>
</table>

For *** correspond to the 1% significance level
4.3. Testing co-integration relationship

After examining the stationary of the variables, the author continues to explore the co-integration of ASEAN stock markets: Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam in the long term or short term. Using the Johansen co-integration test for variables at the root order, if between coexistence variables, it is shown that the relationship between markets is a long-term relationship, then the author will proceed to use the error correction vector model. Conversely, if co-integration does not exist between the variables, this implies that the relationship between markets only occurs in the short term, in this case, authors estimate the self-regression vector model (VAR) to consider whether a correlation exists of the ASEAN and the Vietnam stock market. To perform co-integration testing, the authors used Johansen's co-integration test (S. Johansen (1991)) to see if a long-term relationship exists.

We test the co-integration relationship exists in Table 3. Based on the statistical value of Trace and Max – Eigen. It also revealed that co-integration between the stock market of 5 ASEAN countries and Vietnam does not exist with a high significance level. Furthermore, the correlation between these markets does not take place in the long term. Therefore, the authors implemented the VAR model.

Table 3: Results of co-testing according to Johansen method

<table>
<thead>
<tr>
<th>Variables</th>
<th>Hypothesis H₀</th>
<th>Trace statistic</th>
<th>Probability</th>
<th>Max-Eigen statistic</th>
<th>Probability</th>
<th>Conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam - Indonesia</td>
<td>No co-integration relationship exists</td>
<td>5.602507</td>
<td>0.7419</td>
<td>5.571645</td>
<td>0.6686</td>
<td>No co-integration relationship exists</td>
</tr>
<tr>
<td></td>
<td>There exists at least 1 co-integrated relationship</td>
<td>0.030862</td>
<td>0.8605</td>
<td>0.030862</td>
<td>0.8605</td>
<td></td>
</tr>
<tr>
<td>Vietnam - Malaysia</td>
<td>No co-integration relationship exists</td>
<td>5.090144</td>
<td>0.7992</td>
<td>3.774780</td>
<td>0.8823</td>
<td></td>
</tr>
<tr>
<td></td>
<td>There exists at least 1 co-integrated relationship</td>
<td>1.315363</td>
<td>0.2514</td>
<td>1.315363</td>
<td>0.2514</td>
<td></td>
</tr>
<tr>
<td>Vietnam - Philippines</td>
<td>No co-integration relationship exists</td>
<td>5.953246</td>
<td>0.7011</td>
<td>5.706927</td>
<td>0.6511</td>
<td></td>
</tr>
<tr>
<td></td>
<td>There exists at least 1 co-integrated relationship</td>
<td>0.246319</td>
<td>0.6197</td>
<td>0.246319</td>
<td>0.6197</td>
<td></td>
</tr>
</tbody>
</table>
### 4.4 Granger causality test

Based on Table 4, the results of the Granger causality relationship among the research variables found that the Vietnam stock market was affected by most countries with significance levels of 5% and 10%. Particularly in the Malaysian and Vietnam stock markets acted in the opposite direction, meaning that the VN index is a factor causing the change of the Malaysian stock prices.

**Table 4: Causal test results of the Southeast Asian stock market in Vietnam**

<table>
<thead>
<tr>
<th>Hypothesis H₀</th>
<th>Observations</th>
<th>F-Statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>VN doesn’t Cause INDÒ</td>
<td>998</td>
<td>0.18369</td>
<td>0.8322</td>
</tr>
<tr>
<td>INDÒ doesn’t Cause VN</td>
<td></td>
<td><strong>2.34949</strong></td>
<td><strong>0.0959</strong></td>
</tr>
<tr>
<td>VN doesn’t Cause MALA</td>
<td>998</td>
<td><strong>2.36497</strong></td>
<td><strong>0.0945</strong></td>
</tr>
<tr>
<td>MALAY doesn’t Cause VN</td>
<td></td>
<td>0.23611</td>
<td>0.7897</td>
</tr>
<tr>
<td>VN doesn’t Cause PHI</td>
<td>998</td>
<td>0.23617</td>
<td>0.7897</td>
</tr>
<tr>
<td>PHI doesn’t Cause VN</td>
<td></td>
<td><strong>3.51697</strong></td>
<td><strong>0.0301</strong></td>
</tr>
<tr>
<td>VN doesn’t Cause SIN</td>
<td>998</td>
<td>0.15236</td>
<td>0.8587</td>
</tr>
<tr>
<td>SIN doesn’t Cause VN</td>
<td></td>
<td><strong>3.94746</strong></td>
<td><strong>0.0196</strong></td>
</tr>
<tr>
<td>VN doesn’t Cause</td>
<td>998</td>
<td>0.37143</td>
<td>0.6898</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations
THAI doesn’t Cause VN

Source: Authors’ calculations

4.5 The impulse response function

Looking at Figures 2, 3, 4, 5, 6 results presented in the impulse response function indicate the stock price of Southeast Asian countries has a spillover effect on the Vietnam stock market. VN INDEX responded quickly and positively to the shock of Indonesia, Philippines, Singapore, Thailand, and Malaysia stock indexes from the 1st month. It only reached the long-term equilibrium level after the 5th month. In general, the VN INDEX tends to reduce when a shock occurs.

In contrast, the Vietnam stock market also affects countries’ markets but with minimal intensity. In particular, the shock in the Vietnam stock market will increase points for Indonesia, the Philippines, and Singapore, the downward trend for the Thai stock market, and the impact is more substantial but not stable for the Malaysian stock market. Most of the reaction function of the Vietnam stock market reaches countries that have reached equilibrium after four months.

Figure 2: The impulse response function of the Vietnam and Indonesia stock markets

Figure 3: The impulse response function of the Vietnam and Malaysia stock markets

Figure 4: The impulse response function of Vietnam and the Philippines stock markets
4.6 Variance decomposition function

The results obtained from variance decomposition in Table 5 specifically indicate that the shocks of the stock price of Southeast Asian countries did not strongly reflect the volatility of VNindex from the remaining markets. Shock’s fluctuations in the Indonesian stock market impact at the range of 4 to 5% while it is about 3% for clashes in stock market Malaysia and the Philippines. This rate is from 4% to 6% of shocks in the Singapore stock market and about 4% in the Thailand market. This is also relatively understandable when the Vietnamese market noticeably influenced by developed countries or countries with extensive trade relations with Vietnam, such as the US and China. These effects occur with the delay selected by authors according to the optimal latency from 4 to 5 weeks.

In the opposite direction, the Vietnam stock market can only explain the volatility of the stock price of countries with a minimal rate, only from 0.03% to 0.07%, except for Malaysia with a higher impact level than other countries in the region, but not so significant, 0.4%. Compared with other countries in Southeast Asia, the Vietnam stock market was born later, still quite young, and the capacity of the market is quite small. The Indonesia stock market has been in operation since 1995. In the same year, securities trading activities were also held in Malaysia and the Philippines. The stock exchange in Thailand and Singapore has been operating since 1999, and by July 2000, the Vietnamese stock market has started to work.

### Table 5: The results of the variance decomposition between the stock markets

<table>
<thead>
<tr>
<th>Weeks</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia-&gt;Vietnam</td>
<td>4.134672</td>
<td>4.785229</td>
<td>5.228692</td>
<td>5.257754</td>
<td>5.266853</td>
<td>5.267654</td>
</tr>
<tr>
<td>Vietnam-&gt;Indonesia</td>
<td>0.000000</td>
<td>3.17E-05</td>
<td>0.034547</td>
<td>0.035039</td>
<td>0.035762</td>
<td>0.035792</td>
</tr>
<tr>
<td>Source Country</td>
<td>Target Country</td>
<td>Year 1</td>
<td>Year 2</td>
<td>Year 3</td>
<td>Year 4</td>
<td>Year 5</td>
</tr>
<tr>
<td>----------------</td>
<td>----------------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Malaysia</td>
<td>0.000000</td>
<td>0.245705</td>
<td>0.459587</td>
<td>0.463635</td>
<td>0.466915</td>
</tr>
<tr>
<td>Philippines</td>
<td>Vietnam</td>
<td>2.527473</td>
<td>3.283663</td>
<td>3.865699</td>
<td>3.920012</td>
<td>3.933356</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Philippines</td>
<td>0.000000</td>
<td>0.040674</td>
<td>0.046693</td>
<td>0.046734</td>
<td>0.046839</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Singapore</td>
<td>0.000000</td>
<td>0.029651</td>
<td>0.030640</td>
<td>0.031095</td>
<td>0.031129</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Thailand</td>
<td>0.000000</td>
<td>0.025590</td>
<td>0.069580</td>
<td>0.073087</td>
<td>0.074309</td>
</tr>
</tbody>
</table>

Source: Authors' calculations

5. CONCLUSION

Through the analysis results that have been conducted, this study has yielded empirical evidence on the correlation between the Southeast Asian and Vietnam stock markets. With the period in 20 years since the Vietnam Stock Market began operating, we collected the stock indices of countries between 2000 and 2019. The results show that there is no co-association in the long-term between these markets. Besides, the results of the variance decomposition and reaction function have demonstrated that the spillover effects of Southeast Asian countries to the Vietnam stock market. Shocks affect the volatility of VNIndex with a delay from 4 to 5 weeks before returning to equilibrium in the short term. However, the level of percentage variance decay contribution is not high. This evidence supports for Hou's study (2007), Oliveira et al. (2009) suggested that a more developed market may be ahead of other demands for spillover effects. The stock market return among countries has lagged due to various causes. In it, we need to mention the information asymmetry, the effectiveness of transmission channels, the level of development of the platforms, and institutional mechanisms operating in the market. This also suggests policy implications for international investors in the Vietnam market. Investors also need to pay attention to the lag of the shocks to seek opportunities to increase the return of the portfolio through arbitrage trading.

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FACTORS AFFECTING WOMEN LEADERSHIP IN VIETNAM

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Abstract
The purpose of the present study is to discover factors affecting women leadership in Vietnam and the association between these factors and women leadership. The target interviewees are women leaders having above three-year experience in leadership position. Semi-structure interview is used to gather data on women and leadership, the stereotype of women traditional roles and factors influencing women leadership in Vietnam. In the study, the key factors influencing women leadership are work-life balance and organizational context. The gathered data on women and leadership, the stereotype of women traditional roles, the relationship between work-life balance and organizational context and women leadership in Vietnam are examined using thematic analysis.

Keyword

Introduction
The population of women has made of more than 50% of the world’s population. According to the data collected from the World Bank, the female labor force at the working age has increase every year, in which the number of female labor force comprised about 40% of the total of labor force in global (World Bank, 2018). Although the number of women participate in labor force was high, the number of women participate in the higher position is still lower than the number of men labor workforce. Some of studies have been researched why occurs this phenomenon because the inequality of working opportunities between women and men still exist the global market. In additional to, women labor workforce also has to face some problems in workplace such as gender discrimination in job, lacking of higher education, training so that women in global comprised in job that don’t required higher skills which leads to the approach to higher position for women is limited. All of these limitations create a glass ceiling in the road to achieve higher position in female labor. The glass ceiling is known as invisible barriers in women career (Growe, 2000).

In the 1990s, Vietnam has changed their closed economy into the integration with the world market which has led to the growth of economic and the reduction of poverty in Vietnam. The integration of Vietnam with the world also resulted in changing in Vietnam's trade because it increased the export which opened many opportunities for working labor force in Vietnam (Jenkins, 2004). The economy restructure has positive impact on female labor workforce in Vietnam which created more job opportunities in many areas such as services (Pham and Reilly, 2007). For examples, the global trade in
Vietnam so that many foreign investors will invest money in Vietnam which make economics activities shift toward the service sectors. Consequently, there is an increasing number of female labor force participating (An and Kazuyo, 2018). As mentioned above, the number of women leaders join in workplace is small because there are many burdens on Vietnamese women workers. In the current research, thus, factors affecting women leadership in Vietnam are discovered and analyzed.

The remaining of the paper is presented as follows. The second section reviews the literature on women leadership and the stereotype of women traditional roles as well as the association between the two factors such as work-life balance and organizational context and women leadership. The third section describes research methodology including research paradigm, research method, sources of data, research sample, data collection and analysis. The concluding section is then presented.

Literature Review

Women and Leadership Styles

Leadership had been defined in many articles and researches. The conception of leadership includes three aspects which are people, goals and influences (Daft, Kendrick and Vershinina, 2010). Leadership is an ability of individual to influence, motivate others in workplace take action to achieve the goals of the organization. It can be seemed as an tool or process to boost the others performance to finish the company’s goal (Hannagan and Bennett, 2007; Byers, 1997). From previous theory, the main meaning of leadership is an influence action of leader or manager which impacts directly on employee to accomplish the task. Based on the different kinds of motivating, goals and organization structure, the leader is flexible to give different leadership styles (Hannagan and Bennett, 2007; Lahti, 2013).

Some researchers showed that there were the differences of leadership style between women and men (Eagly and Johannesen-Schmidt, 2001; Hall, 1996; Le, 2011). Different gender has different types of leadership which not means that men have more dominance than women. The differences of leadership styles in gender exist because women and men might not have the same perception and aspect about leadership. For the same job or issue that women leadership and men leadership are carrying out, there will be the differences in the way they manage the job. Men is considered that leadership as leading which means men tend to lean towards majority rule and stress the result, the target (Porat, 1991a). And women in leadership tend to support contributory, cooperative decision-making and emphasize the process, which enable and encourage the others contribution (Schaef, 1985; Porat, 1991b; Chliwniak, 1997; Lahti, 2013). Comparing the types of leadership of women with men, Chliwniak, 1997, considered that women administrator emphasize in building relationship with employees, partner... Women also focus on sharing and processing, which is contrasted with men who attach special importance to accomplish the task, gaining the goals, collecting and hoarding information. Men administrators normally approached to organizational management by top down management (Eakle, 1995). Top-down management is the process in which the direction or decision are set by leadership and transmitted to the lower level employees (Nonaka, 1988). In contrast, women leadership management is by turning people's self-interest into organizational objectives by promoting self-worth, active engagement and power and knowledge sharing (Getskow, 1996; Growe, 2000). It is concluded that female leadership style tends to encourage the
interaction between employees and administrators than male.

**The Stereotype of Women Traditional Role**

In the world and Vietnam, although the government has proposed many policies to reduce the inequality of gender in societies, the stereotype of traditional gender roles still exist in the society (Gammeltoft, 2012 and Go et al., 2002). Many researchers defined the meanings of stereotype are the assumptions of certain group of people about characteristics, attributes and behavior (Hilton and von Hippel, 1996). In this study, stereotypes are focused on how gender stereotype affect one’s attitude, behavior, self-concept consciously and unconsciously (Rhode, 2003a as cited by; Michailidis, Morfitou and Theophylatou, 2012). Especially in the countries which have a strong social norm, the traditional gender role is differentiated clearly in which the main role of women in society was wives and mothers and the role of men is working and earning money (Michailidis, Morfitou and Theophylatou, 2012; Go et al., 2002).

The stereotype of traditional gender roles also alive in workplace, the perception about employed women is that women less participated in leadership position and earned money less than men (Sandberg, 2015). The stereotype of gender interferes women with advancing in leadership position because to prove their talent women have to make more efforts on the job than men. And if the women leader make mistake, they will be judge much more than man (Lahti, 2013). However, in the study of (Duehr and Bono, 2006) showed that there were a changing in the perception of male managers about women employees. Male manager considered that female staffs or women manager also had confidence, enthusiastic, analysis and assertion in the job which led to men leaders had another view about women so that the male managers may create the equity in workplace.

**Factors Impacting on Women Leadership**

Some researchers had shown that because of the stereotype of women traditional role such as being mother, taking their children and doing household impacted negatively on the women leadership in workplace (Carnes, Morrissey and Geller, 2008). Moreover, the stereotype of women traditional role also affects organizational context which has influenced on women’s career progress. These factors create an obstacle called glass ceiling is known as the invisible barriers that block women from achieving higher position in their workplace (Wirth, 2001). In the literature review, the research focuses on researching two factors which are work-life balance and organizational context.

**Work-Life Balance**

The number of educated women increasing has led to the rise of women’s participation in labor force. However, women are not highly appreciated for higher position and their position in workplace tends to lower than the male (Haslam and Ryan, 2008; Davidson and Burke, 2000) because women have difficulty in balancing their work and their family lives. The definition of work-life balance is the condition in which a person tries to manage and satisfy the conflict between their family lives and their work at the same time. In order to accomplish all of the tasks without occurring the situation of focusing too much on doing on thing and to balance the work and the personal lives (Clark, 2000; Guest, 2002; Clutterbuck, 2003; Michailidis, Morfitou and Theophylatou, 2012).
Based on a research of Parasuraman and Simmers, 2001, the type of conflicts influenced on work-life balance are the characteristic of the job role and stresses (such as number of working hour, work schedule inflexibility and stressors); and the characteristics of family roles and pressure such as the role of being mother, father; number of children, age of children and family support. Another studies had shown clearly that long working hour are one of the three work characteristic impact negatively in balancing of work and family lives (Lee Siew Kim and Seow Ling, 2001). It had proven that children are always a highest priority of the working mother so that spending too much on working the women employees felt guilty to their children and their family (Carter and Cannon, 1992; Swiss and Walker, 1993; Moss and Brannen, 1991). So that long working hour lead to women might not quit the time because they need time to take care their children which result in the barriers in women’s career advancement. When women employees become mothers, the burdens of balancing work and family lives is heavier. There will be conflict between their work and their family because women nowadays have multiple roles such as employees, spouse and parents. In a research of (Michailidis, Morphitou and Theophylatou, 2012) has shown that 66.2% of the participants agreed that taking care of children is one of factor impacted negatively on women’s career advancement. And there were 66.9% of participants said that childbearing and other family roles were not only an intervention of women leadership but it also broke one’s women career. The reason why childcare and family obligation can prevent women leadership because of balancing the role of being wives and being mother which needs a great amount of time and energy(Greenberger and O’Neil, 1993; Michailidis, Morphitou and Theophylatou, 2012; Kinnunen and Mauno, 1998). It means if the women choose their work, they can’t take care of their child and family and vice versa.

Among the preceding family characteristics including the role of being mother, father; number of children, age of children and family support, family support is considered that it has effect positive in controlling the work-life balance (Lee Siew Kim and Seow Ling, 2001). The problem of work-family occurs when women have to handle two works: work in company and work in family. However, if their husband can share the responsibility of household chores, taking care of children with the wives, the work-family conflicts are not the problems which can balance the work and family live of women leadership (Lee Siew Kim and Seow Ling, 2001). However, due to the socialization in gender role, most of husbands rarely help in doing household, taking of children (Longstreth, Stafford and Mauldin, 1987; Lee-Gosselin and Grise, 1990 as cited by; Lee Siew Kim and Seow Ling, 2001). It is considered as women’s role and if the men do these task which damages their masculinity (Lee, Campbell and Chia-Chan, 1999a). Because of the traditional gender role, most of women employees or women leader after they have child, they are not able to work in long hours and not able to devote time to work (Hymowitz, 2005).

Organizational Context

Organizational context is referred to the organizational structure such as company’s policies, procedure, culture, environment or the ambition of a woman in impacting the organizational. How the organizational context affects women leadership, for example if the organization’s policy has open many opportunities for the participation of women leaders in workplace, it make the organization a more
accepting place for women (Burke et al., 2005). However, a research had shown that women in workplace are still be underestimated in workplace and deprived the opportunities in workplace because of the selection and promotion policy for the employees is unfair (Eggins, 1997). A number of researches have explored that the structure of company about opportunities and sanctions is divided by the gender. The occupations are divided into two group by gender are separate promotion ladders and cluster promotion ladder in certain position (Baron, Davis-Blake and Bielby, 1986 as cited in; Melamed, 1995). Women workers are initially assigned into the cluster promotion in certain position, which means women work in sectors that have less opportunity or limited the opportunities of promotion such as industries sectors (Cetron et al., 1987; Stromberg and Harkness, 1978 as cited in ; Melamed, 1995). Therefore, in labor market the status of women employee or women leadership is lower than the status of men because of gender inequality in organizational context has not created opportunities for the women’s career advancement (Melamed, 1995).

Various studies had discovered that the organization tends to promote men for the higher position (Schein, 1985; Shakeshaft, 1989; White, 2003 as cited in ; Le). The reason why the unfairness of selecting or promoting women employees for higher position occurs in workplace is the organization is concern about the traditional role of the women which are maternity leave and childcare (Coleman, Haiyan and Yanping, 1998). As mentioned previously, mother workers always put their children are the priority position so that when promoting women employees to leadership position, the organization is worried about that the women leadership’s performance can be affected by their family lives. To conclude, the advancement of women’s career in workplace is limited because of the female stereotype of the organization about the women employees performance affected by home and family (Dougherty, 2009). The promotion for women leadership is affected by retirement policy especially in China. The retirement policy had stated that women employee in Vietnam and China retired at the age of 55 earlier than men five year. The retirement policy makes the women career live is shortened which limit women access to leadership position and their career advancement (Qiang, Han and Niu, 2009; Eggins, 1997).

Numerous female leaders have stated that one of an effective tool that helps them overcomes the barriers and obstacles in pursuit of managerial positions in workplace is mentoring and coaching (Growe, 2000). Mentoring is the person who has many years of working experience and they will give support about sharing their experiences, giving advices for the problems that employees are facing, reducing job stress for the employees or helping improve employee’s performance. Mentors can be a person in the company or outside the company (Lahti, 2013; Chandler, 1996). In a research of (Growe, 2000) has listed some benefit of mentors for the career progress of women leadership. Mentoring is not only beneficial for women employee but it is also beneficial for both because it helps the organization retain the talented women employees. Mentoring can help women employee increase the income and boost all of the employee’s possibilities. If women leadership is still young and not have much experience, mentors can reduce solve the challenges of the organization by giving advice and they support young women managers in speeding up assimilation into organizational cultures. Mentoring is also raising the confidence of women leadership in workplace by proving soft skills, leadership skills. And mentoring program can also help break the stereotype of organization about female employees
(Schueller-Weidekamm and Kautzky-Willer, 2012). To eliminate this stereotype of traditional roles of women, the men at the young age need to be trained that the role of women and men are equal.

Research Question

On the basis of the review and analysis of the previous studies on women employment outcomes, the present study focuses on answering the following research questions.

1. What are the factors affecting women leadership in Vietnam?

2. How are the impacts of these factors on women leadership in Vietnam?

Research Methodology

Research Paradigm

A research paradigm is a framework based on the philosophy which is a system of people’s assumptions about the universe and the nature of knowledge, reality and existence. The function of research paradigm is guiding to organize the scientific research (Collis and Hussey, 2013; Waite and Hawker, 2009). There are two main of paradigms which are positivism and interpretivism. Because the research is using the perspective and experience of women leadership towards how the factors influence women leadership in workplace, the interpretivism approach is utilized to conduct the research. Interpretivism is a paradigm which appeared to response to positivism criticism. The assumption of interpretivism is that the social reality is depending on what we think which is subjective and multiple. For this reason, the act of investigating interpretivism influences the social reality. The research involves an inductive approach to provide a clear interpretation of social phenomena within a given context. One of the weakness of interpretivism is the findings are low reliability (Collis and Hussey, 2013).

Research Method

Qualitative research method is chosen as a research method to explore factors affecting women leadership in Vietnam. To discover what the most common factors are and how they impact on women leadership, qualitative research is appropriate for the current study. Because the qualitative study tend to be more open-ended which means the study that the researchers are investigating will emerge through the interviews, observation, documentation analysis (Maylor, Blackmon and Huemann, 2016). Moreover, the aim of qualitative research is finding out the unique and special cases about the participant’s experience or ideas toward the particular phenomena (Mutch, 2013). In addition, the research data used in the research study is rich, deep and valid because it is collected from practical situation through various methods such as observation, in-depth interviews (Maylor, Blackmon and Huemann, 2016; Davies and Hughes, 2014). One of the weakness when choosing qualitative is the sample due to the in-depth nature of study, the sample is small selective. As a result, the accuracy and generalizability of the study could have been effected by the small group (Bryman, 2003; Cormack, 1991)

Sources of Data

To achieve the objectives of the study, both primary data and secondary data are used.

Primary data sources: some methods such as survey, interview or focus group are utilized to
gather the data for the particular research problem (Hox and Boeije, 2005). In qualitative research, to collect the primary data, the interview method is used in which the interviewers ask the interviewees question to find out the participant’s viewpoint about the research (Collis and Hussey, 2013). In the current study, the primary data collected through interview is chosen in order to explore factors impacting on women leadership based on the viewpoint, experience of women leaders in the organization.

Secondary data source: secondary data are collected and analyzed by someone else, if the data is available researchers can access and review that data (Johnston, 2014). Secondary data are the data which is researched and gathered from existing sources such as articles, journals, databased (Hox and Boeije, 2005; Collis and Hussey, 2013). The sources of secondary data using in this study are previous articles and papers to review the literature on women leadership style and the relationship between two factors of work-life balance and organizational context and women leadership. The advantage of secondary data was applied in convenience and cost saving (Dale, Arber and Proctor, 1988).

Research Sample

The credibility and accuracy of the research depend on choosing appropriate interviewees to interview (Rubin and Rubin, 2011). According to a literature review, since the current study aims to explore the women leader in workplace, the criteria to choose the interviewees is female leaders having above three-year experience in leadership position. If the women leaders have more experience in leadership position, the data collected from interviewing is deeper, richer and more valid. In practice, as women leaders have worked in leadership position for many years, they have also experienced difficulties or observed many cases of women leadership in workplace from which they have clear viewpoints in the business issues.

Data Collection

Interview is applied in the present study because communication is a familiar skill and an effective approach to interviewees by asking the question in order to find out the research (Collis and Hussey, 2013; Mutch, 2013). The interview structure is following semi-structured in order to direct the interviewee to share about what are obstacles or tools affecting women leader. On the basis of these factors, other questions about the association between the factors and how these factors effect or how to overcome the obstacles during interviewing. The purpose of using semi-structure interview is learning, investigating the data based on the interviewees’ experiences, understanding or their attitude, opinions, emotions toward the research issues (Arksey and Knight, 1999; Collis and Hussey, 2013).

Due to the Covid-19 pandemic, there are some limitations in collecting data such as few interviewees or impossible face-to-face interview. Instead of using face-to-face interview, online interview through Skype or Zalo are used. The advantage of online interview method is not expensive and able to call video with interviewees. However, the weakness on this method is how to record the interview and problems with Internet (Collis and Hussey, 2013). Each interview will be conducted one-to-one with women leaders lasting 45 -60 minutes and recorded. The video call is accepted to record by interviewees. During the interview, taking note is important to catch the idea of interviewees and ask for more information about any points which are not clear.
Data Analysis

Data analysis is the method transferring the raw interview into the evidence which are interpreted in articles and journals (Rubin and Rubin, 2011). Consequently, thematic analysis is considered to use in analyzing qualitative research. Thematic analysis is the method in which the themes are identified, analyzed and reported within data (Braun and Clarke, 2006). The themes of the research are identified in inductive approach. Inductive approach is the themes analyzed are closely related to the data itself (Patton, 1990 as cited by; Braun and Clarke, 2006) which means the collected data is analyzed based on the previous theory. In the present research, thematic analysis is applied to study the gathered data on women and leadership, the stereotype of women traditional roles, the effect of work-life balance and organizational context on women leadership in Vietnam.

Conclusion

In general, the women leadership in the world are still underestimated because of the inequality of gender in workplace. The present study aims to investigate the two main factors which are work-life balance and organizational context and how these factors influence on Vietnamese women leadership. Vietnamese women leaders having above three-year experience in leadership position are the target respondents. Data on women and leadership, the stereotype of women traditional roles and factors influencing Vietnamese women leadership is collected utilizing semi-structure interview. Thematic analysis is then used to examine the collected data on the factors affecting women leadership and the association between these factors and Vietnamese women leadership as well.

After researching the two factors which are work-life balance and organizational context, women leaders are expected to understand how these factors interfere with women career and what happen if the women fail to balance work and family lives. Besides, from this research they may realize the importance of balancing work-life. In addition, the study findings are expected to indicate how to help the women gain the higher position and eliminate the stereotype of men about women traditional roles. Moreover, the study will provide deeper insights on the factors affecting women leadership and the relationship between these factors and women leadership in Vietnam.

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CHINA’S ECONOMIC DEVELOPMENT: AN EVALUATION OF TRADITIONAL AND MODERN ENTREPRENEURIAL PERCEPTIONS

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Abstract
Entrepreneurship is a driving force of economic change for emerging market economies. This paper evaluates China’s traditional merchant values in contrast with new entrepreneurial ideals and provides a framework for the underlying constructs of changing business values and behaviors responsible for China’s rapid economic development. The results collected from survey data provide a framework of modern entrepreneurship that can be utilized to better understand the values and behaviors that have paved the way for culture change. Factor analysis of questionnaire data for 513 Chinese respondents provided a basis for underlying concepts and scales that are significant in modern Chinese enterprise. The framework created from the results of the data exhibit a new model of entrepreneurial values and behaviors for modern entrepreneurs from China.

Introduction
The power of entrepreneurship has been made evident in world history. After the fall of the Berlin Wall in 1989, entrepreneurship and small businesses spread in many socialist countries (He, 2009). The People’s Republic of China (PRC) was formed in 1949, 40 years prior to a worldwide spark in business enterprises among socialist nations. At the time of the PRC’s formation, 9 million private enterprises existed (Zhang, 2019). The new government structure adopted an anti-capitalist philosophy that drastically weakened the ability for private enterprise. Zhang (2019) notes that by the end of 1978 there were around 150,000 private businesses in China.

The drastic shift away from private enterprise resulted in a stagnant and struggling economic existence. According to the World Bank, in 1978 China’s gross domestic production (GDP) was 149.5 billion US dollars in current terms, which counted as only 6.3% of that of the United States (Zhang, 2019). China became the second largest economy in the world in 2010, and its GDP in 2017 was 12.2 trillion US dollars, which amounted to 63.1% of that of the United States (Zhang, 2019). Despite extreme political changes, Chinese business has been resilient. According to the data above, China’s well-being is linked to the existence of private enterprise.

Entrepreneurship is often a driving force in economic transformation and China is no exception. Chinese entrepreneurship—once under severe suppression—has begun to make a significant contribution to the national economic development (Anderson, et al. 2003; Dana, 1999). This paper will explore the effects of entrepreneurship and an emerging market economy on traditionally held business values.
The byproduct of economic turmoil was the strength of China’s value system. Chinese citizens relied on Confucian ways of thought. It was believed that Confucian ideals held the power to overcome turmoil and instability (Chai, 2003). Uniquely but not surprisingly, Confucianism and ‘kinship-based Confucian capitalism’ became the preferred choice of business people in China (McWatters, et. al, 2017).

As previously mentioned, Chinese business consisted primarily of small family enterprises. However, the entrepreneur, at least in the modern sense of the word, did not exist. It is best to refer to these business actors as traditional merchants due to the nature of their business. Many of these merchants engaged in family businesses that founded the basis for business values in China. In order to better understand China’s economic transition, it is important to evaluate the ideals that formed the basis for traditional business practice. Willis (2009) notes such attributes as trust, benevolence, face, and balance, as the most important traditional Chinese business values.

An important concept in Chinese culture is guanxi. It can be best defined as a social capital or a deep sense of mutual obligation (Willis, 2009). Guanxi relationships are founded on trust, face, respect, and dignity apart from a basis on commonality such as a political or religious affiliation (Hofstede and Bond, 1988). It was believed that shared ideals and guanxi relationships reduced the cost of doing business, albeit at the risk of a loss of efficiency (Chai, 2003). Even though trust is one of the most important Chinese business values, Fukayama (1990) categorizes China as a low-trust society, that tends to distrust any member of an outgroup. Defining guanxi literally can also help to solidify the societal significance of trust. “Guan” means a gate or hurdle, and “xi” means a tie, relationship, or connection. In other words, if a businessperson does not overcome the hurdle of a low-trust society, a relationship is impossible to achieve. Simply put, guanxi is a formality, a necessary procedure that people must endure to establish intention and conduct business with one another (Lee and Dawes, 2005).

Benevolence is another highly valued construct of doing business in China. Benevolence is self-explanatory across many societies, but Confucian ideology defines how far it extends in business relationships. In China, benevolence extends as far as an individual’s in-group. As Confucius said, if one should love one's enemies, what would remain for one's friends? (Hofstede and Bond, 1988) Benevolence is required to both establish trust and maintain business relationships.

Much like benevolence, preserving face is a construct that assists in establishing trust and respecting ongoing business relationships. Face is achieved when one feels valuable and comfortable in working situations (Willis, 2009). Preserving face is not a difficult achievement, it simply requires virtuous behavior, respect, and kindness.

Balance is the fourth construct to summarize the primary characteristics of traditional Chinese business. In Chinese culture, balance can be most easily defined by equality. Confucian and Daoist philosophies describe balance as a desired state where all aspects of the world are in balance with one another (Willis, 2009). In a business setting, balance is said to be achieved when partners feel that there is a degree of fairness, equity, equality, and balance in their relationship and in the tangible results coming out of the business operation (Morgan and Hunt, 1994).

Trust, benevolence, face, and balance are not an exhaustive representation of traditional business values but appear most frequently in research (Chai, 2003; Fukayama, 1990; Hofstede and Bond, 1988; Lee and Dawes, 2005; Mogan and Hunt; Willis, 2009). Other values common among traditional
merchants include: diligence, honesty, group-orientation, stability, and empathy (Willis, 2009). These values relate to Confucian ideologies and often stem from guanxi relationships.

**Modern Chinese Business Values**

Chinese business culture is changing. The values, and typical business establishment, of China’s past is quickly moving towards a new future. In order to evaluate the state of China’s modern value system, the constructs: trust, benevolence, face, and balance will be used to determine the evolution of China’s business values.

Trust in the modern Chinese workplace is still significant but, people are less trusting than they were in the traditional Chinese business environment (Willis, 2009). In interviews conducted by Willis (2009) the collective opinion was that younger individuals expressed more willingness to trust others unlike older Chinese people.

Benevolence has certainly undergone change. Whereas some values were thought to have slightly changed and perhaps lost their power and status in today’s China, personal networks were thought to have, if anything, increased in power, importance, commonality and respect (Willis, 2009). Relationships appear to be more ruthless and less based on general kindness than in the past.

Face is still a widely practiced cultural construct, but younger generations appear to value it less. In routine business where there was no relationship between individuals, the giving of face is no longer an expectation in bigger cities (Willis, 2009). Additionally, those that have a deep relationship, often have moved past the formality of giving face in everyday life. Older individuals, rural areas, and people that are developing relationships tend to rely on the giving of face as a basic cultural courtesy.

As the modern economy has shifted, so has the traditional goal of balance. In cities like Shanghai, money is everything (Willis, 2009). A balance between business, family, and social relationships was essential in traditional China, and is certainly in existence today, but to a lesser extent. Balance has become a matter of business rather than a construct of culture (Willis, 2009).

These modern values, although still in study, insinuate a cultural change in China. Even the most culturally sacred principles, values, perspectives, and behaviors are changing to reflect a new Chinese business landscape. It is important to understand that culture change is underway.

**Emergence of Entrepreneurship and a New Market Economy**

A basis for China’s changing culture begins with an evaluation of China’s emerging market economy. Politically speaking, the state’s perspective on the rise of the middle class has drastically changed since the 1990s, from denial to ambivalence, and then acceptance in the mid-2000s (Hsiao, 2016). The Chinese equivalent of a middle class was no longer a threat to Marxist philosophies (Hsiao, 2016). From a political perspective, China has fully embraced the emergence of a middle class also referred to as a market economy.

Entrepreneurship is perhaps the most important growth factor in a transitional economy. Entrepreneurs exist in any kind of market-oriented society and are motivated to improve their profits and livelihoods and range from such pioneers as Sam Walton of Walmart to street vendors around the world (He, 2009). In order for a middle class to exist, citizens must be motivated to sell products and contribute to society. Historically, entrepreneurship has proven to be a robust force of economic development, transformation, and growth (He, 2009).
China’s entrepreneurs accepted the challenge and prospect of social change remarkably quickly. Private sector employment grew by 42% over a 16-year span and the output of the private sector grew by 55% in the same span. Chinese entrepreneurship is unique by two standards. The first is found in its environmental context, in which private enterprise and entrepreneurship are at odds with China’s socialist ideology and traditional Confucian culture (He, 2009). The second factor is the dynamism the entrepreneurial class brought to the transitional economy, carrying tremendously transformational future implications to China’s social, cultural, political, and economic structure (He, 2009). Despite the deeply embedded Confucian culture and ongoing governmental barriers, China continues to be one the fastest growing transitional economies in the world. The establishment of a middle class and growing entrepreneurial spirit should be credited for the legitimacy of China’s transformation into a legitimate economy.

The Global Entrepreneurship Monitor (GEM) report researches and discusses entrepreneurial trends globally. The GEM researches 49 countries by conducting 2,000+ interviews with members of each economy (Ages 18-64). In previous editions of the GEM report, China fell well short of the Asia-Pacific standard and of the global standard (Kelley, et. al, 2013). In the 2019 report, GEM added an appendix to describe China’s exceptional growth and stabilizing economy. One of China’s unique features is its rapid growth dually attributable to continued government control and an open posture towards international business collaboration (GEM, 2019).

China ranks in the top ten of global economies for physical infrastructure, cultural and social norms, internal market dynamics. This in many ways ties back to the findings of the research conducted for this study. Considerations were not made discussing the physical state of the economy, but research revealed that cultural and social norms still fuel Chinese business culture. Deep trust and guanxi relationships are the foundation of enterprise in China. Additionally, it was revealed that Chinese entrepreneurs are incredibly internally oriented. One of the primary descriptor variables used to describe Chinese entrepreneurs is local business orientation. In conjunction with social norms that value Chinese nationals above any other, China’s internally driven market dynamic is an important and relevant component of Chinese entrepreneurship.

**Theoretical Framework**

The theory that guides the advancement of the entrepreneurship framework used in the current study is an assimilation of implicit leadership theory (Lord and Maher, 1991) and value-belief theory of culture (Hofstede, 1980; Triandis, 1995). Additionally, our framework relies heavily on the work of House et al. (2004) in the theoretical model used in the GLOBE project.

Implicit leadership theory purports that individuals have implicit beliefs, convictions, and assumptions concerning attributes and behaviors that differentiate leaders from subordinates and effective leaders from non-effective ones. The beliefs and assumptions are called the implicit leadership theory. We take this same concept and apply it to the entrepreneurship area. In essence, we propose that individuals have implicit beliefs about entrepreneurs as well. That is, entrepreneurial qualities are attributed to individuals and, hence, those same individuals are accepted as successful entrepreneurs. These qualities or implicit entrepreneurship theories (IET) influence the actions and effectiveness of entrepreneurs.

In the current study, we have considered the impact of culture on the attributional process.
Culture has been defined as a set of shared values and beliefs as well as expected behaviors (Hofstede, 1980). The value-belief theory postulates that the shared values of a culture impact the behaviors of individuals and organizations and affects perceptions of legitimacy and acceptability (Hofstede, 2001; Triandis, 1995). Indeed, Hofstede (1993) notes that the validity of a theory is constrained by its culture. Although many management theories have their roots in European thought, Western influences have significantly dictated theoretical development over the last century (Sidani, 2008). Our work relies heavily on that of House et al. (2004) where the foundation of Hofstede’s and Triandis’s work was used to establish cultural dimensions.

Hofstede’s (1980) work has been used extensively in cross-cultural research and has been effective in explaining behavioral differences in people in organizations. The Hofstede framework includes cultural dimensions of individualism-collectivism, uncertainty avoidance, power-distance, and, masculinity-femininity (Hofstede, 1980). As such, researchers have applied this framework in an entrepreneurial context. Hayton et al. (2002) note that most researchers have found that entrepreneurs are associated with cultures that are high in individualism and masculinity, and low in uncertainty avoidance and in power distance. Similar to Hofstede (1980), House et al. (2004) contend that cultural characteristics exert a significant effect on the characteristics of the organizations in that society. Further, Hayton et al., (2002) posit that cultural values serve as a filter for the degree to which a society considers certain entrepreneurial behaviors as desirable. Hence, several authors have noted the importance of understanding the impact of cultural norms on entrepreneurship (Hayton et al., 2002).

Therefore, implicit/attribution entrepreneurship theory is used as the basis for conducting comparative entrepreneurship research. It is argued that cultural factors (Hofstede, 2001; House et al., 2004) affect the perceptions and attributions made of entrepreneurs in a specific country. Countries have developed different entrepreneurial prototypes based upon specific cultural factors and dynamics. It is important for entrepreneurs in a given culture to match the prototype of the successful entrepreneur for that culture. The degree to which an individual matches the cultural entrepreneurial prototype may affect the feedback received from others and their motivation to engage in entrepreneurial behavior. It may also affect the willingness of others to follow or fund them in the new business activity.

Methods

A survey was created and administered in order to identify common perceptions of entrepreneurship in China. With the aforementioned values and characteristics of modern Chinese entrepreneurs, it is important to analyze data that supports the theory that China’s market economy is shifting business practice and values. The survey was created in the United States and was translated for the receiving nation. The questionnaire asked respondents to assign scores to 115 descriptor variables that may or may not be used to describe an entrepreneur. With 513 individuals responding, the average age of the sample was 38 years old with 15 years of formal education. The average respondent had 15.5 years of full-time work experience. Fifty-four percent of the sample was male, 28% were female, and 18% did not indicate gender.

Results

A factor and reliability analysis was conducted to determine a scale and a model for a typical entrepreneur in China. After a single factor analysis ran with a Varimax rotation with Kaiser
Normalization, the variables loaded onto sixteen factors. The variables were analyzed, and any irrelevant variables were disregarded. Items were deleted if they loaded less than a .4 correlation to any one factor or items loaded on two factors with a .4 correlation or higher. These determinants signify, respectively, that the factor does not adequately match any of the identified factors, or that the variable is incorrectly signifying more than one underlying construct of Chinese entrepreneurship.

A second factor analysis was conducted to further reduce the dimensions of the research data. The variables nominated for deletion after the first analysis were disregarded in this analysis. Eleven factors remained consisting of 65 descriptor variables. The same criterion was used to identify variables that do not adequately describe an aspect of Chinese entrepreneurship. The remaining variables were used to conduct a third factor analysis. The remaining data revealed eight factors and 53 descriptor variables.

It was determined that the resulting factors could be used to adequately describe a modern Chinese entrepreneur. Upon analysis of the eight factors, three factors could be deleted based on the lack of adequate coverage. That is, factors loading between 0-1 variables with correlations of .4 or lower to the factor were determined to be an insignificant scale. The resulting five factors were then analyzed for reliability.

Factor one loaded 24 descriptor items. This number was impossible to analyze as a distinct scale, so the variables in this factor were further analyzed. Two items were deleted from this due to insufficient coefficient alphas. Furthermore, conceptual deletion was utilized to further reduce the dimensions of this scale. Upon evaluation, the remaining factors could be accurately summarized in five groups of variables. Table 1 shows the resulting factor analysis.

The first grouping of variables describes an entrepreneur that is organized and conducts business with a sense of order. The second set refers to an entrepreneur that is able to be open-minded and an effective decision maker from the perspective of others. The third refers to an underlying sense of persuasiveness. The fourth factor refers to an entrepreneur’s willingness to be a hard worker that displays good judgment and potential for success. And finally, the fifth, which refers to the ability of the entrepreneur to use creativity and dynamic leadership within an organization. The fifth grouping also considers the entrepreneurs ability to create and maintain relationships as a significant concept. The framework for the first factor was adequately summarized in 7 of the 24 original descriptor variables. To ensure that the scale was still an accurate representation of the underlying factor, a reliability analysis was conducted. This analysis was also completed on the other four factors. All subscales as well as the overall scale (Coefficient alpha = .87) met the minimum threshold of .7 or above. Results can be found in Table 1.
Table 1 Results of Factor Analysis

*Factor loadings based on a maximum likelihood analysis with varimax rotation for survey items and coefficient alphas (N=513)*

<table>
<thead>
<tr>
<th></th>
<th>Business Savvy</th>
<th>Restless action</th>
<th>Hierarchy Oriented</th>
<th>Abusive Power</th>
<th>Benevolence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administratively skilled</td>
<td>.80</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Can judge and make decisions from the perspective of an opponent</td>
<td>.70</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Investigation skills</td>
<td>.69</td>
<td></td>
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<tr>
<td>Diligent</td>
<td>.69</td>
<td></td>
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<tr>
<td>Well connected</td>
<td>.64</td>
<td></td>
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<tr>
<td>Good judgment</td>
<td>.77</td>
<td></td>
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<tr>
<td>Dynamic</td>
<td>.73</td>
<td></td>
<td></td>
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<tr>
<td>Independent</td>
<td>.62</td>
<td></td>
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<td></td>
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<tr>
<td>Risktaker</td>
<td>.60</td>
<td></td>
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<tr>
<td>Tactful</td>
<td>.51</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Unique</td>
<td>.50</td>
<td></td>
<td></td>
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<tr>
<td>Domineering</td>
<td>.61</td>
<td></td>
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<tr>
<td>Never content with current situation</td>
<td>.60</td>
<td></td>
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<tr>
<td>Indifferent to personal gains</td>
<td>.70</td>
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<td>Networking</td>
<td>.71</td>
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<tr>
<td>Realist</td>
<td>.67</td>
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<tr>
<td>Spontaneous</td>
<td>.74</td>
<td></td>
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<td></td>
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<tr>
<td>Local business oriented</td>
<td>.52</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cynical</td>
<td>.48</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Micromanager</td>
<td>.66</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nondelegator</td>
<td>.54</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avoids negatives</td>
<td>.64</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Restless Business Savvy</td>
<td>Restless forward action</td>
<td>Hierarchy Oriented</td>
<td>Abusive Power</td>
<td>Benevolence</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------------------</td>
<td>-------------------------</td>
<td>--------------------</td>
<td>---------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Ruthless</td>
<td>.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autocratic</td>
<td>.46</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arrogant</td>
<td>.38</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dishonest</td>
<td>.60</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sincere</td>
<td></td>
<td>.63</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Just</td>
<td></td>
<td></td>
<td></td>
<td>.69</td>
<td></td>
</tr>
</tbody>
</table>

*Coefficient Alpha* 

|                     | .90 | .89 | .71 | .70 | .76 |

*Note.* Factor loadings < .4 are suppressed.
In order to explore the possibility that cultural idealologies with regard to successful attributes for entrepreneurs have shifted, a MANOVA was used to determine whether or not significant differences existed between age groups. An analysis of age was conducted to determine the significance of the identified descriptive factors among age demographics. Research was conducted on Chinese generational gaps to determine accurate age groupings for the analysis. Unlike the United States, generational differences in China are not heavily discussed. Erickson (2014) discussed major political and economic changes that offer a basis of generational groupings in China. Erickson (2014) identified two significant groups. The first group includes ages between 1940-1979 which had drastically different experiences and formative events than the traditionalists 1980-Present (Erickson, 2014). Hence, in the current study, survey respondents that were 41 or older were used as one group, and respondents 40 or younger were used as a second group for the purpose of this analysis. Ninety-two respondents did not indicate their age which resulted in 421 participants used in this analysis.

To test for age effects, age was entered into a MANOVA with the five factors identified in the factor analysis as dependent variables. Descriptive statistics are provided in Table 2. Results indicated a statistical difference in perceptions of entrepreneurial success based on age, F(5, 415)=3.52, p < .05 ; Wilks' Lambda = .959. Specifically, it was found that distinct perceptual differences were found with the factors of forward action (p < .05) and abusive power (p <.01). That is, younger individuals perceived forward action and abusive power as important traits for entrepreneurial success (see Table 3).

### Discussion of Results and a Framework of Chinese Entrepreneurial Perceptions

#### Table 2  Descriptive Statistics for Age and Entrepreneurial Success

<table>
<thead>
<tr>
<th>Factors</th>
<th>Age</th>
<th>Mean</th>
<th>SD</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Savvy</strong></td>
<td>40 or under</td>
<td>36.1208</td>
<td>6.40908</td>
<td>265</td>
</tr>
<tr>
<td></td>
<td>41 or older</td>
<td>36.6410</td>
<td>4.44747</td>
<td>156</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>36.3135</td>
<td>5.76042</td>
<td>421</td>
</tr>
<tr>
<td><strong>Forward Action</strong></td>
<td>40 or under</td>
<td>51.2755</td>
<td>12.03261</td>
<td>265</td>
</tr>
<tr>
<td></td>
<td>41 or older</td>
<td>48.6090</td>
<td>12.85682</td>
<td>156</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>50.2874</td>
<td>12.39645</td>
<td>421</td>
</tr>
<tr>
<td><strong>Heirarchy Oriented</strong></td>
<td>40 or under</td>
<td>11.5811</td>
<td>4.26068</td>
<td>265</td>
</tr>
<tr>
<td></td>
<td>41 or older</td>
<td>10.8654</td>
<td>3.67921</td>
<td>156</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>11.3159</td>
<td>4.06524</td>
<td>421</td>
</tr>
<tr>
<td><strong>Abusive Power</strong></td>
<td>40 or under</td>
<td>9.5472</td>
<td>4.10361</td>
<td>265</td>
</tr>
<tr>
<td></td>
<td>41 or older</td>
<td>8.4808</td>
<td>3.91930</td>
<td>156</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>9.1520</td>
<td>4.06444</td>
<td>421</td>
</tr>
<tr>
<td><strong>Benevolence</strong></td>
<td>40 or under</td>
<td>11.1774</td>
<td>2.54107</td>
<td>265</td>
</tr>
<tr>
<td></td>
<td>41 or older</td>
<td>11.4936</td>
<td>2.20409</td>
<td>156</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>11.2945</td>
<td>2.42383</td>
<td>421</td>
</tr>
</tbody>
</table>
The resulting five factors provide the basis for a framework of Chinese entrepreneurship. The first factor is a reliable scale of business savviness. A primary aspect of Chinese business effectiveness relates to an entrepreneur’s ability to maintain order, display competence, maintain strong internal relationships, and make good decisions. According to the data, business savvy is a significant underlying factor in Chinese entrepreneurship. This culture values entrepreneurs that are experienced and effective businesspeople.

The second factor describes restless forward action. A unique entrepreneur who is excellent at networking, spontaneous in nature, and never content with the current situation describes someone who does not settle for mediocrity. Entrepreneurs that are innovative pioneers for change were identified as a significant descriptor of Chinese entrepreneurs. The greatest evidence of this underlying construct is the economic performance of China over the last decade. The previously mentioned economic growth and development is attributable to entrepreneurial growth and the very individuals willing to pioneer change in a developing economy.

The third factor proves the continued importance of hierarchy in Chinese enterprise. Someone who is a micromanager and does not delegate is an entrepreneur that actively relies on hierarchy as a construct of doing business. Referring back to the literature review, Willis (2009), contends that the concept of face remains an important cultural construct. On a foundational level, the giving of face relates directly to distinct levels of authority and the respect demanded with each.

The fourth factor consists of the descriptor variables: ruthless, autocratic, dishonest, and arrogant. Abusive power is the underlying tenant of this factor. In the most recent edition of Hofstede’s (2019) cultural model for China, the proof of this factor lies in the Power Distance construct of Hofstede’s research. China earned a score of 80 for power distance signifying that there is a great deal of power divide. Hofstede (2019) notes that China is a society that accepts inequity, the relationships between employers and employees is often intense and unforgiving. Hofstede (2019) further notes that individuals are influenced by formal authority and that employees should not aspire to anything greater than their organizational responsibilities.

The fifth and final factor revealed to be an important descriptor of Chinese entrepreneurship is benevolence. Sincere and just entrepreneurs are viewed as important and prevalent entrepreneurial traits. It is important to remember Confucian’s emphasis on general kindness extended as far as an individual’s in-group (Hofstede and Bond, 1988). When used in tandem with the third and fourth factor, benevolence is an entrepreneurial construct that has prerequisites. The review of literature mentioned benevolence as one of the primary spheres of traditional entrepreneurship. Research indicates that common courtesy is on
decline outside of personal networks. Willis (2009) indicates that networks have increased in power, importance, commonality and respect. In other words, benevolence is not given, it is earned.

The following is a visual model of the research findings. This framework was developed to depict a model of modern entrepreneurial perceptions in China and the interrelationships of the construct (Figure 1).

![Figure 1. A Model of Modern Chinese Entrepreneurial Perceptions](image)

Business Savvy is the cornerstone of success. Since success is the cornerstone of entrepreneurship, it is logical to assume that experience, decision making, and basic leadership ability is the basis for the identified entrepreneurial constructs. Hierarchy, depicted, on the top left of the figure depicts the continued importance of “giving of face” and levels of authority in Chinese entrepreneurship. The respect and authority granted in Chinese culture often comes from levels of age and experience, further indicating the relationship between business savviness and hierarchy. Hierarchy then feeds into two behavioral characteristics: benevolence and abusive power. Naturally, as behavioral antonyms, abusive power and benevolence are depicted on opposite ends of this entrepreneurial framework. As discussed previously, and depicted in the figure above, hierarchy is a pre-requisite to benevolence. Benevolence exists as a direct result of hierarchical relationships.

On the other end the spectrum, abusive power is becoming more prevalent in Chinese business culture with the decline of basic benevolence. From the same social norm, hierarchy, abusive power is a byproduct of governmental standards and the influence of power distance. Abusive power also holds an interrelationship with business savvy. A subsection of any large entrepreneurial base will use a basis of experience and success as a reason to abuse power at the expense of people.
Finally, as a direct result of business savviness and the rapidly developing Chinese market economy, restless forward action describes an entrepreneur who is moving China further forward in the global economy. These entrepreneurs utilize sound business principles, relationships, and innovation to pave the path forward. This final entrepreneurial perception further indicates that businesspeople recognize the cultural change surrounding business practice.

The underlying constructs in this model offer a prototype of modern Chinese entrepreneur based on common perceptions; and a tool to better understand the driving factors of one of the world’s most dynamic economies.

**Future Implications and Conclusion**

It is fair to be skeptical of China’s economic growth. There are questions to be answered with regard to China’s standing in the world economy. Some of these questions include: How much is China willing to change its political structure for the sake of economic growth, and how will emerging cultural values impact the ability of the government to maintain control over society? There is no question that China’s transition to a market economy has been an anomaly. According to Starzyk (2018) China has proved that it is possible to have a market economy independent of its government system. Furthermore, China has avoided the implementation of democratic systems and has incorporated a market economy to the benefit of the mono-party political structure (Starzyk, 2018). As a result, China’s case undercuts the widely shared notion that political changes are imperative to the existence of a market-based economy (Starzyk, 2018). In response to the second question, it is known that China has made social imperatives part of its development plan, which is a direct contrast to previously held beliefs (Starzyk, 2018).

China is facing looming questions over the legitimacy of its transition, and the effects a market economy will have on its authoritarian rulership. As China continues to develop economically, and socially, one thing is certain: entrepreneurship spurred economic growth and the birth of a modernizing China. The question is, how far will private enterprise take China, and how will it impact the traditional way of life?

Guanxi relationships and traditional, Confucian ideals formed the basis for business in China before the declaration of the People’s Republic of China. Before the socialist state came into existence, China’s traditional merchants experienced success that was upended by political turmoil. After the fall of the Berlin Wall, socialist nations including China, began to accept private enterprises once again. The traditional values once exhibited out of obligation to one another are now under a transformation process. The birth of entrepreneurship and a market economy are paving the way for China’s existence as an economic force.

The results collected from literature, the Global Entrepreneurship Monitor, and a statistical analysis of Chinese survey respondents provide a framework of modern entrepreneurship that can be utilized to better understand the values and behaviors that have paved the way for culture change.

A literary analysis concluded that traits exhibited by modern entrepreneurs are different than the fueling values of traditional merchants. While the traditional constructs may not be as prevalent, it was revealed that many of the traditional concepts such as, Guanxi relationships, the giving of face, Confucianism, and balance can still be seen in a modern base of entrepreneurs.

Factor analysis of questionnaire data for the 513 Chinese respondents provided a basis for
underlying concepts and scales that are significant in modern Chinese enterprise. In particular, statistical analyses indicate that age exerts particular impact on notions of entrepreneurial success. Younger respondents indicated that they attributed forward action and abusive power as important traits of successful entrepreneurs. The framework created from the results of the data exhibit a new model of entrepreneurial values and behaviors for modern entrepreneurs.

To conclude, it is important to recognize that China is rapidly developing. This paper acts as an introduction to research on modern Chinese business values and a beginning piece for further data and analysis. While uncertainty challenges the ongoing well-being of the Chinese market economy, it is important to continue research on the underlying constructs that are fueling China’s unparalleled economic success.

References


HOW DO GENDER ROLE AND OCCUPATION AFFECT NEGOTIATION PERFORMANCE?

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Abstract

The current study is mainly focused on discovering the combinative influence of gender roles and occupation on negotiation performances in the context of Vietnam. The target participants are blue collar and white-collar workers who are working in Ho Chi Minh city. Qualitative approach is employed for the current research because this is an exploratory research on negotiation performances. Structured interview is utilized to gather data on gender roles, occupation and negotiation performances. The structure interview is divided into the three-stage procedure with pre-negotiation stage, negotiation stage and post-negotiation stage and each stage has identified research subjects. The collected data from three types of documents including pre-negotiation survey, post-negotiation survey and the final agreement form are examined using thematic analysis.

Keywords: Gender Roles, Occupation, Negotiation Performance, Negotiation, Vietnam

Introduction

Gender differences so far have been a popular topic for many researchers and feminists in striving to create a fair world between males and females. Although the last feudal society in our globe has been eliminated for hundreds of years, it could not be stated that the ability of males and females in the workspace are equally evaluated. Especially in a negotiation scenario where gender roles are highly applied, women are believed to face severe disadvantages in achieving better negotiation performance (Bakan, 1966; Bem, 1974, 1975). In addition to gender roles' effects, the negotiating styles of people are also diversified by the nature of their vocations (Salacuse, J. W., 1998). Utilizing the qualitative methods, the current study concentrates on discovering how gender roles and occupation in distributive negotiation affects the negotiation performances.

Problem Statement

Despite the fact that many researchers have stated the influences of the gender differences and the occupations on negotiation individually, it is the shortage of researches that learn about the effects of the
combination between those factors on the negotiating performance. In addition, since particular negotiations are not only affected by a single factor, it would be unrealistic and not accurate when applying those previous studies separately in negotiation. Gender and occupation are selected to be two factors of the research as both are personal basic demography which could be easily approached (Tsui, A. S., Egan, T., & O'Reilly III, C., 1991). Moreover, there have been certain researches on the topic relating to the negotiation, however, these researches just focuses on the differences between cultures and most of them are conducted in locations outside of an emerging country, Vietnam. Therefore, the present study is undertaken to discover the influence of gender differences, occupations, and the combination of gender differences and occupations on distributive negotiation in the case of Vietnam.

Research Objectives

The main objectives of the research are exploring (1) the relationship between gender roles and negotiation performance, (2) the relationship between occupation and negotiation performance and (3) the impact of the combination of gender roles and the occupation of people on their negotiation performance.

Significance of the Study

There are some potential benefits that can be gained by the related parties after the completion of this study.

Firstly, the expected research findings of the present study provide insights into the issue of how gender roles, occupation and the combination of gender roles and occupation affect negotiation performance. Consequently, the research results offer suitable strategies on business negotiation to help organizations achieve more benefits in operation.

The study is also expected to be a reference for future researchers who want to delve into the study of factors that affect the people’s effectiveness in negotiation performance.

The research will be a scientific basis for the top managers to have a critical orientation in the business negotiation strategy for protecting their beneficial operation. Good relationship management is one of the strategies that help a company not only in attracting excellent employees but also in transferring high proportions of profit.

Definition of Key Concepts

Negotiators’ Gender

While sex is used to mention about the two different types of biological condition of human, people believe that gender the word that is used for describing sex associating with human manners, cultures, and their cognitive characteristics. As a result, the factors that make genders different in many life aspects, especially in negotiation, is the contrasting roles of each gender in our society. A gender role is a component of social role which involves in a wide assortment of manners and attitudes that are broadly believed to be suitable and appropriate with the social standard for people based on their natural or detected gender (sex). Gender roles usually concentrate on the thought of both types of sex which are males and females. Therefore, regardless of some exceptional situations, masculinity and femininity are two popular terms that present the typical concerns of male and female. Although other dimensions of demography will be popular and have similarities in several different cultures, the aspects relating to the differences in expectations between genders are diversified considerably among cultures. According to Eagly (1987), Eagly and Karau (2002), it is stated that the prejudices of women in distributive
negotiation.

Negotiators’ Occupation

Our research divides the negotiators’ occupations into two typical types which are white-collar and blue-collar workers. This division is based on the awareness and knowledge of negotiators in the bargain. A white-collar worker is a type of employees that have the immense technical and professional skills meeting the high requirements of the recruiters. Instead of using manual labor, white-collar workers perform their task depended on their intellectual labor. Therefore, the average earnings of white-collar workers is basically higher than another class of occupation.

Meanwhile, blue-collar workers mention to laborers that is completing their tasks by applying a huge amount of manual labor. Warehousing, oil fields, construction, manufacturing are some popular industries that require a diversity number of blue-collar workers.

Negotiation Process

Negotiators’ Initial Decision

Before initiating one negotiation, all parties participate in the bargain must have their own initial decision about their goal, their expected commencement and their realistic first action. Based on the final result that they will achieve after the end of this negotiation, the research concentrate on conducting the comparative measurement of the aspiration level, intended opening and first offer. The researchers have each decision divided by their final achievement to make it proportionate.

The aspiration level

Being coherent with previous research on negotiation, of Zetik & Stuhlmacher (2002), the word “aspiration level” is considered to have the same meaning with the initial ambition of negotiators. According to Huber and Neale (1986,1987), the dominance of one negotiator in the final agreement has a positive ratio with the expectation in the implementing goals. Since the social gender roles are widely applied in many life aspects including negotiation, women usually commit to those norms even in a bargain, which would lower the aspiration in offering their aspiration levels. As a result, the intended opening offer, actual first offer, and actual counter-offer of women will be more erratic than men.

The intended opening

The intended opening is the initial estimation of negotiators in their first offers. Additionally, it is rationally believed to be the premise to anticipate the final agreement between two parties (Van Poucke & Buelens, 2002). Nevertheless, this state could be restrained because of the appearance of stereotypes between males and females in distributive negotiation. Beginning with the similar intended opening, but each gender would propose different levels of first offers due to the consequence of communal script on women. They would be likely to moderate their desires while making the actual first offer.

The first offer

The first offer in negotiation is the implementing message made by parties about their desires of achievement. In this research, we clarify the first offer into two components which are actual first offer and counteroffer. The first offers are also popular forecasters of the final agreement stated by a negotiating dyad (Galinsky & Mussweiler, 2001; Raiffa, 1982). Similar to those previous elements of aspiration levels, the first offer could be tempered as well because of the enactment of a communal script in women and an agentic script in men.
Final Agreement

When finishing the negotiation process, the negotiators must go through the final agreement part where they conclude all their arrangements achieved during the bargain.

Literature Review

Gender Roles

The theory regarding social roles (Eagly, 1987; Eagly & Karau, 2002) informs the proposition that women have a disadvantage in the distributive negotiation. Gender roles carry perceptions about the correct actions of members of certain social roles according to the social role theory. Sex stereotypes include assumptions as to how men and women will act. In case one performs in ways that are not consistent with customary standards, they are to be unjustifiably judged in terms of gender identity, negotiator identity, or both. And as per the social role theory (Eagly, 1987), the stereotype of western culture is that women should act in a way that demonstrates respect for others and altruism; this position is defined as a collective (Bakan, 1966). Female communality is prescribed by the role, observers generally approve of communal behaviors by women and disapprove of non-communal behaviors (Glick & Fiske, 1996; Spence & Helmreich, 1978; Williams & Best, 1990; Wood, Christensen, Hebl, & Rothgerber, 1997). When women violate gender roles, they experience backlashes in the form of negative evaluations and treatment (Heilman & Okimoto, 2007; Rudman, 1998; Rudman & Glick, 1999). Self-promoting women tend to be evaluated higher in performance yet lower in likeability than more reticent women (Powers & Zuroff, 1988). Dominant behavior by female managers compared with male managers is more likely to evoke impressions of hostility or irrationality (Heilman, Block, & Martell, 1995). In short, many behaviors needed to gain power and resources are encoded as non-communal, so women doing them risk backlash from observers (Eagly & Karau, 2002; Rudman, 1998).

This poses a challenge for female negotiators who need to successfully negotiate and wish to be viewed favorably in general. Eagly and Karau (2002) argued in their research that, where there is a conflict between one's gender with their assigned gender role, they are much more willing to stick to identity-based stereotypes, since one's biological sex is one of the most common and prevalent position. For that reason, in distributional negotiating, situation that takes consideration into gender-relevant and evokes role-consistent actions from both men and women, women would likely to stay with their communal behaviors, and as for men, their agentic behaviors are a given. However, to consider how effective distributive negotiation aligned much more with agentic behavior than with communal behavior, this divergence in actions is supposed to generate less favorable negotiation scenario and outcome when it involves a woman negotiator.

This implies, that when a man and a woman sitting in the same negotiation role, whom may have identical desires for a better offer, the woman would be more likely to be influenced by the optimism with her first offer because of the role conflict and their expectation to be more agreeable, which directly result in sub-optimal negotiation performance.

Gender Roles and Negotiation

While the findings of the research present a mixed picture of gender gaps in negotiation outcomes, theoretical interpretations indicate that men achieve better negotiation outcomes due to perceptual, behavioral, and contextual gender differences.
Pervasive prejudices indicate that women may be less successful negotiators than men. Stereotypes can inevitably lead to expectations about the actions of others, and significant evidence implies that assumptions can affect behaviors that contribute to confirmation of these expectations (Rosenthal & Jacobson, 1968; Snyder, Tanke, & Berscheid, 1977). When the confederate used a relational approach, the respondents were equally likely to assume that the confederate was male or female. When participants were guided to assume that the other negotiator was feminine, they interpreted their opponent to be more accommodating and less oppressive than when they suspected that their opponent was male based on research conducted by King, Miles, and Kniska (1991).

As Gagnon (1984) pointed out, women appear to give them less credit and money than men when deciding their part of compensation or sharing income between themselves and others. As a consequence, a woman can have lower standards of income in the negotiating process. This would be consistent with Tannen's (1990) published research, which suggests that women are driven to preserve relationships while men are driven by rivalry and rank. In terms of negotiation, both gender stereotypes and entitlement differences would be predicted to result in poorer negotiated settlements for women than for men.

In another finding of Bowles et al. (2005), which argued that under greater situational ambiguity, the difference between women and men usually occurs, but under lesser ambiguity, one would make the same decision, not regarding gender characteristics. Similarly, Kray et al. (2002) suggested that the cognitive structures that are reachable at the negotiation table can significantly impact the behavior of negotiators in different genders. If the male stereotype in negotiation was subtly primed, that brings about the threat of stereotype, the gender gap was enlarged. Otherwise, the sex difference was eliminated when the stereotype was openly primed, which make the female response to the pattern. Also, gender difference becomes worsen, in cases that the relational self is accessible and is improvable in case the relational self is restrained or less applicable (Gelfand et al., 2006). Furthermore, according to Kray et al. (2001), who asked men and women about gender having a greater distributive advantage in negotiations. The result showed that most respondents said that “men will come out ahead in terms of bargaining advantage.”

One reason for impaired communication efficiency by stereotyping can be found in the literature on the threats of stereotyping (Steele & Aronson, 1995). Looking into groups of women, they are generally believed to have such characteristics that predict low performance in tasks such as negotiation, then when an individual is asked to perform that task, any member of the group will be likely to feel insecurity in having to perform the same task, especially if the individual is asked to take the task seriously and to perform it well.

Written in a compelling study by Kray et al. (2001), under the same simulated transaction that focuses on one certain issue, men and women had to take turns between a buyer and a seller. To the portion of the task that allows the participants to interpret and evaluate their ability to compromise, or to the degree that the task was based on implicitly gender-specific characteristics (for men to be assertive, rather than cooperative – men outperform women). Although they cared about their performance and hoped to do well, women claimed less value in the negotiation than did their male counterparts.

When women have more power when negotiating, they are even more likely to display stereotype reactance in response to the explicit activation of gender stereotypes, perhaps because their greater power allows them to be more assertive (Kray, Reb, Galinsky, & Thompson, 2004). These findings suggest that,
when women are thinking about their possible liabilities in a negotiation situation, they may be planning
to compensate for and overcome them.

The researchers, therefore, predicted that women who are driven to make a good impression
would be able to challenge that they are poor, inefficient negotiators and thus argue more strongly for
their interests. On the other hand, males who are motivated to make a good impression can seek to soften
any violent tendencies and appear more sympathetic.

**Occupation and Negotiation - White Collar Worker versus Blue Collar Worker**

According to Hall (2006), who argued in their research that the effects of rank and authority are
often isomorphic and that social control is often correlated with greater freedom of action and lower
restriction (Chekroun & Brauer, 2002; Galinsky, Gruenfeld, & Magee, 2003; Overbeck, Tiedens, & Brion,
2006). This suggests that having a high status, or a more noble perceived status may also lead to greater
freedom to act on an impression of motivation.

In this present study, to test the correlation between occupations and negotiation, the researchers
focus on the two general following terms (1) white-collar requires an information-based job or, more
colloquially, a ‘desk job’ where office employees were expected to wear white, colored shirts; and (2)
blue-collar usually applies to job types involving manual labor or skilled labor.

In the corporate environment, white-collar workers who went through more intensive selection
and training are viewed to hold a higher status when it is compared to a blue-collar worker. Although both
high- and low-status negotiators may wish to change their behavior in response to impression motivation,
only the high-status negotiators may be able to implement such changes to the extent that the researchers
can observe performance consequences. Therefore, negotiators with higher perceived status positions may
feel that they should live up to the expectations of others about their position. If they are further told that
they should care about making a good impression, then this concern with upholding their image should be
even stronger. Thus, it is expected that stereotype threat would be particularly likely to arise among these
high-status negotiators, and stereotype reactance also should be more likely.

**Gender Roles, Occupation and Negotiation**

After laying out the foothold for the three main aspects of the study, the research will replicate
previous studies and pioneer to explore further to see how a negotiator’s role in the corporate ladder could
affect their skills and abilities when it comes to negotiating with partners who are different in gender.

On the basis of the preceding discussion and review of theory and previous studies on negotiation
performance, the following hypotheses are established.

**H1:** Men negotiators have a better advantage than women negotiator due to the differences in their
gender roles.

**H2:** White collar negotiators have a better advantage than blue collar negotiator due to the
difference in their occupation backgrounds.

**H3:** White - collar men negotiators have a better advantage than white - collar women negotiators
due to the differences in their gender roles.

**H4:** White - collar men negotiators have a better advantage than blue - collar women negotiators
due to the differences in their gender roles and their occupation backgrounds.

**H5:** Blue - collar men negotiators have a better advantage than blue - collar women negotiators
due to the differences in their gender roles.

**H6:** White-collar women negotiators have a better advantage than blue-collar men negotiators due to the differences in their gender roles and their occupation backgrounds.

**Research Methodology**

**Research Method**

In order to generate a deeper knowledge of distributive negotiation and the combination of two main factors that affect its performance, the exploratory research is employed to explore the issues. The study is carried out based on the qualitative research methods which is considered suitable for our expectation outcome of this research. The researchers conduct direct qualitative surveys with white-collar workers and blue-collar workers in Ho Chi Minh city where a huge number of workers from different background and genders converge. The survey consists of the three-stage procedure with pre-negotiation stage, negotiation stage and post-negotiation stage. Each stage has each identified research subjects, thus, the researchers could rigorously manage the collected data. During the procedure of the survey, all the participants will receive one same simulated case about distributive negotiation topic. The target participants then perform the case and answer the pre and post survey questions. All necessary data is recorded on participants’ answers.

**Research Sample**

The sample for the qualitative testing is a part of a larger data collection survey. The target participants of the survey include white-collar workers and blue-collar workers working for companies in Vietnam. In order to ensure consistency of the data, all target respondents participated in the survey at the same time and in the same place. After collecting data from the survey, the researchers extract suitable survey samples from it according to two standards including the fulfillment of the survey paper and the similarity among survey answers.

**Data Collection**

The data collection by Miles, 2010, is primarily employed in the present research. However, while only the quantitative approach was used by Miles to collect secondary data; in this study, not only qualitative approach but also quantitative approach are utilized to gather both secondary and primary data. The primary data is collected from the structured interview.

Qualitative approach is more favorable for the current research than quantitative research because the research is exploratory research on negotiation. According to Tetnowski, J. A., & Damico, J. S. in 200, purpose of qualitative approach is to determine the way a particular sociocultural phenomenon operates. Qualitative approach is favorable for researchers who seek to understand the procedural affairs of a targeted social phenomenon. It focuses on the way the social phenomenon happens rather than the fact that it happens. (Tetnowski, J. A., & Damico, J. S., 2001). In 2010, Thompson, L. L., Wang, J., & Gunia, B. C. identified negotiation as a social phenomenon. As presented previously, this study aims to find out the way distributive negotiation process and performance happens when gender differences individually occurs, when occupation of negotiators are considered, and when the combination of gender roles and the occupation of negotiators is considered. Thus, qualitative approach is favorable for the current study.

Primary data collection is also favorable for the study because the researchers can manage the environment of the survey to ensure the collected data coherent and useful for solving the research
problem (Hox, J. J., & Boeije, H. R., 2005). The interview survey method is favorable for the present study because it is said to be used when researchers aim to collect on the observation, attitudes, feelings, experiences, and opinions of population (Hox, J. J., & Boeije, H. R., 2005). Moreover, conducting face-to-face interview is costly to have enough interviewers for 300 participants in the research sample.

**Data Analysis**

Data for the study comes from three types of documents including pre-negotiation survey, post-negotiation survey and the final agreement form. The final agreement form is used to measured the participants’ offering direction. In other words, the actual change in a negotiator’s offer is identified. Importantly, analyzing data from two surveys is the main operation to find out answers to the research questions. Thematic analysis will be used to analyze the gathered data. Thematic analysis is currently the most well-used method to analyze data in qualitative research (Nigel K., Joanna M. B., 2016). It is pointed out that thematic analysis can be applied in lots of different ways, to lots of different data sets, to address lots of different research questions. Furthermore, thematic analysis can address questions about, and be used to describe, the “lived experiences” of particular social groups (Braun V., Clarke V., Hayfield N., Terry G., 2019). Thematic analysis can also examine the “factors” that influence, underpin, or contextualize particular processes or phenomena (Braun V., Clarke V., Hayfield N., Terry G., 2019). Negotiation is a particular social phenomenon (Thompson, L. L., Wang, J., & Gunia, B. C., 2010). As the present research is a qualitative research. Thematic analysis, thus, is favorable for analysing the research’s collected data.

Thematic analysis generally has six phases in sequence. Those six steps will be outlined below. First, it is the Familiarization with the data phase. In this phase, the reserachers read and re-read the data. The goal is to make reserachers become immersed and intimately familiar with the content of the data. Second, it is the Coding phase. In this phase, the researchers is involved in generating general information that identify important features of the data that might be relevant to answering the research question. The information that is generated is a code extracted from the dataset. After that, the researchers collate all the codes and all relevant data extracts, together for later stages of analysis. Third, it is Generating initial themes phase. In this phase, by examining the codes and collated data, the researchers identify significant broader patterns of meaning which is called potential themes. Then, researchers collate data relevant to each candidate theme. Therefore, the data can be used and the viability of each candidate theme can be reviewed. Fourth, it is Reviewing themes phase. In this phase, the researchers check the candidate themes against the dataset, in order to determine that they tell a convincing story of the data, and one that answers the research question. Fifth, it is Defining and naming themes phase. In this phase, the researchers develop a detailed analysis of each theme. They also work out the scope and focus of each theme and determine the ‘story’ of each. An informative name for each theme can be generated in this phase. Sixth, it is Writing up phase. In this phase, the researchers weave together the analytic narrative and data extracts, and contextualizing the analysis in relation to existing literature. Nevertheless. computer aided qualitative data analysis soft wares (CAQDAS) such as NVivo will be employed to embrace the analysis of the gathered data (Elaine W., 2002).

**Conclusion**

The main purpose of present study is to explore the role of negotiators in the company that could
influence their aptitudes and capacities with regards to bargaining with partners who are diverse in sex. By examining this research gap, the study addresses a notable gap in the negotiation literature, to which the study is expected to make a contribution to the psychology of gender and occupation in negotiation. In addition to the theoretical contribution as well as the practical implications, some limitations should be noted. The first drawback is about the interview survey and structured observation method of collecting the primary data because primary research method is costly and time-consuming to conduct (Hox, J. J., & Boeije, H. R., 2005). In fact, this data collection method includes three stages. The first and last stages require an individual survey. The middle stage requires an agreement form. In total, there is a host of data for processing and coding. Besides, there are some aspects that the researchers control when conducting the survey. Those controlled aspects may affect the negotiation process if they are considered. In the survey, target participants are not allowed to know their counterpart’s age whereas age may be a factor impacting the negotiation process.

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AUTHENTIC LEADERSHIP EFFECTS ON JOB SATISFACTION AND ORGANIZATIONAL COMMITMENT: MEDIATING ROLE OF LEADER MEMBER EXCHANGE

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ABSTRACT
In today’s complex and competitive business environments, dynamic leadership is needed. The need to feel employee’s requirements and to maintain good employees is crucial for organizations. Authentic leadership is proposed as the most effective form of leadership. This study examines the impact of Authentic Leadership (AL) on Organizational Commitment (OC) and job satisfaction. It also investigates the mediating role of Leader Member Exchange (LMX) on leader’s outcomes. For this investigation the managers, employees and teachers of a leading school system were considered. A total of 230 questionnaires were sent to the respondents in Lahore and Islamabad, and was filled and returned by 220 respondents. The results of factor analysis supported the purposed hypotheses. Results of the study show significant relationship of authentic leadership with organizational commitment and job satisfaction. The mediating role of LMX is also significant. Future research is needed to further explore authentic leadership in more educational institutions with a broader research objectives.

KEYWORDS
Authentic Leadership, Job Satisfaction, Organizational Commitment, Leader Member Exchange

1. INTRODUCTION
Leadership styles persist as a focus for researchers since decades (Khuwaja et al., 2020). The organizations, since their inception, have been concerned with the quality and styles of leadership for
realization of their vision, mission and goals. The organizations have to compete for their enduring presence in a competitive environment. Effective leadership makes the difference between success and failure. The leaders influence others to achieve organizational goals. There has been continuous effort on part of researchers to identify form of leadership with integrity and high moral and ethical standards (Avolio et al., 2004). Such qualities have been identified by Avolio and Gardner (2005) in authentic leadership (AL). Bhindi, Hansen, Rall, Riley, and Smith (2008) have described AL as a “type of leadership where leaders rise to a higher moral and ethical purpose for the betterment of not only their followers, but themselves”. Authentic leaders are individuals who perform in accordance to their beliefs and morals in the organization (Anwar et al., 2020).

Term authentic means ‘original’, ‘genuine’. Authentic leaders do not publicize their status as leader. They do what they feel to be true. According to Aristotle, leadership is a eudemonic activity. Authentic leader’s conviction, values, and cause are internalized. They are not passive recipient of environmental/social inputs. Authenticity means standing up to one’s own words, deeds and experiences (Harter, 2002; Luthans & Avolio, 2003). Since Authentic Leaders match their words and actions according to their beliefs, they are transparent (Gardner, Avolio, Luthans, May, & Walumbwa, 2005).

There are four dimensions associated with AL. These are ethical/moral, self-awareness, transparency and balanced processing (Avolio, Gardner, & Walumbwa, 2007). Walumbwa et al (2008) describe AL as “system dominated by four factors to affect wellbeing of followers positively”. Authentic Leader values the interest of followers and behaves with integrity. AL increases job satisfaction (Laschinger et al, 2012) and level of affective commitment (Gatling et al, 2016). Leroy, Palanski & Simons (2012), state that affective commitment and performance are positively related to AL. Walumbwa et al (2011) found positive effects of AL on group performance and OC.

LMX is a relation-based theory. It is based on the assumption that leaders affect and develop followers through their relationship with them. The leaders provide mentoring, support and benefits to followers. The subordinates reciprocate by behaviors like loyalty, commitment and trust. LMX quality is thought as moderator/mediator (Walumbwa et al., 2011). The outcome of LMX are thought to be OC, job satisfaction, desirable behaviors like task performance (Dulebohn et al., 2012). Researchers have found relationship between leaders and their own bosses known as Leader – Leader Exchange (LLX). High level LLX provides high level of support and empowerment to their subordinates. LMX and OC have a positive relationship. It helps in satisfying social needs of followers by giving priority to collective interest over personal interest (Graen & Uhl –Bien, 1995).

The meaningful communication between leaders and the followers is found missing. Though some research on AL has been carried out in general, it has not received enough attention with regard to service sectors in particular in Pakistan. This study highlights the importance and role of AL and its influence on OC and job satisfaction and mediating role of LMX in service sector in Pakistan. AL has been researched in depth in the west and further investigation continues, but AL has not received enough attention in Asia.

One reason could be that most Asian countries are lagging behind West in developing research culture. The service sector in Pakistan has received scant investigation to the best of our knowledge. This is perhaps due to cultural and structural barriers in addition to host of other factors. The mediating mechanism of LMX between AL and OC and job satisfaction also needs to be further explored. It can be
improved by LMX which would result in organizational commitment and job satisfaction. The service sector has been selected for its importance in nation building. AL has profound consequences on organizational commitment and job satisfaction of its employees and managers. This would ultimately result in their enhanced dedication and quality outcomes. The significance of this research is its focus on above mentioned variables in a service sector in Pakistan's two big cities – Lahore and Islamabad.

The organizations that seek to enhance individual and organizational outcomes should develop AL which has the ability to promote collective interests (Steffens et al, 2016). The selected leaders with requisite personality traits of an authentic leader should be given training. This would be beneficial for both the employees and the organization. It is important for organizations to hire talented individuals and train them for authentic leadership for positive outcomes. Authentic leaders are more likely to create positive and empowering work environments.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Review of Literature

It was about a decade ago that concept of authentic leadership (AL) emerged (Gardner et al, 2011; Gill & Caza, 2018). According to Avolio et al (2004), authentic leaders have strong personal values, conviction, and earn follower’s respect and trust. Authentic leaders are individuals who perform in accordance to their beliefs and morals in the organization (Anwar et al., 2020). Ethical approach is the basis of AL and is a positive development in organizations (Walumbwa et al, 2008). According to Gardner et al. (2011), they are confident, hopeful, optimist, and very moral. The researchers have found that subordinates led by authentic leaders enjoy more psychological capital and are more creative (Rego et al, 2012). Authentic leaders help in improving confidence of followers which leads to improved personal and organizational outcomes (Laschinger & Fida, 2014). Extensive research on AL indicates its effects on performance, emotional intelligence, organizational commitment (Wong & Laschinger, 2012). AL theory is still in infancy (Hinojoiz et al, 2014). It is the last one put into operation (Avolio & Gardner, 2005; Brown & Trevino, 2006; Toor, Ofori, & Arain, 2007).

AL theory describes a leader who links ethical leadership and idea of effective leadership (Joo & Nimon, 2014). The tendency to adjust own behavior without prejudice is hallmark of AL (Stoten, 2014). One of the most important components of AL is self-awareness which means understanding own strength/weaknesses and behaving with values and balanced emotions (Alok, 2014). Balanced processing is the act of analyzing information, seeking other’s views and making decisions (Neider & Schriesheim, 2011). The leader helps to create hope, optimism, and confidence to make his subordinates grow (Furmańczyk, 2010).

Leader’s integrity and positive approach creates trust among followers. Authentic leader’s emotions affect follower’s emotions positively which results in positive outcomes both for individuals and organizations. Fredrickson (2003), argues that positive emotions of leaders are infectious and affect followers accordingly. Follower’s positive emotions lead to job satisfaction (Ilies & Judge, 2002). According to early researches, direct outcome of AL is leader follower well-being and job satisfaction (Gardner et al, 2011). Ilies et al (2005) found influence of AL on follower’s ability to reflect, express with self and positive emotions.

Many serious short comings were observed in the existing theories by Avolio and Gardner (2005).
They emphasized the need for development of AL. The traits of authentic leaders highlighted by George (2003) are values, ethics, purpose, and discipline. According to Avolio, Gardner, Walumbwa, Luthans, & May, (2004), authentic leaders are self-aware, knowledgeable, have confidence and morals. Authentic leaders acknowledge their beliefs and focus on well-being of followers (Avolio & Gardner, 2005). Bass and Steidlmeyer (1999) laid the foundation of concept of AL. AL was proposed by Luthans and Avolio (2003), and further improved by Gardner, Avolio, Luthans, May, & Walumbwa (2005). AL is considered to be root concept of all other types of leadership (Avolio & Gardner, 2005). AL focuses on moral development and improvement of authenticity in followers. Authentic leaders are self-aware, have firm beliefs, and exhibit openness (Avolio et al, 2004). Their actions reflect their beliefs and thoughts (Gardner et al, 2005, p. 347).


According to Leroy et al (2012), words of authentic leaders match their deeds. Individual’s core self-beliefs and self-worth constitute core self-evaluation (Judge, 1997). Their performance is enhanced by the characteristic of high self-concept and self-evaluation (Robbins & Judge, 2012). OC is enhanced by core self (Joo et al, 2010). It also enhances job satisfaction and task related behaviors (Bowling et al, 2010), and reduces turnover intentions (Joo & Park, 2010). According to Frederickson and Branigan (2005), psychological space is reduced by negative emotions. Authentic leaders have positive emotions which infects subordinates positively.

AL means being honest and real with followers (Avolio & Gardner, 2005). Authentic leaders need to set their priorities and values right. AL principles are helpful in enhancing self-reflection and personal values among students and followers (Branson, 2007). Avolio & Gardner (2005) suggest that AL promotes ethical behavior. There is a strong association between AL and numerous organizational outcomes (Avolio & Walumbwa, 2014). AL also promotes interpersonal processes (Gardner & Schermerhorn, 2004). Authentic leaders foster team performance. Authentic leaders are self-regulatory and self-evaluator (Rego et al, 2012). AL influences positive outcomes like job satisfaction and creativity (Gardneret al, 2005: Giallonardo et al, 2010). AL transfers authenticity to team members which are reflected in team performance (Hannah et al, 2011).

The resource-based view of AL positions is relative to other leadership. LMX represents dyadic relationship (Graen & Uhl-Bein, 1995). It explains many outcomes like job satisfaction and clarity (Gerstner & Day, 1997). AL core dimensions provide real resources to followers (Ten Brummelhuis & Bakker, 2012). Authenticity affects how one likes to live. AL has a multi-level construct has been supported by many researchers (Hannah, Walumbwa & Fry, 2011; Hmielecki, Cole & Baron, 2012). Authentic leaders promote growth of their followers (Ilie et al, 2005). Authentic Leadership is considered to directly increase organizational commitment (Walumbwa et al, 2008). AL is found to influence attitudes of employees resulting in commitment and enhanced performance. AL has direct
relationship with organizational commitment and job satisfaction (Avolio, 2010). Peus et al. (2012) found that employees are inspired to higher level of commitment by authentic leaders.

2.2 Development of Hypotheses

2.2.1 Authentic leadership and Organizational Commitment

Some studies highlight positive role of leaders on organizational commitment (Harter, Schmidt & Hayes, 2002). AL is considered to positively influence individual’s commitment to organization (Walumbwa, Avolio, Gardner, Wernsing & Peterson, 2008). OC is a discretionary behavior that supports task performance. Individual’s intrinsic motivation contributes more towards organizational goals. There is a positive association between AL and OC.

OC is “defined as the employee’s feelings of obligation to stay with the organization” (Allen & Meyer, 1990), such feelings result from internalization of normative pressures. According to Allen & Meyer (1996), OC can be in three forms. First is emotional attachment known as affective commitment with the organization. Affective commitment forms the basis of feelings of belongingness to the organization. The second is continuance commitment which is based on the perceived cost by the employee for leaving the organization. Employees with continuance commitment have to stay because of lack of alternatives or inhibiting cost of leaving. Third normative commitment is sense of obligation to stay with the organization. It reflects perceived obligation to continue with the organization. There are several personal as well as organizational aspects which defines OC, some are intrinsic and other might be extrinsic (Abid et al., 2019). Core self-evaluation evokes intrinsic goals (Judge et al, 2005). According to Avolio et al (2004), AL influences follower’s job satisfaction and OC positively. Positive relationship between AL and OC has been found by Walumbwa et al (2010).

H1: Authentic Leadership has positive relationship with organizational commitment.

2.2.2 Authentic Leadership and Job Satisfaction

Job satisfaction is defined as “positive emotional state resulting from a person’s appreciation of his own job experiences” (Locke, 1976). According to Leap and Crino (1993), the attitude of workers towards job and rewards and the social environments shapes their job satisfaction. It is the general attitude of individuals towards their work (Robins, 2003). Individuals perform as in accordance to their job satisfaction level and their approach to job will influence the purposes in addition to activities of the organization (Khuwaja et al., 2020). Job satisfaction has been found to have significant effect on OC (Kaplan, Ogut, Kaplan and Aksay, 2012). Suma and Lesha (2013) found significant relationship between job satisfaction and OC. On the other hand, OC impacts job satisfaction (Odoch & Nangoli, 2014; Thamrin, 2012). Past researchers also show that job satisfaction reduces absenteeism (Obasan Kehinde, 2011). It also influences OC (Top & Gider, 2013). One of major challenges faced by organizations is to maintain good employees. Employee’s feelings and attitudes towards job are important. A key role is played by leaders in job satisfaction. AL is considered to impact organizational commitment and job satisfaction.

conducted on AL and job satisfaction have found a positive relationship between the two (Walumbwa et al, 2013). Job satisfaction means the contentment level of an employee with respect to a job. It is affected by both internal and external factors (Weiss, Dawis, England & Lofquist, 1967). Overall Job satisfaction is a combination of both.

**H2:** Authentic leadership has positive relations with Job Satisfaction.

### 2.2.3 AL & Leader Member Exchange (LMX)

LMX explains that leaders develop relationship with employees at different levels. With some they have high quality social and emotional relationship, while with others it is only at transactional level (Liden, Sparrowe & Wayne, 1997). Graen and Uhl-Bien (1995) refer to LMX as dyadic exchange relationship between a leader and followers. The quality of this relationship ranges from low (transactional exchange) to high (trust, loyalty) as stated by Liden & Maslyn (1998). High quality LMX saves time and resources. According to Graen & Uhl-Bien (1995), LMX results in high job performance. Gerstner and Day (1997) found positive relationship between LMX and job satisfaction.

LMX has been variously defined. It is defined as social exchange relationship (Deluga & Perry, 1991), negotiating latitude by McClane (1991) and as individualized relationship (Dansereau, 1995). LMX helps to overcome turnover intentions (Jing-Zhou & Wen-Xia, 2011). LMX is supposed to be directly associated with job satisfaction and OC. LMX is a relation-based theory. Its basis is social exchange, reciprocity, and equity (Deluga, 1994). This social exchange is enhanced by reciprocating respect and trust (Graen & Uhl-Bien, 1995). LMX is thought to be a mediator/ moderator (Walumbwa et al, 2011). The consequences attached with LMX are thought to be OC, job satisfaction, and desirable behaviors (Dulebohn et al, 2012).

**H3:** Leader Member Exchange mediates the relationship between AL and OC positively.

**H4:** Leader Member Exchange mediates relationship between AL and employees level of job satisfaction positively.

![Fig. 1: Research Model (Source: Authors’ Contribution)](image)

### 3. METHODOLOGY

#### 3.1 Sample and Procedures
Objectives of this study is to highlight the influence of AL on job satisfaction and OC under the changed environment. It is also intended to ascertain the mediating effects of LMX on job satisfaction, affective commitment, and OC. A cross sectional survey of managers and employees in a service sector was conducted. The participants were located in Lahore and Islamabad. The managers and employees were selected from a leading school system. A total of 230 questionnaires were sent to respondents in Lahore and Islamabad. The minimum qualification set was FA/Fsc to ensure that the respondents understood the questions. The management was first approached in the head office through personal liaison for seeking their approval and support in getting the questionnaires filled. The questionnaire was delivered by hand in Lahore and sent through mail in Islamabad. A total of 230 questionnaires were sent out of which 130 were delivered in Lahore and remaining 100 to Islamabad. It was premised that dynamics of leadership in service sector are different from the dynamics in manufacturing sector. Moreover, the cooperation and the support extended by organization was a welcome facilitator which made it convenient to get the responses.

3.2 Measures
Walumbwa et al (2008) developed a scale used for AL. It was measured by using five-point Likert scale ranging from 1-5, strongly disagree to strongly agree. The 5-point Likert scale ranging from 1(strongly disagree) to 5(strongly agree) was used for measuring job satisfaction was developed by Zopiatis et al (2014). OC was measured by using scale developed by Larry and Stella (1991) 5-point likert scale that ranges 1-5 strongly disagree to strongly agree. For LMX, scale developed by Graen, Hui, and Taylor (2004) ranges from 1-strongly disagree to 5-strongly agree was used.

4. ANALYSIS AND RESULTS
4.1 Measure Assessments
The Factor Analysis has been performed on data sheet to ensure the consistency of our data. CFA is done to check the validity of instrument. So, in this study firstly we run CFA, and after that perform correlation and regression. The Confirmatory factor analysis is done to analyses the variable’s fitness with the help of AMOS’s Software (Table 1). Authentic Leadership has 4 factors with poor model fitness CMIN/DF= 72, CFI= 0.602, RMSEA= 0.112, GF= 0.848, TLI= 0.512, RMR= 0.35, $x^2 = 412.3$. Leader Member Exchange has 3 Factor with poor model fitness CMIN/DF= 72, CFI= 0.602, RMSEA= 0.112, GF= 0.848, TLI= 0.512, RMR= 0.35, $x^2 = 412.3$. There were 2 factors of Organizational Commitment in its actual scale with model fitness of CMIN/DF= 48, CFI= 0.761, RMSEA= 0.119, GF= 0.885, TLI= 0.672, RMR= 0.34, $x^2 = 234.7$. Current Motivation has 3 Factors in actual scale adopted with model fitness CMIN/DF=48, CFI= 0.873, RMSEA= 0.100, GF= 0.906, TLI= 0.825, RMR= 0.31, $x^2 = 180.0$. 
Table I  Results from Confirmatory Factor Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>χ²</th>
<th>Df</th>
<th>χ²/df</th>
<th>CFI</th>
<th>RMSEA</th>
<th>GFI</th>
<th>TLI</th>
<th>RMR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authentic Leadership 4 Factor</td>
<td>442.3</td>
<td>72</td>
<td>6.143</td>
<td>.602</td>
<td>.112</td>
<td>.848</td>
<td>.512</td>
<td>.035</td>
</tr>
<tr>
<td>Leader Member Exchange 3 Factor</td>
<td>412.3</td>
<td>72</td>
<td>6.143</td>
<td>.602</td>
<td>.112</td>
<td>.848</td>
<td>.512</td>
<td>.035</td>
</tr>
<tr>
<td>Organizational Commitment 2 Factor</td>
<td>234.7</td>
<td>48</td>
<td>4.890</td>
<td>.761</td>
<td>.119</td>
<td>.885</td>
<td>.672</td>
<td>.034</td>
</tr>
<tr>
<td>Current Motivation 3 Factor</td>
<td>180.0</td>
<td>48</td>
<td>3.750</td>
<td>.873</td>
<td>.100</td>
<td>.906</td>
<td>.825</td>
<td>.031</td>
</tr>
</tbody>
</table>

4.2 Descriptive Analysis

In (Table II) the correlation provides the support that how the individual factor of each variables has influence on each other. In the parentheses we also displayed the AVE value of each dimension of the variable. Results of the correlation table shows that all the dimensions of each variable are positive correlated with each other.

Note: N =220. M=Mean; SD=Standard Deviation. a) Values in parentheses are AVE underoot square. b) Authentic leadership : (SV = Standarized values, LI = Leader Ideology, LC = Leader Consciousness, EC = Ethical Climate and SC = Sharing Climate), c) Leader Member Exchange : (SS = Supervisor Support;
SC1 = Supervisor care; SR = Supervisor Responsibility). d) Organizational Commitment: (OP = Organizational Preference; OM= Organizational Motivation) e) Job Satisfaction: (JP = Job Preference; JI=Job Involvement Motivation; OR1= Organizational Responsibility).

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

4.3 Regression Analysis
Table III. Regression Results for Mediation
Table III shows the regression analysis of our study variables. Table shows that authentic leadership is significant positively related to organizational commitment (B=.556, p<.05), it means that H1 of our study is supported by our data. Authentic leadership is also significant positively related to job satisfaction (B=.442, p<.05), it means that H2 of our study is supported by our data.

Table shows that after placing mediator (Leader Member Exchange), relationship of authentic leadership and organizational commitment remains significant but beta value decreases (B=.213,p<.05) which means Leader Member Exchange mediates the relationship of authentic leadership and organizational commitment, so H3 of our study is also supported by our data. Table shows that after placing mediator (Leader Member Exchange), relationship of authentic leadership and job satisfaction remains significant but beta value decreases (B=.295,p<.05) which means Leader Member Exchange mediates the relationship of authentic leadership and organizational commitment, so H4 of our study is also supported by our data.

This is also shown by the table that before and after the CFA our correlation results remain the same which means that after improving our fitness of the study model the results of the study remains same.

<table>
<thead>
<tr>
<th>Step</th>
<th>Job Satisfaction</th>
<th>Organizational Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authentic Leadership</td>
<td>.442**</td>
<td>.556**</td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leader Member Exchange</td>
<td>.395**</td>
<td>.450**</td>
</tr>
<tr>
<td>Authentic Leadership</td>
<td>.213**</td>
<td>.295**</td>
</tr>
</tbody>
</table>

5. DISCUSSION
5.1 General Discussion
This study was undertaken to establish relationship of AL with OC and Job satisfaction. The mediating role of LMX between AL and OC and AL and job satisfaction was also examined. We propose that variables mentioned above positively influences OC and Job satisfaction. The mediating role of LMX was proposed to have positive relationship between AL and OC and between AL and job satisfaction. The results support the hypotheses. In this study we conducted factor analysis, we run EFA and CFA of the study variables and relate their dimension individually, after that we proceed to the correlation and regression, the CFA, EFA supported our hypothesis and give good model fitness.

5.2 Limitation and Future Research
This study has few limitations. The reliance is placed on cross sectional data. A small sample of 230 participants was included from two cities of Pakistan. Study confined to schools in two cities only. Only
one mediator of LMX studied. For future research it is recommended that; longitudinal design should be used. Size of participants to be increased. Sample may be taken from more cities in Pakistan. Replication of research in other organizational context should be carried out. Use of other mediators like psychological empowerment and organizational culture should be considered.

6. CONCLUSION
This study was focused on importance of AL in education sector. This study identified positive relationship of AL with organizational commitment and job satisfaction of employees in a school system. Employee’s satisfaction and commitment to organization are essential for an organization to grow and thrive. AL leads to enhancement in individual and group attitudes and behaviors. AL, if practiced in service sector, especially education, can lead to many desirable outcomes in addition to the ones focused in this research. Future research needs to focus on determinants of AL and variety of variables for enhancing positive outcomes in education sector. We hope and expect future researchers would explore AL in the context of our cultural and structural environment.

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STRATEGIC AGILITY AND AI-ENABLED RESOURCE
CAPABILITIES FOR BUSINESS SURVIVAL IN POST-COVID-19
GLOBAL ECONOMY

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Abstract
This study seeks to proffer solutions to the fall-out of the economic impact of COVID-19 pandemic that has ravaged businesses globally through the deployment of strategic agility and artificial intelligence-enabled organisational resource capabilities. The Corona virus which started in Wuhan, China, late 2019, has forced many countries to shut down their economies in order to curtail the spread of the deadly virus that has claimed over three hundred thousand lives globally. The closure of national economies is having adverse effects on humans and businesses thus creating drastic drops in demand for goods and services, job losses, loss of income for households and companies and the inevitable business failures. The study is a qualitative design based on the interpretivist philosophy and an ontological orientation of subjectivism. Findings from this research reveal that strategic agility and AI-enabled capabilities are capable of reversing the downward trend of business performances occasioned by the Corona virus globally within a short period of time. It is hereby recommended that every business should introduce some form of strategic and operational agility in their strategy making process and invest in artificial intelligence in their operations for improved customer orientation, faster and more accurate data for decision making, better, cheaper and more profitable business performance to ensure survival in the post COVID-19 global economy.

Keywords: Strategic agility, Operational agility, Artificial intelligence, Capabilities, COVID-19

1.0 Introduction

Businesses worldwide have been devastated by the rampaging corona virus as nations shut down their economies and all forms of social gatherings. For business organisations, this shut down is likely to spell doom for the vast majority, especially, the small and medium enterprises and even big businesses that deal with non essential commodities. Also to be badly affected are firms running on continuous process operations, for which huge sums of money is lost when the continuous operation is disrupted. The closure of businesses will impact people and organisations negatively as aggregate demand for goods and services will fall significantly as a result of dwindling revenues. Businesses are sustained by the patronage of consumers and, of course, the sole reason for any firm being in business (Drucker, 1993).
When there is no effective demand for the goods and services produced by a company, its survival becomes threatened (Jhingan, 2016).

Like every other pandemic, the COVID-19 has come but will go. Humans and businesses that will eventually survive will have to adopt some novel strategies to address the new challenges that will be posed by the post COVID-19 realities. Business managers have to put on their thinking caps to weather the storm because of the intense competition for the depleted demand and a very likely shift in demand because people are going to be more bothered about basic necessities for survival. Organisations will have to identify new products and perhaps, new customers, and shift their operations towards these new markets in order to survive and remain competitive in the new economic environment (Kim & Mauborgne, 2005). Strategic agility which refers to every action taken by a firm to create new products for new markets will be required for business survival. Equally important will be AI-enabled capabilities that will ensure better, faster and cheaper ways of doing things in order to meet the demands of the post COVID-19 customer, thus creating better value at cheaper prices than competitors can (Denning, 2018).

Organisational resources which include physical, financial, human, knowledge, technological and other forms of intangible resources (Harrison, 2003) are developed into capabilities that exceed what the competition is capable of achieving in order to outperform rivals in the marketplace (Strickland, Thompson & Gamble, 2010). Capabilities are internal business assets possessed by a particular firm (Porter, 1985). Thompson et.al.,(2004) opine that capabilities are a complex bundle of skills and knowledge ingrained in organisational processes that can be pooled from different groups within the enterprise. Resources are transformed into capabilities when they become difficult to imitate or replicated by rivals. Capabilities are used to leverage the other organisational assets for maximum performance (Capstera, 2015).

Artificial intelligence has become the new game changer in every industry and organisations that ignore this fact may be unable to withstand competitive pressures in the post Covid-19 global economy. As firms seek survival strategies to remain afloat, the use of such ubiquitous technologies as AI, data science, machine learning, chatbots, internet of things (IoT) and big data will facilitate decision making by providing accurate data, predict consumer demand, cut wasteful expenditures, and ensure better, faster and precise responses to customer requirements (Deloitte, 2017; Scor, 2018). AI technologies will help businesses in cost savings, push efficiency higher, and revolutionize customer experience. Dickson (2020) notes that recent developments in edge hardware, cloud computing and internet of things (IoT) is increasingly making information about objects, people and organisations much easier to obtain in the digital world with the data readily and easily processed by machine learning algorithm.

The aim of this research is to examine how a combination of strategic agility and the adoption of AI-enabled capabilities will assist businesses to cope, survive and improve their performances in the post Covid-19 global economy. Specifically, the study seeks to identify how strategic agility and artificial intelligence-enabled capabilities will influence business operations and the bottom-line. In order to address this objective, the research attempts to provide a solution to this question: Can strategic agility and AI-enabled organisational resource capabilities assist organisations survive the post Covid-19 business world?
2.0 Literature Review

2.1 Theoretical Underpinning: Task-Technology Fit Theory (TTF)

The task-technology fit theory holds that individual performances are most likely to improve if the capabilities of the information technology system to be used match the task to be performed (Goodhue & Thompson, 1995). The authors aver that a good fit must exist between IT system and the task that must be performed in order to enhance the performance of the user. Goodhue and Thompson (1995) developed a seven point Likert scale instrument to measure the task-technology fit made up of eight factors that include quality, locatability, authorization, ease of use, compatibility, systems reliability, timeliness and relationship with ultimate end user. Goodhue and Thompson found that the TTF, in conjunction with utilisation, was able to significantly predict performance improvements that were attributable to the information technology system in use.

Drawing from the task-technology fit, there is a high tendency for such a synergy between tasks involved in strategic agility and artificial intelligence-enabled organisational capabilities. When a firm intends to obtain better, faster, cheaper and more reliable data that will enable it to achieve higher efficiency and effectiveness by leveraging on its capabilities in providing better, cheaper and customer-oriented goods and services it must embrace the synergistic combination that strategic agility and AI-enabled capabilities offer. Consequently, the firm will not only succeed in retaining present customers by keeping them satisfied, it will also be able to go further to create new products for new markets with AI-enabled capabilities that are unmatched by rivals, hence this theory is found to be quite relevant to this study.

2.2 Conceptual Review

2.2.1 The Likely Economic Impact of COVID-19 on Businesses

The rampaging Covid-19 that started in Wuhan, China late 2019 has swept across the globe with devastating destruction of human lives and their means of livelihood. With more than 3.5 million people affected and over 300,000 people already dead and still counting (WHO, 2020), the economic cost is likely to be unimaginable. Already, airlines, entertainment industry, tourism, manufacturing companies, service providers, financial institutions, retail shops, haulage business, government bureaucracies and educational institutions are all shut down with a view to minimising the spread of the deadly virus (WEF, 2020). Thus, with national economies completely or partially shut down, demand for goods and services have slumped, sales are down, factories are either completely shut down or operating at very low capacity resulting in monumental job losses. Households, firms and governments are losing revenues at alarming rates while seeking means of borrowing to survive.

The World Economic Forum (2020) says economic difficulties have made more than 16 million Americans to file for unemployment claims in the last three weeks up to April 9, 2020. Georgieva (2020), of the International Monetary Fund (IMF) maintains that the year 2020’s economic outlook is negative with global recession looming and capital outflows from emerging and poorer nations accelerating at alarming rates. OECD (2020) observes that the global economy will suffer for years to come as a result of Covid-19 pandemic while the Asian Development Bank (2020) warns that the global cost of COVID-19 could hit a whopping $4.1 trillion.

As businesses continue to lose revenues and supply chain disruptions due to factory shutdowns across the
world, purchasing power of households will dwindle further with increased inability to meet debt obligations such as rent, loans and mortgage commitments. The marginal propensity to consume will increase while marginal propensity to save will decline. There is also likely to be a shift in demand for more essential commodities such as food and pharmaceuticals while other non existential products will likely suffer low patronage. It is in the face of these stark realities that strategic agility and artificial intelligence (AI)-enabled organisational resource capabilities will be required to create better options for business survival.

2.2.2 The Concept of Strategic Agility

Strategic agility, like most social science concepts, does not lend itself to a straight-jacketed definition. While Denning (2018) sees it as being concerned with the creation of new products or services for new markets, Hassan (2014) opines that strategic agility is the ability of organisations to remain competitive by adjusting and adapting to new innovations. Morton, Stacey and Mohn (2018) citing Doz (2014) observe that strategic agility is the “practice of continuously adjusting and adapting strategic direction in core business in a flow of strategy praxis over time, as a function of strategic ambitions and changing circumstances”. However, we view the concept, one thing is clear: strategic agility implies fluidity and quick response to changing market conditions with innovative ideas and business initiatives that undermine the competition.

Strategic agility goes along with operational agility though both concepts address different segments of business performance. While strategic agility is a market-creating innovation, operational agility involves making existing products faster, better, cheaper and perhaps, more attractive, for existing customers (Denning, 2018). Strategic agility is akin to the blue ocean strategy of Kim and Mauborgne (2005) in which they proposed that organisations should strive to identify the uncontested blue oceans rather than scrambling for the overcrowded red oceans, through value innovation. Operational agility is more or less akin to total quality management (TQM) and other continuous improvement initiatives that help an organisation to stay alive and thrive in the competitive arena. Operational agility is predicated on delivering customer value through a team-based management system that utilises cross-functional teams to achieve production/operational goals in highly networked organisations.

As operational agility focuses on operational improvements, it lends itself to a major flaw since any gain made by a firm through such manner is easily wiped out by the action of rivals who are usually very fast in identifying such moves. Consequently, any organisation that wants to survive in business and achieve sustainable competitive advantage must develop strategic agility in order to create new products for new markets. The decision to do this is however, a prerogative of top management as it may involve a radical departure from existing business practices (Denning, 2018).

Strategic and operational agilities are capable of transforming organisational resources into capabilities and these can be further developed into distinctive competences with the deployment of artificial intelligence. When AI is applied to enable the competitive strengths of organizational resources through strategic agility, there will be a greater likelihood of business survival after the COVID-19 pandemic.
2.2.3 Artificial Intelligence

Artificial intelligence (AI) has gained popularity in numerous fields of human endeavour including manufacturing, agriculture, the auto and aviation industries, medicine, finance and marketing (Scor, 2018). Artificial intelligence (AI) can be viewed as using machines, computer programmes and systems to execute the intellectual and imaginative roles of humans (Shabbir & Anwer, 2015). In the last decade, the field of artificial intelligence has evolved to cut across several areas of human endeavour including cognitive computing, language processing, image analytics, robotics, electronic sensors and other fields of scientific research (Scor, 2018). The current artificial intelligence in use has the capacity to imitate human intelligence, process information and data, solve problems, think and learn like humans (Shabbir & Anwer, 2015). Health (2018) argues that AI systems will typically exhibit certain behaviours that resemble human intelligence such as planning, learning, reasoning, problem solving, knowledge representation, perception, motion, manipulation, and some levels of social intelligence and innovation.

AI, big data, and internet of things (IoT) are creeping into every facet of human existence and business leaders are equally experiencing this transformation (Dickson, 2020). AI algorithm has helped in cost savings, pushing efficiency higher, and revolutionising customer experience. Dickson (2020) observes that advances in edge hardware, cloud computing and internet of things (IoT) has increasingly made information about objects, people and organisations much easier to obtain in the digital world with the data readily and easily processed by machine learning algorithm.

Artificial intelligence, as a ubiquitous tool, can be deployed to achieve strategic differentiation that will enhance business survival when used to leverage available organisational resources. AI is capable of assisting humans by providing faster, cheaper, accurate and more qualitative data for improved efficiency and effectiveness in the ways businesses are conducted. AI is capable of rendering numerous services better, cheaper and faster than humans can and this will be required in the post COVID-19 business environment, AI algorithms will be required to assist with demand and sales forecasts, cut costs, interpret data relating to business dynamics and the new narratives of changing consumer demand in order to re-direct business operations towards these changing realities that will boost the prospects of business survival.

2.2.4 Organisational Resource Capabilities

Organisational resource capabilities lie at the core of ecosystems that drive performance in every sector of the economy. Resources are the stocks of both tangible and intangible assets possessed by an organisation (Galavan, 2015). Barney (1991) however sees organisational resources as all the assets, capabilities, organisational processes, firm attributes, information and knowledge controlled by the firm to conceive of and implement their strategies that improve its efficiency and effectiveness. Resources are the building blocks that organisations deploy to achieve their desired goals.

Resources of an organisation can be categorized as physical resources (buildings, motor vehicles, equipment, tools and machinery); financial resources (cash, financial instruments, access to cheap credit, and budget commitments); technological resources (computers, software, networks, databases, satellites and communication systems); human resources (physical, intellectual and emotional); social resources (relationships, networks, trust, norms, friendships, and reputational); organisational resources
(information, systems, procedures, structures, management know-how, organisational culture and strategic alliances (Galavan, 2015). A company’s resource strength is a major source of competitive advantage and it involves what the company is good at doing or an attribute that increases its competitiveness (Thompson, et al., 2004). It should, however, be noted that resources on their own cannot confer competitive advantage unless they are transformed into capabilities.

Capabilities refer to internal business resources which are owned by a particular enterprise and the major source of competitive advantage (Porter, 1985). Thompson et al. (2004) see capabilities as the complex bundles of skills and knowledge ingrained in organisational processes that can be pooled from different organisational groups. At the heart of a firm’s internal environment are distinctive capabilities which form the basis of strategy formulation. Capabilities are special assets of the enterprise which cannot be copied or imitated easily; hence they are a major source of sustainable competitive advantage. Capabilities are seen as the ‘glue’ that binds all the other organisational resources together as they are used to leverage other assets to achieve maximum performance and provide the blueprint for orchestrating a chosen operating model (Capstera, 2015). Successful organisations develop their business architecture around core capabilities which create competitive differentiation.

2.2.5 AI-Enabled Organisational Resource Capabilities

Deploying artificial intelligence to leverage other organisational resources in order to transform them into capabilities is at the core of business ecosystems that seek improved performance and sustainable competitive advantage. AI on its own is a technological resource that is used synergistically with other organisational resources to improve factor productivity. The resources of an organisation can be characterized as physical or material resources (buildings, motor vehicles, tools, equipment, and machinery); financial resources (cash, financial instruments, access to cheap credit, and budget commitments); technological resources (computers and software, including databases, satellites and communication systems); human resources (physical, knowledge, skill and emotional); social resources (interpersonal relationships, connections, trust, norms, values, friendships cliques and reputational); organisational resources (information and communication patterns, procedures, structures, management know-how, organisational culture and strategic alliances; (Galavan, 2015).

Looking at each of these resources, AI can be applied to improve each one of them, for example, physical resources such as buildings can utilise AI-assisted design for more functional layout while self-driving vehicles utilise the vision recognition system of artificial intelligence. In a similar vein, equipment and machinery can be fully automated and operated by deploying AI technology. Financial resources, including obtaining reliable data for budgeting and financial forecasting, can be AI-enabled. Cost control, receivables management and other routinised financial transactions can be AI-enabled. Human resource functions can easily be improved upon by deploying AI technology to assist in planning and decision making as well as utilising artificial intelligence to perform some other functions that will free up employees for other activities that may require physical human presence. Knowledge resources is an area that has gained tremendously from the development of artificial intelligence as the technology can process a large amount of data faster and more accurately than humans to facilitate decision making. Finally, artificial intelligence has equally gained grounds in customer relationship management as it is
capable of predicting customer requirements, attend to customer needs and provide requisite information to guide customers in their purchase decisions through the deployment of chatbots. When these resources are AI-enabled, they are easily transformed into capabilities and deepening and mastering their usage eventually translates them into distinctive competences that lay the foundation for business survival and sustainable competitive advantage.

2.2.6 The Concept of Business Survival

Business survival implies the ability of an enterprise to weather the storm in every given economic situation and remain afloat without closing shop or filing for bankruptcy. Currently, the COVID-19 pandemic is making it very difficult for many businesses to stay afloat with several already closing shop and many more waiting to close. Any business in the survival mode must do a critical self-examination of where it is, whether to remain where it is, where it is supposed to be going, how to get there if it decides to continue, and what needs to change for it to get there. This will require certain critical decisions requiring a genuine self-evaluation (Jerry, 2003). When a business is struggling and it is on survival mode, most often, the easy way out is cost cutting, staff lay-offs, tightening profit margins and saving cash rather than investing.

Survival is tougher for small and medium-sized enterprises than the big corporations during periods of economic turmoil due to the unique set of challenges they face. When demand slumps and consumer confidence dips, many small-scale enterprises get buried in the rubble. A study conducted over a four-year period of 20 UK firms by Bamiatz and Kirchmaier (2014) reveal that small and medium-sized enterprises employing such strategies as overall cost leadership, differentiation and customisation of products or services were able to withstand the economic haemorrhage and actually recorded considerable growth within the period. Strategic agility and AI-enabled organisational resource capabilities are useful tools for achieving cost leadership, differentiation and customisation of products and services which have proven quite effective in ensuring business survival. Hence the post COVID-19 businesses will be required to adopt these measures in order to cope with the changing circumstances occasioned by the pandemic.

2.2.7 Conceptual Model

The conceptual model depicts the relationship between strategic agility and business survival on one hand, organisational resource capabilities and business survival, artificial intelligence and business survival, the link between strategic agility, organisational resources, artificial intelligence and business survival and the combined effect that a strategic agility and AI-enable resource capabilities fit will create to ensure business survival.
Figure 1: Conceptual Model

Source: Author (2020)
Methods
The research is a conceptual design that reviews both theoretical and empirical literature specifically on strategic agility, artificial intelligence, organisational resource capabilities, business survival, and COVID-19 pandemic with its impact on global businesses. As a qualitative design, the philosophical foundation is interpretivism while the ontological orientation is subjectivism. Saunders, Lewis & Thornhill (2012) opine that interpretivism advocates that researchers, as a matter of necessity, should appreciate differences between humans in their role as social actors. The resort to the choice of method is based on the fact that social constructs such as strategic agility, artificial intelligence, organisational resource capabilities and business survival in this study are subject to the individual interpretations of social actors in the world of business. According to Chidi and Shadare (2017), qualitative research emphasises words rather than quantification in collecting and analyzing data. Thus, the research attempts to analyse and explain phenomena from data obtained from secondary sources including written texts, journal articles, published materials on the internet and other public sources such as the World Health Organisation (WHO), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), and the Asian Development Bank (ADB) among others. Such materials were then subjected to a rigorous content analysis from which informed projections were made regarding the impact of the COVID-19 pandemic on individuals, households, businesses and national economies. Based on these premises, the study was able to address how strategic agility and artificial intelligence-enabled organisational resource capabilities can become the panacea for business survival in the post-COVID-19 global economy.

4.0. Discussion

From the research findings, it can be observed that the corona virus pandemic is going to cause unimaginable damage to businesses worldwide and only agile organisations that deploy the right resource capabilities will survive. Consequent upon the rampaging pandemic, there is likely going to be a shift in demand from non-necessities to existential commodities in the immediate aftermath of the pandemic. With declining demand for goods and services arising from low purchasing power occasioned by acute job losses, sales will dwindle while business survival will hang on a precipice. Presently, the members of the National Association of Small and Medium Scale Enterprises in Nigeria are already counting their loses as they declared that most of their members have closed shops due to the corona virus pandemic. For those businesses that will survive the ‘economic holocaust’ they have to be more creative and innovative with novel strategies and business practices that can sustain their survival. Organisational resource capabilities which form the bedrock of every strategy can definitely not be crafted in a vacuum. For agile organisations, the capacity to develop resources into capabilities depend largely on the quality of those resources, especially, the human resource, with proven innate skills, physical and intellectual abilities as well as talents required to reconfigure other resources and transform them into capabilities. There is also an indication that strategic agility which involves creating new products for new markets will enable organisations to refocus their attention, in view of the changing
demands, to creatively venture into new businesses so as to remain relevant in the new order. Strategic agility with its focus on developing new products for new markets through creativity and innovation, in conjunction with operational agility, can lead to business survival. Similarly, organisational resource capabilities when transformed into capabilities and distinctive competences can deliver improved performance that ensures business survival. Artificial intelligence, the new game changer in every industry enables businesses to achieve higher performance through improved access to data for decision making, enabling faster, better and cheaper output for customer satisfaction that eventually culminates in business survival and profitable growth. Strategic agility and artificial intelligence is twin antidotes that can be applied to any business to enable them survive, grow and meet customer expectations. Shabbir and Anwer (2015) argue that artificial intelligence will certainly transform how companies compete around the world which will ultimately drive corporate performance and profitability.

Considering the notion of strategic agility as belonging to a broad concept encompassing a plethora of business initiatives that organisations strive to implement, there are incontrovertible elements that make it attractive to embark on this strategy at these trying times and these may include number and quality of customers, available infrastructure, brand reputation, core competences and the ability and willingness of employees to embrace change (Weill, Subramani & Broadbent, 2002).

While strategic agility will aim at adjusting business practices quickly to changing customer demands, operational agility will enable organisations to improve on existing products and services by making them better, faster, cheaper thus delivering customer value at no extra cost to existing customers (Denning, 2018). With strategic agility and AI fit, companies will be able to predict customer demand faster and tailor their operations towards delivering customer value on the basis of the changing demand. The sure way to success will be for organisations to strive towards organising and coordinating their valued resources by developing them into capabilities through the application of AI which is capable of galvanizing these capabilities into distinctive competences. In order to achieve this, key areas where organisations may wish to differentiate themselves to achieve distinctive competences will include product development, research and development efforts, overall IT infrastructure, sales and distribution, outbound and in-bound logistics, cost control and customer service.

5.0. Conclusion and Recommendations

The COVID-19 pandemic that is currently ravaging the world has taken a huge toll on human beings and business organisations. With over 3.5 million people affected and deaths exceeding 300,000, the world is in a state of quandary and total helplessness. Resulting from the pandemic are acute shortages of essential goods and services due to national lockdowns, factory closures and a shift in manufacturing emphasis to materials, drugs and equipment required to fight the virus. There is also the concomitant shortfall in demand arising from income losses due to job losses and drop in sales, all of which will make business survival a herculean task in the post COVID-19 global business environment.

Recognizing that the task ahead for businesses to survive is onerous, the panacea may perhaps lie in the ability of focused organisations to adopt strategic agility in combination with artificial intelligence to galvanize their resource capabilities into distinctive competences that will enable them survive the aftermath of the COVID-19 pandemic and also achieve competitive superiority over rivals in the face of
the new business realities. An AI and strategic agility fit will provide faster and more accurate data to drive business efficiency and effectiveness higher in order to produce better, cheaper and more customer-oriented goods and services for customer satisfaction and the ultimate goal of business survival and profitability.

Based on the foregoing it is hereby recommended that business organisations that wish to survive the aftermath of the COVID-19 pandemic should adopt strategic agility, operational agility and also utilise artificial intelligence (AI) to galvanize its resource capabilities to enhance business efficiency and effectiveness in order to survive and remain competitive in the post COVID-19 global economy.

**Suggestion for Further Research**

This research is a conceptual study based on subjective interpretations of phenomena. The issues raised about likely consequences of COVID-19 as to how they will affect businesses after the pandemic is over are conjectural and not based on empirical evidence. A quantitative design could be used to validate or repudiate the findings of this study.

**References**


CORPORATE REFOCUSING AND FINANCIAL PERFORMANCE

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Abstract:
This paper aims to clarify the corporate refocusing from a strategic and financial approach; we analysed most of the literature available in the subject. We provide the strategic approach of corporate refocusing; the Antecedents and outcomes of corporate refocusing and corporate refocusing options, we also provide the financial approach by analysing the impact of corporate refocusing on financial performance. The results show that low financial performance is the most causes of corporate refocusing; in addition to that corporate refocusing has five strategic options. The results also show that corporate refocusing has positive impact on 15 indicators of financial performance.

Key words: Corporate refocusing, corporate refocusing options, financial performance, non-financial performance.

JEL Classification: G34

1. Introduction:
Most corporations trying to change corporate strategy when corporate underperformance occurs, corporate underperformance requires strategic decision to make a strategic change, managers consider the refocusing decision as part of corporate growth.

Researchers have paid attention to corporate refocusing and well investigated it from financial approaches. Fewer researchers have investigated on corporate refocusing from a strategic and financial approach. There is a lack of clarify about this concept in corporate strategic financial Management. Researchers in strategic financial management need more evidence about the effect of refocusing on financial performance, managers need more information and clarifications about strategic options to refocus corporate activities and make it more competitive. The literature is almost silent on the strategic financial Management; we have an incomplete picture for the effect of corporate refocusing on corporate financial performance.

Against this background the purpose of this research is to answer the research questions: why it is
important? Why firms engaged in? What are the options? What is the impact on the financial performance?

The authors review the literature differentiating in 3 sections: 1: which called Literature Review; 2 Theoretical background (definition, history, causes and types of corporate refocusing, definition, types and indicators of financial performance and financial performance indicators for refocusing operations).3, which notes 20 studies on the relationship of refocusing and financial performance, to finish with conclusions and suggestions.

2. Literature Review:

According to (Bhagat, S, Shleifer, A. and Vishny, R 1990. Hoskisson and Turk 1990; Shleifer and Vishny 1990 and Markides, 1995) corporate refocusing may be referred to as an attempt by firms to reverse their excessive levels of diversification, most of which occurred in the 1960s and 1970s. As can be seen corporate refocusing is considering as a historical event.

Ravenscraft and Scherer(1991) found that managers cite poor performance as a major motivation for sell-offs,similarly Smart and Hitt (1996) found that the corporate over diversification is followed by a corporate refocusing, but both studies did not show the effect of refocusing on corporate financial performance.

Duhaime and Grant (1984) provide evidence that poor performance is very strong cause for corporate refocusing especially when the firms gain a low level of ROE. By selling, outsourcing or closing some activities firm can reduce costs and provide more synergy to its activities; however they did not provide the effect of these operations (selling, outsourcing or closing on corporate financial performance.

Johnson (1996) provided three rationales for corporate refocusing involve firm governance, strategy and performance. Weak governance allow managers to use free cash flows and invest in non-core business to maximize their own interests, this behavior causes the over diversification which leads to a poor performance.

Recent study by Mak (2014) investigates market reaction to firms' refocusing announcements from the perspective of investors' predicted probability. The results found that the market reaction is significantly positive if managers announce the refocusing in the month when investors' predicted probability is high. As can be seen most of the studies that mentioned earlier didn't show the history and types of corporate refocusing, and the effect of refocusing operations on financial performance indicators.

3. Theoretical Background

3.1 corporate refocusing

3.1.1. Definitions:

According to Decker .C (2008) Refocusing means that a firm aims to eliminate peripheral activities, especially businesses that are unrelated to a firm’s core are abandoned. Hence, a firm’s current core is to be strengthened.

Corporate refocusing is defined as the voluntary reduction in the scope of activities by a firm in an attempt to concentrate on the core business, primarily, though not necessarily, achieved through major
divestments. This reduction in diversification has also been referred to in the business press as 'dediversification', 'de-conglomeration' or more colorfully, as 'sticking to the knitting' (Peters and Waterman, 1982).

Furthermore, corporate refocusing means that a firm aims to cut activities with low performance and have not related with firm core business hence, a firm can focus on its core business. The basic idea behind corporate refocusing is to simplify the firm activities by focusing on core business activities that have a high level of profitability.

According to Woo Carolyn Y. Willard, G and Daellenbach, S (1992) corporate refocusing is conceptualized as a collective term for asset disposal mechanisms such as sell-offs, spin-offs and leveraged buyouts. It is defined as the disposal of one or more of the corporation’s strategic business units to existing shareholders, a third party existing management or a combination of existing management and third parties, either by means of proportional share redistribution, on outright sale, or the substitution of a debt for equity (Ferreira, MA 1997).

3.1.2. History of corporate refocusing:

The prevalent explanation for refocusing (for example, Bhagat et al., 1990; Shleifer and Vishny, 1991; Markides 1995), is that firms are attempting to reverse their excessive levels of diversification, most of which occurred in the late 1960s and early 1970s.

This explanation implies two things: first, that there exists some optimal limit to the extent to which a firm may diversify without adversely affecting its performance; and second, that if refocusing became a widespread phenomenon from the 1980s, as Bhagat et al. (1990), Markides (1995) etc. suggest for the US and is argued here for the UK, then a large number of firms must have found themselves to have been in breach of this optimum, during the period in question. As a result, the profitability and market value of over diversified firms will suffer and the issue of externalizing transactions by divestment to form an independent entity (e.g. a management buy-out) or to another organization becomes worthwhile (Wright & Thompson, 1987).

Williams et al., (1988) report that during the 1980s many large diversified firms have been reducing their complexity primarily through unrelated divestitures and related acquisitions. Davis, G. F, Deikman, K. A, and Catherine T.H (1994) found not only a one-third drop in the level of total diversification among Fortune 500 firms between 1980 and 1990, but also a more than 40 per cent show that this conglomerate was brought about by two processes: firms with high diversity were taken over at an increased rate and subsequently unbundled, while less diversified firms started to reject conglomerate growth strategies. Similarly, Markids (1993) reports that between 20 and 50 per cent of fortune 500 firms refocused in the period 1981 to 1987 as opposed to negligible proportions in the 1960s.

Empirical evidence seems to lend support to the claim of increased corporate refocusing since the 1980s. Data presented by Singh (1993) show that while 1960s could be characterized as a period diversification mainly through acquisitions, the 1980s have been marked by high level of refocusing and leveraged buyouts in addition to acquisitions.

3.1.3. Causes of corporate refocusing:
Firms engage in a strategic refocusing for several reasons. Refocusing during the 1980s may have reversed prior acquisition. Diversification and expansion decisions carried out by non-value-maximizing managers (to reduce agency costs) (Jensen 1986, 1990).


Refocusing may have been intended to reduce information asymmetries between shareholders and managers by simplifying the valuation problems of complex diversified firms and allowing hidden asset values to be realized (Stein. G et al., 1994).

Firms also engage in a strategic refocusing to shed unwanted or under-valued assets. In fact, Kaplan and Weisbach (1992) and Williams et al., (1988) provide evidence that the majority of corporate refocusing in the early 1980s were units unrelated to the parent’s core business.

From strategic financial management approach, Firm characteristics such as financial performance and corporate strategy are frequently cited antecedents of corporate refocusing; especially performance problems and the diversification level prior to refocusing have been attracting the researchers’ attention for many years (Deckerb and Mellewigt 2007).

Ravenscraft and Scherer (1987) find that downturn in the unit’s profitability is the most significant contributor to the probability of the unit being refocused. These findings indicate that poor performance is one of the most common factors motivating a corporate to refocus a business unit. Other findings suggest that it is not only the performance of the refocused business unit, but the overall performance of the company that are a motivating factor for the refocusing.

Montgomery and Thomas (1988) found that refocusing is primarily undertaken by companies that performing less well than their industry, they further finds that the refocusing tends to improve the situation though it does not eliminate the differences to the non refocusing peer group.

Furthermore Brown, James and Mooradian (1994) found that corporate refocusing improve performance and provide cash flows. According to Hamilton and Chow’s (1993) corporate refocusing occurs when firm need cash to strengthen their balance sheet.

Johnson (1996) shows that corporate refocusing occurs when firm over diversified and has poor performance, in summary, underperformance in business unit is positively associated with corporate refocusing. Hamilton and Chow (1993) provided a postal questionnaire to the CEOs of the 98 largest New Zealand-owned companies listed on the New Zealand Stock Exchange on 31 March 1991; 36 firms reported at least one refocusing operation in the 1985-1990 period (all in all 208 refocusing were made in the form of a sell-off, spin-off, management buyout, or liquidation); The results show that the most important factor that leads to corporate refocusing is the low return achieved in the refocusing units, closely followed by their poor growth prospects.

In another study by Alexander, Benson and Kempmeyer (1984) results suggest that voluntary sell-offs generally occur after a period of abnormally negative returns. Brown et al., (1994) 62 asset sales by firms between 1979 and 1988 to remedy a pre-existing or anticipated default, avoid bankruptcy, or
facilitate debt restructuring. Corporate engaging in refocusing do so to improve performance and to generate funds for the cash constrained firm.

3.1.4. Strategic options for corporate refocusing:

3.1.4.1. Asset sale/Sell-off: An asset sale is defined as the sale of a division, subsidiary, product line or other assets directly from one firm to another firm. An asset sale involves three parties the acquirer, the refocused corporate (vendor) and the subsidiary or division being sold off (target) (Weston. J.F, Mitchell. M.L. and Mulherin. J.H. 2004).

3.1.4.2. Spin-off: this is a distribution by one corporation of the stock of its subsidiary corporation to the parent’s shareholders, much like a stock dividend. The subsidiary may already be in existence or may be newly formed to accommodate the transaction (Brown.R.L 2007).

3.1.4.3. Split-off: this is the same as the spin-off, except that the shareholders of the parent corporation give up some of their stock in the parent corporation in exchange for stock of the subsidiary, much like a stock redemption or partial liquidation of the parent (Brown.R.L 2007).

3.1.4.4. Split-up: here the parent corporation distributes the stock of two or more of its subsidiaries, whether newly formed or preexisting, in complete liquidation of the parent corporation (Brown.R.L 2007).

3.1.4.5. Equity carve-out: An equity carve-out is defined as the offering of a full or partial interest in a subsidiary to the investment public (Weston et al., 2004). This form of refocusing is often used in situations where the parent company does not want to give up full control over a business unit or subsidiary in those cases the refocusing is referred to as a minority carve-out (Koller. T, Goedhart, M. and Wessels.D 2005).

3.1.5. Choosing among corporate refocusing options:

The choice among refocusing options has been researched linked to antecedents and/or outcomes of refocusing in principle, the decision to choose a specific mode of refocusing is based on three groups of factors: the characteristics of the parent, characteristics of the business unit, and characteristics of the environment. (Sewing.J.H, 2010).

According to Alexandros, P. Prezas and Karen Simonyan (2012) The choice among forms of corporate refocusing; sell-off, carve-out, spin-off, split-off, split-up, or Management Buyout are based on the characteristics of refocusing firms, by the characteristics of the assets being refocused, and by the prevailing market conditions at the time of refocusing.

3.2 financial performances:

Corporate financial performance is of vital importance for investors, stakeholders and economy at large, for investors the return on their investments is highly valuable, and a well performing business can bring high and long-term returns for their investors.

Furthermore, financial profitability of a firm will boost the income of its employees, bring better quality products for its customers, and have better environment friendly production units. Also, more profits will
mean more future investments, which will generate employment opportunities and enhance the income of people (Mirza.S.A, Javed.A.T, 2013).

Many studies have been conducted to determine various financial and non-financial factors that can boost or have an adverse effect on the performance of firm, but still no single effective model has been established which captures maximum variation. (Mirza.S.A, Javed.A.T, 2013).

3.2.1. Definitions and types of corporate financial performances:

3.2.1. 1. Definitions of financial performances:

According to Iswatia.S and Anshori.M (2007) Performance is the function of the ability of an organization to gain and manage the resources in several different ways to develop competitive advantage. Corporate performance means the measurement for what had been achieved by company which shows good condition for certain period of time (Almajali.A.Y & Alamro.S.A 2012).

Financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms (Buvaneswar.R & Venkatesh.M 2013).

3.2.1.2. Types of corporate financial performances:

Almajali.A.Y and Alamro.S.A (2012) distinguishes between two types of corporate performance, financial performance and innovative performance; Financial or economic performance is often expressed in terms of growth of sales, turnover, employment, or stock prices, whereas innovative performance is generally expressed in terms of expenditures, patents, percentage of innovative sales, or self-reported (results of) innovations (Almajali.A.Y, Alamro.S.A 2012).

Valentin (2012) distinguishes between two types of financial performance indicators; classic and modern indicators. Classic indicators such as return on assets, return on equity, return on investment, (ROA, ROE, ROI), acid test ratio, debt ratio, net profit margin, gross profit margin, whereas Modern indicators are related to the concept of creating value and for this reason are regarded as more relevant than classical indicators.

3.2.2. Financial performance indicators:

According to Capon.N, Farley.J and Hoenig.C (1996) the financial performance measures are highly varied. Whereas the most frequently used performance measures compare profits to capital, equity or assets employed (i.e., ROC, ROE, ROA), many other measures are also used. These include such profitability-related measures as absolute profits and variability in profits, but also measures less directly related to profitability, such as market share, employee satisfaction and size (e.g., employees, assets, sales), In addition, various measures related to stock market performance have been employed (e.g., market value, Tobin's Q), (Capon et al., 1996).

There are several dimensions for financial performance measurement involved. Measures (e.g., sales, profits, market value of the firm) or return-based (profit/sales, profit/capital, cash flow/net assets). Measures may be internal (e.g., sales, profit/sales) or external (e.g., market value of the firm, stock price). Measures may be annual, a mean over some longer time period, or a growth rate, (Capon et al., 1996).
Variability in performance can also be used and may be measured about the mean or about trend for a number of time periods. In addition, choice of beginning-of-period (BOP) versus end-of-period (EOP) assets, capital, equity and so forth for calculating return measures may be an important issue (Capon et al., 1996).

Wintner S.L (2006) provided 10 indicators for financial performance to properly manage a firm’s finances: Utilization rate, Overhead rate, Break-even rate, Net multiplier, Aged accounts receivable, Profit-to-earnings ratio, Net revenue per employee, Cash flow, Proposals pending, Backlog volume.

The advantages of financial measures are the easiness of calculation and that definitions are agreed worldwide. Traditionally, the success of a manufacturing system or company has been evaluated by the use of financial measures (Tangen, 2003).

**3.2.3. Financial performance indicators for refocusing operations:**

To identify the sources of financial performance improvements in refocused corporations, Zu.L (2009) used seven indicators; change in return on assets (ROA), change in return on equity (ROE), change in return on sales (ROS), change in sales efficiency (sales per employee), change in net income efficiency, change in leverage, and change in employment respectively.

Decker C (2008) used Four performance measures: return on assets (ROA), market to book ratio, the alpha coefficient from the Capital Asset Pricing Model for the 3-year period following the spin-off, and inflation-adjusted sales growth.

Sewing J.H (2010) Measured the Financial performance of refocused corporations using return on equity relative to industry average, market measures (such as Jensen’s Alpha), Debt Level on a business unit performance.

According to Sewing J.H (2010), refocusing success is usually analyzed using a combination of accounting (ROA, ROS) and market measures (such as Jensen’s Alpha, Treynor or Sharpe Ratio).


We have 15 indicators (concluded from earlier studies) that used to be used in corporate refocusing studies to show improvement in corporate financial performance; however we still have no evidence about the effect of refocusing on the improvement of these indicators.

**4. Studies on corporate refocusing and financial performance:**

We focus on this study on financial performance, so we only mention studies that show the effect of corporate refocusing on these 15 indicators of financial performance. Table 1 presents Collection of
studies to show the impact of corporate refocusing on financial performance, each study lists the author and year, type of data used, and the study’s findings.

As we can see from table 1, most of the studies are not very current, that’s refers to the nature of corporate refocusing operations which happened in the 1970s and 1980s, it appears like a historical event.

### Table 1. Studies on corporate refocusing and financial performance

<table>
<thead>
<tr>
<th>Study</th>
<th>Data</th>
<th>Findings or implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hite and Owers (1983)</td>
<td>123 spin-offs made by 116 firms between 1963 and 1981</td>
<td>Results found positive abnormal returns and also an increase in Shareholder wealth.</td>
</tr>
<tr>
<td>Hearth and Zaima (1984)</td>
<td>Sample of 58 refocusing operations announced between 1979-1981.</td>
<td>Results indicate that sellers earn an average 3.55% CAR over the 9 days preceding the refocusing announcement. Results also indicate an improvement in financial status and returns.</td>
</tr>
<tr>
<td>Jain (1985)</td>
<td>Sample of over 1000 voluntary sell-offs between 1976 and 1978.</td>
<td>Results found that sell-offs provide a significant positive excess returns.</td>
</tr>
<tr>
<td>Hite, Owers and Rogers (1987)</td>
<td>Sample of 106 voluntary refocusing.</td>
<td>Results indicate that corporate refocusing provide a positive abnormal returns.</td>
</tr>
<tr>
<td>Montgomery and Thomas (1988)</td>
<td>sample of 68 voluntary refocusing made by Fortune 500 firms and announced in the Wall Street Journal from 1976 to 1979</td>
<td>The study found that Firms which refocused tend to be weak performers when compared with their industry counterparts. Voluntary refocusing improves corporate performance.</td>
</tr>
<tr>
<td>Donaldson (1990)</td>
<td>The corporate refocusing of General Mills during the 1980s.</td>
<td>Results indicate an excess return of 12.85%. ROE increased from 16.7% in 1985 to 56.6% at the end of the restructuring in 1989.</td>
</tr>
<tr>
<td>Sicherman and</td>
<td>Based on 278 matched</td>
<td>Results found that voluntary sell-offs improve</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Sample Description</td>
<td>Results or Findings</td>
</tr>
<tr>
<td>-----------</td>
<td>--------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Pettway (1992)</td>
<td>pairs of sellers and buyers of voluntary sell-offs between 1981-1987.</td>
<td>Refocusing can thus be an instrument that brings over diversified firms closer to their optimal limits and improves their efficiency.</td>
</tr>
<tr>
<td>Markides (1992b)</td>
<td>Sample of 45 refocusing firms.</td>
<td>Results found that reductions in diversification are associated with value creation. There seems to be a limit to how much a firm can diversify. If a firm goes beyond this limit, its market value will decrease.</td>
</tr>
<tr>
<td>Woo Carolyn Y., Willard, G and Daellenbach, S (1992)</td>
<td>Sample of 51 spin-offs between 1975 and 1986.</td>
<td>Results found a relationship between refocusing and corporate performance, they suggest that the performance of spin-off units will improve after refocusing due to decreased agency costs and higher flexibility with regulators.</td>
</tr>
<tr>
<td>Cusatis, Miles and Woolridge (1993)</td>
<td>Sample consists of 815 spin-offs between 1965 and 1988 from 27 industries. 146 events were pure spin-offs.</td>
<td>The study examined market reactions to spin-off announcements and the performance of the parent. Results indicate that both the parent and the spun-off unit provide positive abnormal returns.</td>
</tr>
<tr>
<td>Kose and Ofek (1995)</td>
<td>Sample of 321 refocusing reported in Mergerstat Review worth at least $100 million between 1986-1988.</td>
<td>The results found that because of the assets sale, firm become more focused which lead to an improvement in performance.</td>
</tr>
<tr>
<td>Markides (1995)</td>
<td>sample of 200 firms selected from the Fortune 500 between 1981-1987.</td>
<td>Results found that corporate refocusing has a positive impact on corporate performance (ROA &amp; ROE).</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Sample or Methodology</td>
<td>Findings or Results</td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Bergh (1998)</td>
<td>Panel of 168 Fortune 500 firms between 1985-1990.</td>
<td>Results indicate that refocusing positive effect on performance (ROA) takes 2 years to be realized.</td>
</tr>
<tr>
<td>Mulherin and Boone (2000)</td>
<td>Sample of 370 refocusing show that, between 1990-1999.</td>
<td>Results found that corporate refocusing create value in terms of the average net-of-market return (3.04%). In this study the mean abnormal return is 4.51% for spin-offs, 2.27% for equity carve-outs, and 2.60 % for asset sales.</td>
</tr>
<tr>
<td>Stienemann (2003)</td>
<td>Simple of 199 voluntary refocusing between 1989 and 2002 by German firms that are listed on the German stock exchange.</td>
<td>The study found that corporate refocusing leads to positive abnormal rents.</td>
</tr>
<tr>
<td>Chen and Guo (2005)</td>
<td>Sample of 2674 refocusing transactions time period: 1985-1998, 19 industry groups (financial and utility sectors excluded)</td>
<td>Study finds that under-performing firms are refocusing units to gain operating; they are selling off assets to relax credit constraints. Refocusing parents having high revenue growth, high book-to-market Ratio.</td>
</tr>
<tr>
<td>Bartsch and Börner (2007)</td>
<td>An event study on 140 refocusing. (118 sell-offs, 19 carve-outs, 3 spin-offs); 45 strategic and 95 non-strategic refocusing, time period: January 1997-April 2003, event study</td>
<td>Results find that Strategic refocusing induces higher abnormal rents than non-strategic ones. Strategic Refocusing of businesses that are related to a firm's core business lead to positive Valuation effects.</td>
</tr>
</tbody>
</table>
The study aims to analyze the impact of refocusing on corporate performance. The findings indicate that: first, the implementation of refocusing can improve corporate performance; second, higher the diversified level is, the better the refocusing performance is; third, in general, “chain” refocusing has more positive impact on corporate performance than “point” refocusing; last, corporate governance and diversified level influence the result of refocusing.

Table 1 - Authors (2017)

An overwhelming number of corporate refocusing studies used a combination of these 15 indicators to show the effect of corporate refocusing on financial performance, each study used different indicators but all the studies used only one or two indicators measurement for the impact of corporate refocusing on financial performance.


In the same context Montgomery and Thomas (1988) found that strategic refocusing improves corporate performance, Markides (1992b) found that strategic refocusing improve corporate efficiency, Kose and Ofek (1995) found that because of the assets sale, firm become more focused which lead to an improvement in performance, Bergh (1998) found that strategic refocusing have a positive effect on return on investment.

Others used tow indicators, Hite and Owers (1983) found that corporate refocusing have a Positive abnormal returns and also an increase in Shareholder wealth, Hearth and Zaima (1984) found an increase in Capital Adequacy Ratio (CAR), Results also indicate an improvement in financial status and returns, Donaldson (1990) found that corporate refocusing increase Return on equity and lead to an excess return, Woo Carolyn Y. Willard, G and Daellenbach S (1992) found that corporate refocusing improve the performance and the corporate flexibility.

Markides (1995) also found that corporate refocusing has a positive impact on return on investment and return on equity, Mulherin and Boone (2000) found that corporate refocusing create
value in terms of the average net-of-market return and abnormal return, Byerly, Lamont, and Keasler (2003) found that corporate refocusing improve performance and also have a positive market response, Chen and Guo (2005) found that Refocusing parents having high revenue growth, high book-to-market Ratio, Bartsch and Börner (2007) found that Strategic refocusing induces higher abnormal rents and lead to positive Valuation effects.

4. Conclusion and Suggestions:

In this paper we provided more contribution to the theoretical understanding of corporate refocusing by identifying the causes and types of corporate refocusing and financial performance indicators from a strategic and financial approach. We provided more evidence about the impact of refocusing on corporate financial performance.

The paper concludes that poor Performance represents one of the most causes of corporate refocusing. Most studies on corporate refocusing have found that poor performance is a major factor preceding the refocusing decision. Poor performance represents a strong motive for corporate refocusing, so firms can divest strategic business unit which experiencing a poor performance and keep the strategic business units with high performance, refocusing is a strategic solution when performance is poor. Corporations could refocus its businesses by Sell-off, Spin-off Split-off, Split-up, Equity carve-out.

Corporate financial performance is measured by a variety of factors, but in corporate refocusing we can take into account only indicators that used to be used in corporate refocusing and financial performance studies, we provided 20 studies on corporate refocusing that showed improvements in 15 financial indicators; abnormal returns, Shareholder wealth, financial status, excess returns, The market response, return on assets (ROE), returns to shareholders, value creation, agency costs, improvement in the operating performance, return on assets and return on equity (ROA & ROE), net-of-market return, book-to-market Ratio, revenue growth, Valuation effects.

The results of this study support empirical studies conducted in the past. Thus, corporate refocusing positively affects financial performance, which proves to be a direct link between corporate refocusing and financial performance improvement. Future research should focus more on corporate refocusing and non-financial performance, and corporate refocusing programme.

References:


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TRENDS OF FOREIGN HERITAGE VISITORS, CONTRIBUTION TOWARDS MACRO-ECONOMIC INDICATORS AND KEY ISSUES: A CASE STUDY OF PAKISTAN TOURISM INDUSTRY

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Abstract

The purpose of this investigation is to study the trend of foreign heritage visitors in Pakistan, the total contribution of travel and tourism industry towards GDP and employment in the country and to highlight the important issues and challenges faced by tourism industry of Pakistan. Results of the study reveal that the number of foreign heritage tourists in Pakistan is falling from the year 2007 to 2016 and the total contribution of travel and tourism to GDP is not only below the world average but also far behind the average of South Asia. Moreover, research also indicates that contribution towards employment is better than the world average but it is also far behind from the average of South Asian region. The lack of tourism infrastructure, low skilled and untrained labor force available to the tourist industry, inadequate budgetary funding and lack of focused promotional policies are the major issues.

Keywords: Tourism, Pakistan, Foreign Heritage Visitors, GDP, Employment, Infrastructure, Labor Force, Funding

Introduction

Tourism, a multidimensional commercial activity, was developed to be a multi trillion $ industry worldwide. Its significance to country’s economic, services, and employment generation performance is indispensably accepted across the world (Baloch, 2008).

Pakistan after its independence from British India regarded as a modern state on 14 august 1947. All four provinces of Pakistan are gifted with heritage and tradition and one of the fertile and exceptional group of royal and rocky peaks, lush fields, deserts, rivers, ponds, seashores and landscapes enriched with enjoyable and hospitable human beings for that reason making it a blissful vacation spot for tourists with extraordinary tastes. Pakistan is termed as the Switzerland of Asia. The ancient and archaeological sites of the Mohenjo-Daro and Gandhara, Indus Valley civilizations, Taxila the Mughal Empire are the instances of ancient cultures in Pakistan. This multicultural nature of Pakistan contributes to the tourism industry in the manner that it offers numerous traditions, customs and gala's for the travelers to discover and revel in. Heritage Tourism Pakistan is a home to the maximum tremendous antique metropolises of the world comprising the Indus and Gandhara civilization, Taxila, Moenjodaro and Harrppa, museums, Mughal
historical past and the silk course, Badshahi Masjid, Shalimar Gardens, Tomb of Jahangir and the Lahore castle and the first-rate historical past of Mughals in Punjab (Fakhar, 2008).
Like in most developing nations of the world tourism in many Asian countries is taken as an influential means of attracting foreign exchange and gives a boost to economy. It brings investment, generates jobs, encourages sales like handicrafts etc. Pakistan being a developing country is rich in both natural as well as historic beauty and has a great likelihood of prosperous economy. Tourism would be of great help to the economic infrastructure due to influx of foreign societies and balance of trade. It can even advantage backward regions in Pakistan. According to latest United Nation Development Program (UNDP) report tourism area as one of the fastest developing segment in the world, but, unfortunately Pakistan is not aware of it (Burdey, 2017).

The goal of this study is to examine the trend of foreign heritage tourists in Pakistan, the total contribution of travel and tourism industry towards GDP and employment in the country and to highlight the fundamental problems and challenges faced by tourism industry of Pakistan.

**Literature Review**

International tourism is one of the key contributors in the development of several economies. Tourism sector is labor-intensive and in various countries, it acts as an instrument of development through tourism income and generating employments in this area and associated other areas. The part of international tourism is also vital in encouraging world harmony by providing an incentive for peacekeeping and building a link between nations. One of the key factors of tourism growth is peace and safety in the destination country. Rule of law and socio-economic righteousness that is creation of political economy in the host nation guarantees safety and appeals remote tourists which consequences in development of economic activities and further tourism. After the 9/11 incident, Pakistan decided to join the battle against terrorism. The country hurt a huge humanitarian and financial damage due to fight against extremism. One of the areas affected by terrorism is tourism. The condition of tourism in Pakistan is not consequently worthy. Its contribution in economic development is not as it is supposed to be (Rasheed, 2016).

Tourists deliver a noteworthy share of the basic financing for developing nations. Pivotal relationship amongst tourism and financial growth differs from country to country, but majority of the previous studies support the long-term paybacks of tourism towards economic progress. Tourism is a vital piece of an economy and is considered very crucial for both social and economic improvement. It generates employment, commercial development, and fiscal progress, per capita income and standard of living becomes upgraded (Qurat-ul-Ain Ahmed, 2017).

The period of tourism in Pakistan has arisen formally after being registered in September 1949 as a participant of (UNWTO) United Nations World Tourism Organization. International Union of Official Tourism Organization (IUOTO), called later and presently recognized as World Tourism Organization (WTO). Primarily the railway division of Pakistan was handed over the responsibility of managing tourism matter. In 1956 it was reassigned to communications and transport division of Pakistan. In 1959 under the ministry of communications a cell or unit was created and termed as Bureau of Tourism; it was then reassigned to the ministry of commerce which originates to working in June 1960. In the year 1964 the tourism bureau came under the control of civil aviation and tourism. In March 1970, Government set up Pakistan Tourism Development Corporation (PTDC), and then all the main role of tourism bureau
were moved to PTDC. In 1977 once again it was reassigned to the ministry of Culture, Sport, Tourism and Archeology. Varying its management from division to division, it again was moved to the Ministry of Culture, Sport, Tourism and youth affairs in 1996. This frequent transfer drawn tourism into calamity of governance and that had heavy hostile effect in effectiveness and efficiency of tourism business. Currently, Pakistan has the following big companies /institutes for dealing the matters of tourism and hospitality business; Pakistan Tourism Development Corporation (PTDC), Sindh Tourism Development Corporation (STDC), Khyber Pakhtunkhwa (Sarhad Tourism Corporation, STC), Tourism Development Corporation Punjab (TDCP), Pakistan Institute of Tourism and Hotel Management (PITHM), Institute of Tourism and Hotel Management (ITHM), Hazara University, Department of Tourism and Hospitality, and College of Tourism and Hotel Management (COTHM) (Burdey, 2017).

Travel and tourism has great relationship with other industries in the national economy making major indirect earns and also improves foreign investment, opportunities of trade, investments in private, local development, and public infrastructure. Pakistan has rich potential of tourism due to its rich culture, geographical and biological variety, and antiquity (Muhammad Irshad Arshad, 2017).

**Research Objectives**

The research is conducted while keeping in mind the following objectives:

1. To analyze the trend of foreign heritage visitors in Pakistan
2. To highlight the contribution of travel and tourism industry towards GDP of the country.
3. To reveal the contribution of travel and tourism industry towards employment in the country.
4. To discuss the key issues and challenges faced by tourism industry of Pakistan.

**Research Methodology**

To assess the trend being followed by the foreign heritage visitors in Pakistan and the total contribution of travel and tourism industry towards GDP and employment in the country, statistical data from published by authentic sources is utilized and in order to uncover the issues and challenges faced by Pakistan tourism industry, theoretical secondary data is used.

**Limitations**

Following major limitations are faced during the course of research:

1. Available literature on the topic is very limited
2. Statistical data utilized to reach the research objective is also just of 10 years.
3. Unavailability of most recent facts and figures.

**The Facts and Figures of Pakistan Tourism Industry**

*Table 1: Trend of foreign heritage visitors in Pakistan*

<table>
<thead>
<tr>
<th>Years</th>
<th>Foreign heritage visitors in Pakistan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>32894</td>
</tr>
<tr>
<td>2008</td>
<td>11334</td>
</tr>
<tr>
<td>2009</td>
<td>7030</td>
</tr>
<tr>
<td>2010</td>
<td>7964</td>
</tr>
<tr>
<td>2011</td>
<td>8355</td>
</tr>
</tbody>
</table>
Areas Included:

**Punjab**
- Jahangir Tomb, Lahore
- Shalamar Garden, Lahore
- Royal Fort (Shahi Qila), Lahore
- Hiran Minar & Tank, District Sheikhupura
- Harappa, District Sahiwal
- Taxila, District Rawalpindi

**Sindh**
- Bhamore, District Thatta
- Makli Hill Monument, District Thatta
- Moenjodaro, District Larkana
- Umarkot Fort, District Tharparker

**KPK**
- Remains of Takht-e-Bhai, District Mardan (a)
- Bukara Site Museum, Saida Sharif
- Swat
Julian Site Haripur

It is quite obvious from the data that the number of foreign heritage visitors in Pakistan is declining from 2007 to 2016. Trend line is making the scenario even clearer.

*Table-2: Country Rankings: Absolute Contribution, 2016*

<table>
<thead>
<tr>
<th>Travel &amp; Tourism's Total Contribution to GDP</th>
<th>2016 (US$bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1000.7</td>
</tr>
<tr>
<td>India</td>
<td>208.9</td>
</tr>
<tr>
<td>Thailand</td>
<td>82.5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>57.9</td>
</tr>
<tr>
<td>World Average</td>
<td>57.3</td>
</tr>
<tr>
<td>South Asia Average</td>
<td>42.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>40.4</td>
</tr>
<tr>
<td><strong>Pakistan</strong></td>
<td><strong>19.4</strong></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>10.6</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>9.7</td>
</tr>
<tr>
<td>Myanmar</td>
<td>4.6</td>
</tr>
<tr>
<td>Nepal</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Source: World Travel & Tourism Council

It is clear from the table-2 that the total contribution of travel and tourism to GDP is not only below the world average but also far behind the average of South Asia.

*Table-3: Country Rankings: Absolute Contribution, 2016*

<table>
<thead>
<tr>
<th>Travel &amp; Tourism's Total Contribution to Employment</th>
<th>2016 ‘000 Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>69527.7</td>
</tr>
<tr>
<td>India</td>
<td>40343.0</td>
</tr>
<tr>
<td>South Asia Average</td>
<td>7999.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>6708.6</td>
</tr>
<tr>
<td>Thailand</td>
<td>5739.0</td>
</tr>
<tr>
<td><strong>Pakistan</strong></td>
<td><strong>3550.4</strong></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2186.9</td>
</tr>
<tr>
<td>World Average</td>
<td>2152.9</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1700.7</td>
</tr>
<tr>
<td>Myanmar</td>
<td>1662.2</td>
</tr>
<tr>
<td>Nepal</td>
<td>945.0</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>894.5</td>
</tr>
</tbody>
</table>

Source: World Travel & Tourism Council

The position of Pakistan’s Tourism Industry in terms of total contribution to employment is better than the world average; however, it is far behind the average of South Asian region.
Despite being full of worthy places for tourism, this situation makes it clear that the opportunities in the industry are largely unexploited. Proper consideration can bring fruitful results in various dimensions for Pakistan.

**Main Issues and Challenges Faced by Tourism Sector of Pakistan**

**Nonexistence of a Tourism Managing Unit at the National Level:**

With the elimination of the National Ministry of Tourism as a result of the 18 amendment in the Constitution of Pakistan there is no body in the Federal Government, which could take charge of looking after tourism matters on a National level. There are many tourism-related interventions which are not province specific and which require to be dealt with at the Federal level; such as building the Nation's image, solving trouble in issuance of the Pakistani visa, dealing with complete safety circumstances, guarantee of quality and service standard in the Tourism Part etc. Lack of a body at the National level has created an emptiness and incapability to deal with tourism related problems at national level.

**Little Importance to Tourism Segment:**

Pakistan is blessed with full of worth seeing places which attract people of the entire world. Not too much cost is needed to make these places economically valuable. Only little consideration can make the places quite productive and beneficial for the entire economy, but in spite of the very obvious significance of the Tourism Segment for Pakistan, the area has not got its due consideration from either the National or Regional Administrations.

**Safety and Security of Tourists:**

Though safety and security issues have a negative influence on other sectors of the economy as well but tourism industry is one of the major victims of the issues. People across the world before opting any country for tourism consider multiple factors, safety and security is given significant importance among them. Therefore, a poor peace and safety condition in the country is the principal challenge to encouraging tourism in Pakistan. Moreover, due to ambiguous safety and unstable geopolitical state of affairs, tourists do not simply get Pakistani visas. The problem becomes even further severe when entrance into Pakistan is from India; which confines thousands of tourists from coming to Pakistan.

**Absence of Private Division Investment in the Tourism Area:**

Expansion of tourism infrastructure requires huge resources; the facility of which is problematic for the Administration. One useful selection to deal with this matter is to mobilize the private sector funds into great expansion plans of public decent. For this to occur, a controlling agenda is obligatory, which can outline the roles and accountabilities of the two associates from public and private divisions. Currently, there is no such plan to appeal private division investment in tourism.

**Absence of Appropriate Promotion and Marketing:**

In spite of being blessed with much appreciated tourist magnetisms, Pakistan has not been prosperous in rising itself into a prevalent tourist location in the world. One of the important causes for this has been the incapability to take an organized methodology for promotion and marketing; a disappointment in the art of demonstration of our tourism to the world. There have been very minor activities carried out in this esteem on native and/or international media. During the previous six decades, Pakistan has not been effective in emerging as a brand of its Tourism magnetisms. Pakistan has very rich natural, historic, archeological, traditional resources; which can very simply and rapidly make a brand for Pakistan.
Tourism. Many nations have effectively branded their tourism charms and one of the finest case is Incredible India a brand formed by Indian tourism specialists.

**Bad Image as a Tourism Destination:**

Pakistan's image in the world is bad due to the presence of safety concerns in the country. The law and order problems do exist in certain regions of Pakistan; nevertheless, the actuality is much well than the perception in the local and global media. Travel advisory reports are developed by the diplomats who depend merely on the media and have no experience to ground actualities. This undesirable image becomes a strong hurdle for the worldwide tourists to travel to Pakistan and also disappoints the local tourists for travelling.

**Inadequate Usage of IT for Tourism Marketing:**

PTDC, TDCP, TCKP and other Provincial tourism promotion establishments, through their websites, have guaranteed their presence on the internet. But, none of these websites encounter the requirements of tourists. There are no conveniences for receiving online info on room accessibility or for online reservations of hotels, conveyance facilities, tourist guides, etc. Maximum of these sites are developed in a repetitive style and are of little usage to the tourists. There is a necessity to offer a comprehensive one-stop solution for the tourists. Following a stereotype style confines the potential of information technology as an instrument for tourism promotion.

**Ineffective Involvement in Worldwide Tourism Fairs and Festival:**

A vital method for promoting Tourism is involvement in global fairs. PTDC has been participating in global fairs; but, this involvement has not led to the preferred outcomes. Pakistan's participation in the international fairs has not been very proactive. A small stall gives Pakistan an unimportant existence in a fair; compared to the presence of other nations. Adding to this is the reality that the individuals included in the delegation are generally not appropriate.

**Dilapidated Tourism Infrastructure:**

Due to a recent history of natural calamities, the Tourism Sector in many regions particularly hilly areas has suffered major damages, including physical damages to constructions and equipment and lost companies. This in turn has taken its toll on accessibility of tourist facilities in the country. Destruction caused to access roads, erratic supply of energy, poor hygiene at tourist spots, and absence of appropriate solid waste management has ruined the condition. Throughout the previous two decades, very little has been done for emerging new tourist places in the Country. Deficiency of growth of new tourist locations is mainly appropriate for local tourism as they are interested in going to new places. There is no appropriate planning for the improvement of tourist places. Unintended development in and around tourist locations is destructive to the natural atmosphere.

**Tourism Employees Improvement:**

There is severe absence of an integrated method for ensuring the supply of competent human resource for the Tourism Sector of Pakistan. There are no degree courses on tourism and hotel administration offered by large universities of the country. A few private institutions and universities offer B.A. and M.A. level courses but their general standard is very low (Rana, 2015).

**Conclusion and Recommendation**

Due to the inconsideration of government and other players of the tourism sector, despite being full of
attractive and eye-catching natural and historical places, Pakistan is unable to place itself at the position which it actually deserves. With the passage of time, the number of foreign heritage visitors in Pakistan is declining at a rapid rate. The total contribution of travel and tourism to GDP is also not only below the world average but also far behind the average of South Asia. Moreover, contribution towards employment is better than the world average but it is also far behind from the average of South Asian region. This alarming situation is not being addressed by the concerned authorities.

Pakistan has not yet reveal its actual power of tourism segment to the world. The lack of tourism infrastructure particularly includes under developed roads, poor railway lines, and energy load shedding, poor banking facilities such as inadequate ATM machines, limited acceptance of credit and visa cards at main tourist resorts. With respect to human assets Pakistan has a very low skilled and untaught work force available to the tourist industry. From government perspective insufficient budgetary funding and absence of focused marketing plans are the basic flaws.

By dealing with these particular issues Pakistan can attract the attention of foreign tourists towards it which will not merely boost the economy of Pakistan but will also create a desirable image of the country throughout the world.

References


Abstract
Globalization created new opportunities and many companies decide to expand to take advantage of these opportunities to improve their competitiveness. The present study, using a case study methodology, examines the expansion of three large companies (IKEA, Coca Cola and Kellogg's) in emerging markets. Through a critical literature review and review of corporate reports, it critically analyzes their undertaken strategies and practices, influential factors and risks when expanding abroad, providing the rationale behind their strategic choices. The study findings, applying theory into practice, indicate which factors and practices are important to be considered by companies operating in a foreign environment in order to address business risks, and concludes that in order to be successful they have to incorporate into their strategy effective risk management policies to mitigate risks and turn challenges into opportunities. The study bridges risk management and strategy development.

Keywords: strategy, expansion, emerging markets, risk, challenge

1. Introduction
Globalization has greatly affected the interaction between economies; it has reduced the economic barriers for enterprises and it has encouraged the operation of multinational companies. As multinational companies are the companies with the greatest potential, many companies, including SMEs, are looking to internationalize their activities in order to become viable in the global environment. However, internationalization is a complex and risky decision for firms, which undertake greater risks, as they operate in a more uncertain environment.

Strategy development in foreign markets has been an interesting research topic since the rise of globalization. When an organization plans to enter a foreign market, there are a variety of decisions to be made, such as the entry mode (Sarkar & Cavusgil, 1996; Hill, 2007). An organization planning to function globally faces issues, such as: marketing, sourcing, investment and control (Johnson et al., 2005). Most researchers consider mode of control (Hill et al., 1990) resource commitment requirements (Vernon, 1983) to be the most important decisions that a company has to make when entering a new market. This study will also examine other factors, related to the features of the country, which should also be taken into consideration, as they can affect the company’s market share in the new market. These factors are not adequately examined, using case study methodology, so the current study contributes to the presentation of their recognition by specific companies.
The aim of a company’s decision to enter a new market is to increase its profit on sales, to find new resources, new markets, build new strategic capabilities (Dunning, 1993). The development of new markets is thought to be the most important reason for internationalization (Floyd, 1996; Mayer, 1995; Ruzzier et al., 2006; Ramamurti, 2012). But there are a great number of complex decisions that need to be made in order for the internationalization to be successful, such as market selection, market entry, strategy formulation and implementation. Moreover, an entry strategy is essential for each product and each market the organization plans to enter (Root, 1994). Businesses operating in several countries face a number of challenges. As globalization is a complex and risky decision for a company, the study will examine the risks and opportunities and the practices followed by companies, so as to enable them to internationalize successfully, focusing on emerging economies. As most global companies come from developed countries, the study will focus on them.

When a company decides to enter a new market, it has to consider its main strengths and weaknesses, but it should also evaluate the opportunities and threats of the external environment (Prahalad & Hamel, 1990). In order to examine the opportunities and risks of a new market, managers may use market growth and other ratios referring to the market (Kumar et al., 2004) but also factors affecting its adaptation costs, such as cultural aspects (Wood & Robertson, 2000). Many companies decide to enter markets with great potentials as shown in quantitative factors, such as the Chinese and the Indian market which have a great size and very high market growth, but fail to capture more qualitative aspects, such as cultural differences. This may have a great negative impact on their market entry. The current study examines three cases where companies entered the Chinese and the Indian market, without being fully aware of the market’s environment, so, they had to reexamine their practices.

1.1 Research aim and objectives
The aim of this study is to explore how companies from developed countries are managing opportunities and risks as they enter emerging markets and also to explore the practices they use to become successful (in terms of market share and profitability) in the new environment. So, the study examines the practices of companies operating in emerging economies and the way they manage their risks.

1.2 Research questions
Based on the above scope and objectives, the main research questions required to be answered in this study are the following:

Research question 1: What practices are followed by the selected companies to become active in emerging markets?

Research Question 2: How do the selected companies manage the risks of entering an emerging economy?

Research question 3: Which are the factors that should be taken into consideration when entering an
Research question 4: What are the risks and challenges companies deal with when entering emerging markets? How globalization and the characteristics of the markets increase or minimize these risks and challenges?

1.3 Methodology of the study
The methodology used in this study is case study. This methodology is appropriate, since only a small number of companies are examined for their practices when entering an emerging market. Case study methodology is widely used in social sciences (Yin, 2003), as it offers a detailed examination of a small number of subjects. It was chosen, because it can offer a deep insight in complex cases (Vissak, 2010). Moreover, it has the advantage to analyze the historical background and the socio-cultural context of a particular case (Stake, 2000). Data analysis is qualitative because it helps the understanding of the background of the examined cases (Richie & Lewis, 2003), setting them in their natural environment so as to interpret their actions (Denzin & Lincoln, 2000). The three companies selected are Coca Cola, IKEA and Kellogg’s as they have globally known brand names, they come from developed countries and they represent different sectors, so they can offer an insight in the practices used by different sectors, thus comprising an indicative sample. The examined variables for the three selected cases are their market share and business performance are examined in order to find out the way they were affected by the practices used for entering the market.

2. Literature Review
2.1 Going abroad: issues to be considered
Global industries consist of companies whose competitive position in a national market is affected by the competitive position they have in other national markets, so they have to formulate a global strategy (Ghoshal, 1987; Prahalad & Bhattacharyya, 2011) which differs from the corporate – level strategy, business – level strategy and strategic business – strategy. A global strategy is a corporate level strategy because it refers to the overall direction of the company, such as geographical coverage, diversity of products and decisions about the way resources are allocated between business units (Johnson et al., 2005). A global strategy is risky and complex even for the largest companies in the world. So, it is critical for companies to adopt a strategy that treats decentralization and centralization as complements. (Prahalad & Bhattacharyya, 2011).

Analysis of the environment market selection and market entry are important factors to be considered before any decision be made regarding development of a strategy for expanding abroad. The impact of globalization, has increased interdependence between economies (Hamel & Prahalad, 1986) and global organizations have to deal with domestic forces of host countries they operate in (Ball et al., 2004). The organization needs to precede environmental audit in order to evaluate the external environment and its competitive features, to select, to select the specific market deciding if can either :(1) penetrate in the
existing market, (2) develop new products for the existing market, (3) develop new markets for the existing products, or (4) diversify in new markets with new products. (Johnson et al., 2008) and to find out which is the best way to enter the market (Johnson et al., 2008).

2.2 The practices and strategies for entering emerging markets and their effectiveness

Top management of western multinational corporations are aware that globalization is the most critical challenge they have to face, so they have to develop international strategies (Khanna et al., 2005). More specifically, emerging countries show challenges and opportunities for global companies, as they include a large number of potential customers and only a few competitors, so they offer great opportunities for profits (Prahalad, 2006). But, these markets are more uncertain (Khanna et al, 2005). So, when a company identifies opportunities in an emerging market, it has to make sure it has the necessary capabilities to take advantage of them (Johansen, 2014).

The financial crisis of 2007 increased economic uncertainty and led many companies to review their strategies, so as to have a longer-term focus, which serves all of a firm’s stakeholders rather than just shareholders. (Witcher & Chaw, 2012). Deloitte (2014) conducted a survey for the prospects of globalization. The main practices proposed for expanding in an emerging market are the following:

- Engagement with local communities for recruitment and collaboration with locals. There are talents in these markets that can be significant resources for the company

- External partnerships are crucial for achieving innovation. These partnerships can share their know-how for the production of the products and also for the prevailing conditions in the market.

- The companies should have in mind social impact issues, concerning worker rights, improving the local community and local infrastructure and environment.

- Social business tools, such as collaboration with customers and real time information, are very useful in emerging markets. These tools can be obtained through the social media.

- Greater protectionism in policies followed in emerging markets is more intense, so this has to be taken into consideration.

- There are more supply chain challenges, as it more difficult to access supply chain capabilities in emerging markets.

- Global issues have to be addressed with local solutions. This practice can be implemented with local market research, customized strategies, joint ventures with local companies, partnership with government, local R&D, employment of local vendors and talents, design of products suitable for local customers and transfer of managers from the headquarters at the host country.

Companies in developed countries are used to having infrastructure available for the execution of their business models in their home markets, but infrastructure is usually underdeveloped in emerging markets.
Moreover, in emerging countries companies can’t find market research companies to get information for the market it considers entering. There is also lack of logistics providers and human resources firms to screen large numbers of candidates. Because of all those institutional deficiencies, multinational companies perform poorly in developing countries. This is the reason why many CEOs are avoid emerging markets and prefer to invest in developed countries. (Khanna et al., 2005). So, companies can achieve success in an emerging market if they fit to their environments, if their top managers take rapid decision and are capable of gaining knowledge on the new market and of building the necessary capabilities to manage the risks and the opportunities of the emerging markets.

This process should include a thorough understanding of each market infrastructures. Multinational organizations take into consideration either the macro factors (openness and sociopolitical environment) or market factors, but only a few of them examine both. Referring to political and social factors, every country’s political system has an impact on its market, while the country’s social environment is significant as well. The relationships between ethnic, regional, and linguistic groups a market may also affect the market entry decision. Referring to openness, economies need to be open in order for companies to enter, because they welcome direct investment. The two macro contexts determine the market contexts. Accordingly, market analysis includes product markets (as companies try to get reliable information about consumers), labor markets (multinational companies have difficulties recruiting skilled personnel, as the quality of human resources is difficult to ascertain), capital markets (financial markets in developing countries lack of sophistication and reliability) (Khanna et al., 2005).

Emerging markets are now viewed as sources of new consumer demand, and not just low-cost production hubs. Moreover, emerging markets are getting more familiar, as nearly half of the companies have been operating in emerging markets for at least a decade, while and two-thirds have been operating there for at least six years. In order to enter successfully an emerging market, companies look for partnerships and alliances with local companies because of the need for local knowledge and contacts.

Deloitte Consulting (2011) conducted a survey of 628 executives to examine revenue opportunities in emerging markets. The results showed that success in emerging markets did not come from establishing a sales office for their existing products, but the companies had to understand the preferences of customers in each market and design a strategy to meet their needs at appropriate prices. The research identifies three features of successful growth strategies. The first one refers to locality. The second is organic growth for expanding in emerging markets followed by joint ventures with local companies. The third important key for success is adapting to the market. Companies have to customize their offerings to local customers’ needs, by designing products specifically for the local emerging market and offering a different value proposition. So, the results of the survey show that successful strategies include local operations, organic growth and adapting to the market. (Deloitte, 2011). These results are in accordance with Taneja et al., (2012) and Deloitte (2014).

Boston Consulting Group (2013) conducted a survey in more than 150 top executives in order to understand their priorities and their performance in emerging markets. The results showed that the success factors are the following: top management support, local talents, market knowledge, and a broad
range of capabilities. The survey concludes with a checklist, which can guide companies to enter an emerging market. According to this, the companies should: 1) Identify opportunities, set priorities and specific targets. 2) Identify their strengths and weaknesses, 3) Develop and test their business model, in order to identify changes that need to be made, 4) Develop relationships with stakeholders and analyze the local environment for potential mergers and acquisitions, joint ventures and other types of market entry, 5) Assess and evaluate their workforce, set training programs and find potential rising stars in the emerging markets, 6) Set emerging market issues on agenda of top management, hold meetings with stakeholders, locate managers in the emerging markets, create incentives for the success in emerging markets and make sure that the managers have the skills for adaptation, forecasting and best-practice sharing.

2.3 Managing risks and global strategies

A global strategy requires adaptation of the company’s risk practices, as environmental uncertainty rises. Most companies focus on risks before they enter the market, but they tent to underestimate the risks that come after the entry, a fact that leads to the underestimation of new threats that were not present at the time of the entry, so business leaders must constantly re-adjust their risk management strategy (PwC, 2012).

Lassar et al. (2010) support that a company’s risk management strategy consists of three factors, the resources it uses, network systems and performance criteria. Ernst & Young (2007) undertook a survey for risk management in emerging markets. The findings suggest that two thirds of developed and emerging market companies aim at growing and taking advantage of the market potential of the country itself and so, emerging markets are still dynamic. Referring to risk management, companies in developed markets put emphasis on political, operational and supply chain risk, while companies in emerging markets focus on market and competitive risk, currency, workforce, pricing and tax risk. Moreover, companies in emerging markets emphasize on market and currency risk. About their risk management approach, there are some common practices that take place, but no clear framework, so there is overall room for improvement. The practices followed that have to be improved are the following: a deeper understanding of the market, the consideration of local expertise, partnerships, understanding local laws and culture, communication, flexibility to the changing conditions of the environment, and long-term thinking.

Many researchers examine the relation between internationalization strategy and risk. Anil and Cakir (2010) suggest that when companies know better the similarities between the business styles and the local culture of the host country, they choose joint ventures. Moreover, uncertainty can affect the selection of the entry mode. Whollyowned Subsidiaries are preferred when uncertainty makes contracts ineffective and leads the partners to delays (Brouthers & Hennart, 2007). Another aspect is the company’s previous experiences in the host country or internationalization, as companies with significant international experiences would prefer wholly owned subsidiaries because they are less in need of local partners (Dikova & Wittelloostuijn, 2007). Meyer et. al., (2009) note that firms which enter emerging markets prefer to use joint venture when the institutional conditions are weak. Accordingly, when the institutional environment is stronger, they prefer acquisition strategy. Several researchers (Wright et al., 2005; Meyer & Peng, 2005; Brouthers & Hennart, 2007) note that there are many factors that affect companies’
decisions, especially in the emerging markets, so it is difficult to explain the strategies of international companies with the use of only one theory. Dunning’s Eclectic Approach can be useful, as it covers many theories (Brouthers & Hennart, 2007).

Development of a strategy for entering an emerging market and risk management should be interrelated. Companies have to set a coherent strategy related to the external environment, in order to exploit its opportunities, but the riskier the strategy the more it should focus on risk management. Accordingly, they have to design an effective risk management framework that fits the strategy. The strategy and risk management framework need to be constantly adapted to fit the changes, while more resources have to be invested in their function (Olsson, 2002). Global activities can cause many benefits to organizations, but it can also expose them to a number of risks. Martin et al. (2011), find that most companies do not have a structured risk management system, but instead they use a number of informal approaches to cope with risk. So, there should be a multidisciplinary approach when dealing with global sourcing risks. In that case, risks are divided in four categories: supply risk, process and control risks, environmental and sustainability risks, and demand risks.

3. Research design

3.1 Case study methodology
Case studies are a qualitative research method, whose main feature is the fact that it only considers one or a few cases in the real environment. Specifically, Dul and Hak (2008) define case study as the study of (a) one case or event or (b) a small number of cases, in actual conditions, which are selected and analyzed in a qualitative way. A case study can describe, explain or explore the theory studied (Iacono et al., 2011). A case study focuses on one occasion, but also takes into account the context in which it takes place, thus, including many variables (Johansson 2003). This methodology was chosen because it allows in-depth study of a single object rather than a crowded sample. It enables the researcher to consider the parameters that are studied and receive detailed descriptions of those directly involved. However, there are limitations of the methodology of study cases, such as the fact that the findings cannot easily be generalized (Dul & Hak, 2008). The study examines three large indicative companies, so as to be able to apply in any developing country. However, the current study is based on the subjective analysis of the researcher.

3.2 Sample selection
The analysis will include three cases, which are Coca Cola, IKEA and Kellogg’s. These three companies are world-widely known multinationals and they are leaders in their industries, thus they can be considered successful, in terms of reputation and profitability. Moreover, they all are consumer product companies, they all are multinationals with big size. Coca Cola is the best-known brand in the world and is present in most countries, being the leader of non-alcohol beverages and representing a specific way of life. IKEA is the largest furniture retailer worldwide, which became well-known for its philosophy and strategy. Kellogg’s is a famous breakfast cereal company, with a successful presence in many countries of
the world. All three of them, however, faced problems when they entered emerging markets, and they managed to overcome the obstacle and finally succeed.

4. Presentation of the cases

4.1 IKEA

The main challenge the company faced in its global strategy was its entry to the market of China in 1998. According to Treadgold (1991), global retailers, including IKEA tend to have low local responsiveness and adaptation. IKEA has the principle to operate similarly and have the same image in all countries. This choice helps the company to keep the price low and its products affordable for as many people as possible. Its marketing strategy comprises of the following parts (Burt et al., 2008):

- The most important part of the company’s marketing strategy is the product, along with the price, which is generally expected to be the same or only slightly altered, everywhere. The prices are required to be low in comparison to the competition, so the consumers can enjoy high value at low price.

- The location of IKEA stores is on the outskirts of large cities so as to be easy to park, as most consumers use the car for their transportation. Stores are also standardized and only vary in size, as they come in three different sizes. In the stores, the environment has to look the same, referring to layout and design, display and colors, same departments, same service level and so forth, so that it offers the same shopping experience. However, there are adjustments in the stores in the room-settings, which have to fit the local housing and living conditions. For example, in some countries there are smaller rooms. IKEA relates the low prices with the level of service, so it offers low prices, but the customer has to pick things up, carry them and assemble by himself.

IKEA's promotion has the catalogue in its core, a means that is unusual for a retailer. This is the most important marketing tool the company uses, and it absorbs nearly 70% of the annual marketing budget.

4.2 Kellogg’s

Kellogg’s is a multinational food production company, one of the best known global brands and the world’s leader in cereals. Its breakfast cereals are being sold in 160 countries. But, despite its worldwide success, Kellogg’s faced problems when entered the Indian market. On its initial entry, Kellogg’s kept the same marketing mix that it used in other markets, with minor changes. When the company entered the Indian market in 1994, it attempted to change the Indian cereal market by altering the breakfast habits of Indian consumers. Indians were used to hot breakfast choices. Moreover, the consumers’ habits changed from region to region. Kellogg’s desired to persuade the consumers to instantly switch from their traditional habits to healthier breakfast cereals (Taneja, 2012). This aggressive practice affected in a negative way the consumers. So, Kellogg’s had to find a new strategy for India.

More than a decade after its first entry to the Indian market, Kellogg India started exploring new formats of cereal consumption, category segmentation and localization too beat its competitors in the cereal market which is slowly rising. Kellogg India also relaunches muesli brand Extra and plans capacity
expansion at its Taloja plant (Bhushan, 2008). In 2012, Kellogg India tried to localize its portfolio and started rolling out variants like pudina, tomato and garam masala for its oats range (Bhushan, 2012). The opportunities are still huge in cereal and overall breakfast segment in India, because penetration is still very low. The company created a new market in India and in the last 5-7 it invested in building a large portfolio of innovative products made to fit the Indian taste and needs. This is still the company’s biggest challenge, although now it has more competitors to beat (Anand, 2014).

4.3 Coca Cola

Coca-Cola is the leader of the beverage market worldwide. Although the company had entered most of the countries of the world, it met significant difficulties, when it entered the Indian market (Forbes, 2015). The company initially entered the Indian market during the 1970s, but it was forced to exit by the Government. So, Coca Cola re-entered the Indian market in the 1993 after the political environment was more advantageous and liberalized the market. But, the company failed for many years to realize profits due to its aggressive strategies, such as promotion and pricing in its attempt to beat the competition (Taneja et al., 2012). Coca Cola also suffered because of the pesticides controversy which happened in 2003 and greatly affected its sales and its brand image in India (Mukherjee, 2008).

So, although Coca Cola is one of the largest companies in the world and a global leader, it faced problems with its strategy, when entering an emerging market. The main threat came from the political and cultural environment, as its practices were considered to be very aggressive. Its multinational ‘ego’ let Coca Cola use practices designed in the headquarters and not in India. But Coca Cola has the opportunity to increase its market share in India, by promoting its iconic brand Coca Cola, as since now it’s a local product ‘Thums Ups’ that gives the company the leadership on the market (Jaganathan, 2013).

5. Analysis of the cases

5.1 IKEA’s strategy

IKEA’s strategy when it started to expand in Scandinavian and other European countries did not focus on local tastes and preferences in each country, so, only necessary changes were made by the company, so as to keep costs low. IKEA's internationalization was successful in Europe, despite the low responsiveness to local needs. Wholly Owned Subsidiaries were chosen because IKEA was not in need of local partners (Dikova & Wittelloostuijn, 2007). But when the company decided to enter other markets, such as China, this has led to the emergence of global strategic management. In this case, a combination of strategic management and international business was needed to enter the market and surpass the obstacles of the different environment and culture (Twarowska & Kakol, 2013). IKEA used different strategies, as some of the stores in China are wholly-owned subsidiaries, while others are joint ventures with local companies. This was due to the fact that IKEA recognized the uncertainty and the cultural differences (Meyer et al., 2009). This choice reduces risk, as the cost is lower, and furthermore, local companies have better awareness of the market conditions. The employees and most of the managers are local, in order to fit the local culture, when serving the customers and designing their next moves.

In China, IKEA had to focus on more specific target groups than usually. Moreover, it targets different groups of people in comparison to its practice in other countries. IKEA’s target group in China is a group
of the population, which is called ‘the little emperors’. They are the generation which was born into the One Child Policy and they are now around 20-30 years old. This segment of the market consists of nearly 30 million people. They are impulsive, easy to influence, social and prefer well-known foreign consumer brands. They are highly educated and live in big cities. As the salaries tend to increase in China, the size of this market segment tends to increase every year (Burt et al., 2008).

The company had to change some parts of its strategy to succeed in the Chinese market, such as the following (Burt et al., 2008):

- **Product**: Another problem IKEA had to face in China was copying of its products. It is a frequent phenomenon for Chinese shoppers in IKEA to draw pictures of the furniture and taking notes on the descriptions of the products, but not buying them. It is a fact in China that many local companies copy and sell IKEA-like products, even in lower prices.

- **Price**: The basis of IKEA's strategy is to be perceived as having low prices, but this goal was not achieved in China, where IKEA is seen as a Western retailer for the higher middle class. This impression may be due to the fact that imported products are subject to import taxes (22%). So, in order to reduce its prices, IKEA China started sourcing of products in China.

- **Place**: An adaptation that had to be made by IKEA in China are the stores, which are located closer to city centers, as most consumers do not have cars. IKEA tries to build the room settings in a more Chinese way, so as to look realistic. In general, the shopping experience is different, because stores are considered to a social area, for the Chinese. Another different consuming pattern in China that the company had to take into consideration is the fact that customers buy less in each visit, but they visit IKEA more often than anywhere in the world. This fact has an implication in the organization of the stores, as there is a need for frequent changes.

- **Promotion**: IKEA created many ads in China and the themes are the same as in the rest of the world, but with some adjustments to fit the Chinese attitude. There are more humble and friendly home solutions; there is an attempt to educate the consumer etc. Another difference refers to the promotion mix of the company. In China, the reliance on the catalogue is much smaller as it is not economical to distribute it, so the catalogue is distributed in the stores. But, at the same time the company distributes smaller brochures. Moreover, IKEA uses public relations in China. For example, the company transformed the interior of 20 elevators in less affluent residential districts in Beijing, to show that change may be easy. Another example of public relations is a TV show where the viewers are offered lessons in home decorating.

So, it is obvious that IKEA had to adjust its basic principles in China, in order to succeed in this market. The principles that made IKEA well-known is the fact that customers have to carry the products and set them themselves, its prices are low, all stores have the same format etc. The company learnt many lessons in China. The company could not use the same practices and strategies in every market. It has to keep tight some areas, such as brand name, communication, store concept, but it should also adjust some other parts to be relevant on the market. The issues that had to be changed were the following: prices, service in the shops, the organization and decoration of the shops, so as to be more familiar to local customers, and more friendly, as Chinese go to shopping to socialize (Burt et al., 2008).

Another significant factor that has to be considered for the examination of IKEA's strategy in an emerging
market is the issue of application of risk management. The case of home furnishings retailer IKEA, can show how risk can be considered as the cost of entering to new markets, as part of a global operating model. IKEA gets its products from 1,600 suppliers in 55 countries, an option which increases operational and reputational risks. However, IKEA was not economical to produce its very large portfolio of products without its suppliers. In order for the company to maintain quality and safety standards, IKEA has created a “responsible supply chain program”. According to this, there are a number of formal processes which ensure that all suppliers produce goods compliant with internationally recognized standards. Furthermore, external auditors regularly monitor this supply chain network. So, IKEA manages risk by implementing operating standards on a global level (PWC, 2009).

IKEA’s idea for developing relationships with suppliers lies in its strategy of producing low price products, in a socially and environmentally responsible way. So, suppliers have to fulfill some strict requirements. When the company enters a new market, it has to pick up its suppliers very carefully. For example, in Russia, the executives of the company had to search in personal level all the suppliers and partners, in order to avoid mistakes (Tarnskaya et al., 2007). So, in China as well the company had to carefully select its suppliers, in order to provide quality material and products, in a responsible way. Moreover, personal relations with them offers the company the opportunity to know how Chinese think and do business. One third reason for this approach to be applied is the fact that local suppliers make consumers think positively of the company, and it is easier to fit the local environment, because they already know its partners.

5.3 Kellogg’s strategy
Kellogg Company entered the Indian market in 1994. Kellogg decided to enter the Indian market using Foreign Direct Investment, and more specifically, a wholly-owned subsidiary. This is a risky decision as it entails a large investment, but the company selected it, as it wanted to keep the control. This selection was made as the company had previous international experience, so it thought it would not need any partners (Dikova & Wittelloostuijn, 2007). The company entered the market with a product mix, comprising of cornflakes, wheat flakes and Basmati rice flakes. The products did not have a warm reception in India, despite continuous managerial, financial and technical support by the mother company. The basic problem was the product itself, as the idea of eating cornflakes for breakfast was not easy to imagine for the Indians, who would prefer hot vegetables for breakfast. Moreover, the Indian consumers were used to having hot milk for breakfast, but hot milk made the flakes soggy (Fernandes, 2013). So, Kellogg’s did not know the different local culture well enough and there could have been a joint venture (Anil & Cakir, 2010).

India was a difficult market for Kellogg’s to enter, as the company had to change the eating habits of the consumers. It finally managed to become the leader in breakfast cereal category in the country, and now the company has almost 60-65 percent of India’s market share. This new product category was difficult to be adopted in India, as food habits change from region to region (Shukla, 2011). In its first advertisements, Kellogg’s claimed that Indian breakfast was not healthy, but their approach offended the Indians who had been serving it to their families, so they did not buy Kellogg’s as a response. Moreover, Indian breakfast was cheaper than Kellogg’s corn flakes. So, it was difficult for Kellogg’s to persuade Indians to abandon
their traditional food and choose cereals. Furthermore, Indian consumers preferred warm milk, while corn
flakes are better with cold milk, in order to remain crispy (Taneja, 2012). So, the company had to find
new strategic solutions to become successful in the Indian market.

In this hostile environment, Kellogg’s adjusted its strategy and proceeded to new product development of
wheat and rice cereals. The new products had flavors which were familiar to the Indians and compatible
to their local habits. The company launched Chocos wheat scoops coated with chocolate and Frosties with
sugar frosting, in an attempt to indianize its products. The company finally had a successful entry in the
Indian market, after taking into consideration of the local tastes. Gradually, the breakfast routine altered
with the new products, and the demand for cornflakes started to grow as well. So, the key of success in
this case is the fact that Kellogg’s realized that the American culture would not be accepted in this country
and decided to adapt and modify its strategy in India (Fernandes, 2013).

Kellogg’s experience in India shows that even the most successful companies in the world face significant
risks, when entering an emerging market, especially one that is culturally different than the home country
of the company. The company learned some very important lessons from its mistakes in the Indian market,
so Kellogg’s took over some totally different marketing initiatives, which were specialized for the Indian
market, in order to build its brand name in this market. One of the problems it faced was the high price of
its products. In order to solve this problem, it launched small sized pack. For their advertisements, they
took advantage of the Indians’ love for Hollywood superstars, such as Spider man (Taneja et al., 2012).

As refers to packaging, it was used as a tool for communication with consumers, as it helped for the
on-shelf differentiation from competitors products. Kellogg’s also promoted its brand name as socially
responsible, through recycling and reusing materials, improving the access to health and many more. All
these changes were especially designed for the Indian market. There were also some alterations to the
products and launched the sugar coated Froasties and Chocos Wheat Loops coated with chocolate,
because Indians wanted their food to be tasty. For the women, Kellogg’s launched a new product
Kellogg’s Special K and selected Lara Dutta (which is a famous in India Bollywood actress) as their brand
ambassador (Taneja et al., 2012).

Referring to pricing, the company had to reduce its costs in order to be able to become affordable for
Indian customers. This became possible with the localization of raw material and packaging material.
Kellogg’s also set up new manufacturing facilities in India to reduce the overall transportation costs and
to increase its presence in the economy. All these adjustments to the company’s strategy made it possible
for the company to reposition its brand and gain around 60-65 percent of the market share of the breakfast
cereals market (Taneja et al., 2012).

The above issues refer to business-level and business unit-level strategies, although global strategy was
mentioned to be corporate level-strategy. To be more specific, the decision to enter a new market and
expand the product portfolio of the company are part of the corporate strategy. On the other hand, the
competitive strategy that will be applied by the specific business and the marketing decisions are parts of
businesslevel and business unit level strategies, accordingly.
Another function of the company that needs to be addressed is its risk management strategy, which has to be embedded to its global strategy. The company faces many risks and uncertainties, which may adversely affect its business and financial condition. The risks the company faces are the following: Market risks (foreign exchange risks, interest risk, price risk), credit risk. As Kellogg’s has a significant global presence, it faces some additional risks, such as political risk, and market risks. Market risks are affected by the conditions that prevail in the markets it operates, and include foreign currency risk, interest rate risk and so forth (Kellogg’s Annual Report, 2014).

The company recognizes that the results of the company may differ from their predictions, due to a variety of reasons, such as the competitive conditions, the effectiveness of its pricing, advertising etc, the success of innovation and new product introductions, the success of productivity improvements, the fluctuations of commodities and energy prices, disruptions in supply chains, fluctuations of interest rates and currencies, integration of acquired businesses, the effect of economic conditions, tax regimes, legal and regulatory factors for food safety, advertising etc., risks related to global operations, risk from specific emerging countries, even the ability to implement Project K effectively and with the proper cost (Kellogg’s Annual Report, 2014). As the company is exposed to many forms of risks, it uses derivative instruments to manage these risks, but it does not proceed in speculative transactions. Referring to foreign exchange risk, the company is exposed to fluctuations in foreign currency cash flows which may be caused by third-party purchases, intercompany transactions etc. It is also exposed to fluctuations of foreign currency investments in subsidiaries and the cash flows related to repatriation of these investments (Kellogg’s Annual Report, 2014). The above practices are common and normal, but Kellogg’s designed a more integrative risk management framework, Project K.

In order to be better protected by risks, Kellogg’s designed and launched its global four-year efficiency and effectiveness program, Project K, in 2013. This program’s implementation has significant organizational and infrastructure challenges. Project K requires negotiations and collaboration with third parties, including labor organizations, suppliers, business partners, and other stakeholders. But, Project K is very complex and requires a large amount of management and operational resources, in order to implement the administrative and operational changes (Kellogg’s Annual Report, 2014). This initiative is very important as it introduces a holistic approach to risk management and strategic management. The company increases monitoring in most of its operations, in order to be better protected and to function more efficiently.

Referring to the risks the company undertakes with its global strategy, the company acknowledges that emerging markets have greater political, economic and currency volatility and greater vulnerability to infrastructure and labor disruptions. In these countries, it may be common for others to proceed to practices prohibited by laws and regulations, such as anti-bribery laws. Moreover, competition in emerging markets increases as low cost local manufacturers get better. Project K covers these risks, as well (Kellogg’s Annual Report, 2014).

5.4 Coca Cola’s strategy
Coca Cola is the most recognizable brand in the world. The company sells more than 400 brands in 200
countries, as it has been expanding internationally for the last fifty years. The Coca-Cola Company also focuses on the quality of its products and social responsibility, in addition to brand recognition (Gomez, 2012).

Coca Cola had entered other emerging markets, such as China. When the company entered the Chinese market it faced the challenge of branding, because linguistics in Chinese changed the sound of the brand name and its meaning. At that time, more specifically in 1928, there was no official representation of the name in Mandarin Chinese, so the company had to find characters whose pronunciations were similar to the sound of the brand, without producing a negative meaning. After that, Coca Cola revised its name (Gomez, 2012).

Coca Cola decided to enter to Indian market using wholly-owned subsidiaries, a form of Foreign Direct Investments. This decision relied on the previous experiences in the host country (Dikova & Wittelloostuijn, 2007). As the top management is conducted in the headquarters in the USA, the company recruited local managers and employees to localize its function. Coca-Cola’s strategy can be described as “glocal”, which is a combination of global and local. The concept of glocalization is the response to the problem posed from the fact that a genuine global strategy is considered to be a managerial utopia, so companies have to adjust to local conditions to be accepted in a new market (Svensson, 2001). Glocalization adjusts a standardized global strategy, by integrating local cultural characteristics into a company’s strategy, so as to appear as social accommodating to the local market (Maynard & Yan, 2004) With this strategy, Coca-Cola has a well known brand image and implements local practices, at the same time. Coca-Cola succeeded to understand and satisfy local markets’ needs. Furthermore, the company has to create new products for each market. For example, in China, the Minute Maid Pulpy Super Milky drink and the Sprite Tea drink have been developed by the research and development unit in China and they are considered to be popular in the country (Gomez, 2012).

But the case that will be analyzed is the entry of Coca Cola in India. On October 24, 1993, Coca-Cola returned to India after 17 years. The company had left the market in 1977, when a newly elected government demanded that Coca-Cola had to partner with an Indian entity. The company refused and left its market leadership position. In the 1990s, India began to open up its economy to foreign investments, so Coca Cola designed a strategy to re-enter (Moye, 2013).

Coca-Cola re-entered the Indian market in 1993 and continued to struggle until 2006 to be profitable there. The cultural fit of its strategy was the key that helped Coca Cola succeed in India, as the company found out that a single global strategy was not effective. So, there had to be an emphasis on local issues and culture. The brand localization strategy was had to divide the country into two main segments. The first segment represented metropolitan and larger towns. This segment prioritizes their social bonding. The second segment of the Indian market includes small towns and rural areas which account for 96% of the total population. In this case, local language and idioms were appropriately used in Coca Cola’s advertising campaigns Moreover, local employment and corporate social responsibility for community and environment made Indians accept the company (Fernandes, 2013). The above changes were made possible with the support of the top management, which decided to recruit local talents in India to gain
awareness on the Indian culture.

In order to overcome the problems it faced in the Indian market, Coca Cola invested a large amount of money (around one billion US dollars) to construct and improve infrastructure required for succeeding in India. The company set-up 25 wholly owned bottling plants, in order to achieve a deeper level of penetration in the Indian market (Mukherjee, et al. 2008).

The company also tried to reposition the Coca-Cola brand in the specific market. Initially, it had used global communications only, a choice that proved to be a mistake and it adapted its communication practices to be more appealing to Indian consumers. Global communications are advertisements and other promotion actions, which are the same globally and not specifically the Indian market. After the failure of this global approach, the company used the two most successful tricks in Indian advertisement, which were Bollywood and Cricket. Bollywood actors and cricketers were recruited to promote the brand and they succeeded in creating the mass appeal for the brand in India. In order to increase penetration in rural areas, Coca Cola also reduced the entry level price. Moreover, in its attempt to overcome the challenge Coca Cola faced in 2003 and the pesticide controversy, they hired Aamir Khan and Smriti Irani, who were very popular in India and filmed a commercial where Aamir is given a tour of the Coca-Cola factory and informed about the 400 quality control tests that are a part of the production process. So the consumers were convinced that the brand is safe. After the success of this communication strategy, Coca Cola managed to overcome the above challenges, and was again ready to expand in India (Taneja et al., 2012).

The company’s worldwide operations have significant risks, so a risk management plan is necessary. Coca-Cola uses multiple tools to assess risk, such as data mining and analytics. The company is currently focusing on big data and how to manage information. According to its top management, the key activity in risk management is to prioritize the activities in which the company’s resources will be invested (Deloitte, 2013).

Coca-Cola has established a process of discrete steps risk-management. The first step is the basic deployment of the process. In this stage, there is identification of significant risks, analysis, design of procedures for mitigating them, and the creation of a "risk register". Risk register is a document, which tracks the status of risk and its treatment for every business unit, group, bottler and corporate entity. This framework is based on ISO 31000:2009, which provides best practices in risk management. The main risks that need to be addressed are divided into 11 major categories: risks by contract, such as suppliers; liability; professional liability losses; environmental; crime and theft; damage to physical property; lost, delayed or damaged cargo; business interruption; trade credit; political risk, and risks to employees. After the stage of identification, there should be focus on how to sustain the risk management process. Coca-Cola uses the following approach: It reviews the risks that are being managed, it identifies new and emerging risks, and it incorporates the key risks into the planning process (Bowman, 2012).
5.5 Discussion

The analysis of the three case studies showed that the three companies faced problems in emerging markets and altered their practices, to overcome them. The main findings are discussed below:

IKEA entered the Chinese market using its global marketing strategy and the same format of its stores. After a better examination of the environment of the Chinese market, the company changed its target groups, focusing on little emperors, reduced its prices, started manufacturing its products in China, in order to develop relations with local companies and reduce its costs, it adapted its stores and advertisements to fit the Chinese culture and the habits of the consumers (Burt et al., 2008; Miller, 2004; PWC, 2009).

The above changes were made, after the company examined the Chinese environment and its internal environment more thoroughly. This analysis is presented below (Table 5.1):

<table>
<thead>
<tr>
<th>SWOT analysis for IKEA</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengths</strong></td>
<td><strong>Weaknesses</strong></td>
</tr>
<tr>
<td>Leader in home furniture sector (Burt et al., 2008)</td>
<td>Considered to be expensive in some countries (Miller, 2004)</td>
</tr>
<tr>
<td>Experience in internationalization (Burt et al., 2008)</td>
<td>Copying of its products (Burt et al., 2008)</td>
</tr>
<tr>
<td>Same product, image, promotion – standardization (Burt et al., 2008)</td>
<td>Large number of suppliers created risks for product quality (PWC, 2009)</td>
</tr>
<tr>
<td>Effective supply chain network (PWC, 2009)</td>
<td></td>
</tr>
<tr>
<td>Good relations with suppliers (Tarnoskaya et al., 2007)</td>
<td></td>
</tr>
<tr>
<td>Low prices (Burt et al., 2008)</td>
<td></td>
</tr>
<tr>
<td>Good financial position (Forbes, 2015)</td>
<td></td>
</tr>
<tr>
<td>Well-known brand (Forbes, 2015)</td>
<td></td>
</tr>
<tr>
<td>Joint ventures and collaboration, when needed (Twarowska &amp; Kakol, 2013)</td>
<td></td>
</tr>
<tr>
<td>Opportunities</td>
<td>Threats</td>
</tr>
</tbody>
</table>
Increasing population in emerging markets, such as China (Burt et al., 2008)  
Generation of One Child is impulsive and like western homes (Burt et al., 2008)  
Increased interest for home decorating (Burt et al., 2008)  
Market growth in China (Burt et al., 2008)  
Low responsiveness in emerging countries (Treadgold, 1991)  
Lower income in emerging countries (Burt et al., 2008)  
High import taxes in China (Burt et al., 2008)  
Consumers without cars can’t reach the stores (Burt et al., 2008)  
Different culture, language, taste in China and other emerging markets

Coca Cola had problems when it entered the Indian market, as it used aggressive strategies (introducing standard products with standardized marketing strategies (Taneja et al., 2012)) with no relevance to the local conditions. As its standardized global approach proved ineffective, the company adopted a glocal strategy. It tried to come closer to Indian consumers by using Bollywood stars in its advertisements, organizing local promotion and communication actions and it constructed infrastructure, in order to improve its reputation in the market (Mukherjee, 2008; Taneja, 2012; Jaganathan, 2013; Twarowska & Kakol, 2013; Svensson, 2001). The company’s SWOT analysis is shown below (Table 5.2):

Table 5.2: SWOT analysis – Coca Cola

<table>
<thead>
<tr>
<th>SWOT analysis for Coca Cola</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengths</strong></td>
<td><strong>Weaknesses</strong></td>
</tr>
<tr>
<td>Leader of the beverage market (Forbes, 2015)</td>
<td>Too aggressive strategies in emerging markets (Taneja et al., 2012)</td>
</tr>
<tr>
<td>Great profits (Forbes, 2015)</td>
<td>Negative brand image in India (Mukherjee, 2008)</td>
</tr>
<tr>
<td>Global brand recognition (Forbes, 2015)</td>
<td>Ego didn’t let Coca Cola form an appropriate strategy for India (Jaganathan, 2013)</td>
</tr>
<tr>
<td>Iconic product of high quality (Gomez, 2012)</td>
<td>Global communications don’t fit all markets (Taneja, 2012)</td>
</tr>
<tr>
<td>Corporate social responsibility (Gomez, 2012)</td>
<td></td>
</tr>
<tr>
<td>Committed top management (Fernandes, 2013)</td>
<td></td>
</tr>
</tbody>
</table>
New plants in India (Mukherjee, et al. 2008)
Risk management framework (Bowman, 2012)

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development unit in China (Gomez, 2012)</td>
<td>Different culture in India (Twarowska &amp; Kakol, 2013)</td>
</tr>
<tr>
<td>Local recruitments can offer new capabilities (Fernandes, 2013)</td>
<td>Need for a glocal strategy (Svensson, 2001)</td>
</tr>
<tr>
<td>Market size and demographic growth in India</td>
<td>Political factors, as government pressure made the company leave India in 1993 (Moye, 2013)</td>
</tr>
<tr>
<td>Increase in incomes</td>
<td></td>
</tr>
</tbody>
</table>

Kellogg entered the Indian market using the same marketing mix it used in developed countries, although the culture and nutritional habits in India were different. The company tried to change breakfast habits of Indian consumers, by positioning its products as healthier in relation to traditional breakfast. This approach was too standardized and Indian consumers felt insulted by the company’s claim the traditional breakfast they made was not good for their family. In order for Kellogg’s to be more likeable by Indian consumers, it adapted to the Indian culture and habits on breakfast. So, it developed new products, especially for India, which were more similar to the local flavors and tastes. Production was localized and local workers were recruited, while some of the raw materials were bought by local suppliers (Shukla, 2011; Anuja, 2012; Fernandes, 2013). The SWOT analysis of this company in relation to the Indian market are shown in the following table (Table 5.3):

Table 5.3: SWOT analysis Kellogg’s

<table>
<thead>
<tr>
<th>SWOT analysis for Kellogg’s</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengths</td>
<td>Weaknesses</td>
</tr>
<tr>
<td>One of the most lovable brands in the world</td>
<td>Decreasing profitability in Asia (Forbes,</td>
</tr>
</tbody>
</table>
So, as it may be seen, the three companies changed their practices, so as to fit the environment of the country, thus, combining a local and a global strategy. This combination can also be called Glocal. Moreover, all the three companies pay special attention to risk management, and they have designed a risk management framework, although Kellogg’s Project K seems to be more holistic.

Referring to the environment of the two emerging countries a PEST analysis is useful to be conducted, as the literature review showed the importance of the environmental audit (Jones & Hill 1992; Bowman & Faulkner, 1996). This analysis is shown below (Table 5.4):

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment with potentials in India due to little penetration (Anand, 2014)</td>
<td>Different breakfast habits in emerging countries (Taneja, 2012; Fernandes, 2013)</td>
</tr>
<tr>
<td>Market growth in India (Anand, 2014)</td>
<td>Local competitors in emerging countries increase their power (Anand, 2014)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Political factors</th>
<th>Economic factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government pressure on foreign companies, especially in India (Moye, 2013)</td>
<td>Market growth in India (Anand, 2014) and China (Burt et al., 2008)</td>
</tr>
<tr>
<td>There were laws for One Child in China, but they are no longer valid (Burt et al., 2008)</td>
<td>Market size</td>
</tr>
<tr>
<td></td>
<td>Increasing population (Burt et al., 2008)</td>
</tr>
<tr>
<td></td>
<td>Lower income (Burt et al., 2008)</td>
</tr>
<tr>
<td></td>
<td>High import taxes in China (Burt et al., 2008)</td>
</tr>
<tr>
<td>Social factors</td>
<td>Increase in incomes</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Different consuming habits and interests, such as nutrition (Taneja, 2012;</td>
<td>Research and development unit in China (Gomez, 2012)</td>
</tr>
<tr>
<td>Fernandes, 2013), use of cars (Burt et al., 2008) etc.</td>
<td></td>
</tr>
<tr>
<td>Different culture and language (Twarowska &amp; Kakol, 2013)</td>
<td></td>
</tr>
<tr>
<td>Demographic growth</td>
<td></td>
</tr>
<tr>
<td>Increase in western habits (Burt et al., 2008)</td>
<td></td>
</tr>
<tr>
<td>Local recruitments can offer new capabilities (Fernandes, 2013)</td>
<td></td>
</tr>
</tbody>
</table>

6. Conclusion

The study stated the practices used by global companies, in order to enter emerging markets. According to the presentation of the companies, the main steps that should be followed are environmental audit, market selection and market entry. The environment has a critical role for internationalization decisions. They are not examined in the case of the companies. The market selection is the next step. The organization has to decide which markets to enter, which strategy to use in each one, whether the product or other parts of the marketing mix need to be changed and so forth (Rahman, 2003; Johnson et al., 2008; O’Farrel & Wood, 1994). Market entry is the third step. The company has to make significant and risky decisions, as there are numerous entry strategies (Sarkar & Cavusgil, 1996; Hill, 2007). In order for an organization to make up its mind for the market entry it will implement, it has to make two main decisions, the location and the mode of control (Hill et al., 1990). After making the above decisions, global companies have to design the competitive strategy they will implement in the market they entered. According to Porter (1980) the three generic strategies are cost leadership, differentiation and focus strategy. But, even after these decisions are made, there are still difficulties that should be addressed in order for the company to achieve, so there was
a need for more specific practices that should be implemented.

The study emphasized on the analysis of effective practices for entering emerging markets. Many multinational companies cannot develop successful strategies in emerging markets, as they attempt to implement their previous strategy (Khanna et al., 2005). But, emerging markets have significantly different prevailing conditions. Multinational companies cannot avoid emerging markets, as they have more positive prospects that developed countries, and a very numerous population (Deloitte, 2014). So, companies have to implement effective global strategies for emerging markets, with the following features:

• Engagement with local communities for recruitment and collaboration (Deloitte, 2014).
• Examine both macro-environmental factors and market factors (Khanna et al., 2005)
• External partnerships and alliances (Deloitte, 2014; UK Trade & Investment, 2010).
• Address social impact issues (Deloitte, 2014).
• Manage supply chain challenges (Deloitte, 2014).
• Companies have to adapt to the local environment (Johansen, 2014; Khanna et al., 2005; Deloitte Consulting, 2011; Boston Consulting Group, 2013)
• Companies have to understand the preferences of customers in each market and design an appropriate strategy (Deloitte Consulting, 2011)
• Companies have to establish company-owned production, service, distribution, R&D, and other operations (Deloitte Consulting, 2011) Top management support (BCG, 2013) Recruit local talents (BCG, 2013).
• Companies should have a broad range of capabilities (BCG, 2013).
• Use glocal strategy (Taneja et al., 2012)

From the above findings, it is clear that companies that aim to succeed in emerging markets; have to understand the local preferences and culture, by conducting a detailed environmental analysis (Rahman, 2003; Johnson et al., 2008; O’Farrel & Wood, 1994). After they have a clear view of the opportunities and challenges they have to face, they have to form their strategy for the market entry and to adapt their operations and strategy to fit their new environment (Sarkar & Cavusgil, 1996; Hill, 2007).

Another issue that was addressed in the study is risk management in global companies. Companies expanding in foreign markets must adapt their risk practices. For example, the macro-environment may change unexpectedly, so the global company has to immediately re-adjust its risk management strategy (PwC, 2012; 2012a). They have to predict new risks, the possibility of each risk to happen and to schedule new ways to face them. Companies have to invest money and time to improve constantly their risk management systems, so as to avoid losses for unexpected risks that may have a negative impact to their reputation as well, apart from an economic impact. Global companies seem to realize the increased
need for risk management, as seen in many surveys (Economist Intelligence Unit, 2006), but the majority of companies do not yet have an effective risk management framework (Economist Intelligence Unit, 2006; Ernst & Young, 2007; Harvard Business Review Analytic Services, 2011; KPMG, 2011). Another cause that increased the attention given to risk management is the financial crisis of 2008, which changed unexpectedly the conditions in many countries at the same time (Harvard Business Review Analytic Services, 2011). Top executives of most companies have realized the rapidly changing nature of the environment, but the creation of an effective risk management system requires abilities and time. But, it is necessary for each company to have a developed risk management system before it enters a new market or before a new crisis affects it.

The case study analysis examined whether real companies use the same practices as the ones found in the theoretical context. The first company that was examined is IKEA. IKEA has the principle to operate similarly and have the same image and culture in all countries. As seen in the above analysis, IKEA had to localize its practices to enter the new market and fit the local environment. The strategy to enter the market is selected after examining the country’s environment, but before entering the market. However, IKEA had to change its strategy more than expected, a fact that also affected its culture. The culture of the company in the Chinese market is differentiated from the mother company, although the central values of the organization remain the same. The second company was Kellogg’s. Kellogg’s is one of the best known global brands and the world’s leader in cereals. Its breakfast cereals are being sold in 160 countries. But, despite its worldwide success, Kellogg’s faced problems when entered the Indian market. Finally, Coca Cola faced similar products when it entered the Indian market. From the cases studies, some practices came out to be successful when entering an emerging market with a different culture, thus answering the first research question (“What practices are followed by the selected companies to become active in emerging markets?”). These practices used by the companies of the study are the following:

- Use of a glocal strategy that fits the emerging market, but keeps the main characteristics of the global brand.
- Different pricing, as the macro-economic environment is different and wages are lower in the emerging market
- Manufacture the products and infrastructure in the emerging market.
- Advertisements that fit the local attitudes.
- Different product mix, with new products, more suitable for the new market.

These results may seem obvious for most of the companies trying to expand their activities abroad, but some of the largest brands in the world would expect to be more welcome in new countries, without any significant changes in the way they function. For example, Kellogg’s expected to have a more enthusiastic reception of its products, as they represent a different way of life. Moreover, Coca Cola believed that its brand is connected to a way of living, and people from developing countries would like to adopt this way of living in order to feel that they are part of the western culture. These beliefs are shown to be untrue and the examined companies were obliged to change even their product mix to enter
these markets, in a more severe way. The analysis contributed to the presentation of the fact that very large and successful companies may sometimes be blinded by their ego and not realize the extensive changes they have to make, in order to be accepted in a country with a different environment.

So as to answer the second research question (“How do the selected companies manage the risks of entering an emerging economy?”), the risk management system of the three companies was analyzed. It came out that all of them have a risk management procedure. IKEA has created a responsible supply chain program. Kellogg’s has launched Project K, which will improve efficiency and effectiveness and help risk management. Coca Cola has designed a specific risk management process which focuses on identification of risks and uses data mining and analytics. This finding is in contrast with the findings of the literature review, as most studies found out that most companies do not have specific risk management systems.

The analysis also showed the factors that should be taken into consideration, when entering a new market (Research question 3: Which are the factors that should be taken into consideration when entering an emerging market?). The case studies showed that all three companies had to have a deep knowledge of the country they wanted to enter, after conducting an analysis of the environment, also taking into consideration the cultural differences. It came out that political, economical, social and cultural factors are very important.

Finally, the risks and challenges companies deal with when entering emerging markets and how globalization and the characteristics of the markets increase or minimize these risks and challenges (Research question 4). The main opportunities are found to be the market size, market growth, the changing habits of the population and globalization, which makes expansion easier. On the other hand, there are threats as well, coming from the market environment. The most important ones are found to be the political environment (in Coca Cola’s case), and most importantly, the socialcultural environment, as consumers in these markets have different habits, income and way of life, which make the buying decision process more complicated. So, globalization makes the companies more willing to expand to emerging markets, but the market characteristics tend to increase the challenges.

The overall conclusion that can be made is that no matter how successful a company may be, it cannot not use the same practices and strategies in every market. In order for the company to adjust its practices and strategy in emerging markets, it has to have a good knowledge of the market, after having conducted an environmental analysis. The above conclusions are in agreement with the findings of the literature review, which indicate the significance of the environmental analysis and the need for strategic fit to the local market (Deloitte, 2014; Johansen, 2014; Khanna et al., 2005; Deloitte Consulting, 2011; Boston Consulting Group, 2013).

6.1 Limitations of the study

The analysis took place using a case study approach. This research method is qualitative and it only examines one or a few cases in their real environment But, the specific methodology has limitations. The most important one is the fact that the findings cannot easily be generalized (Dul & Hak, 2008). Another
weakness of the research is the lack of primary data, which could have be obtained if interviews with
executive were conducted. The data would be even more useful if the managers were from different
countries.

6.2 Recommendations for further research
In order the research conclusions to be generalized, a further study could take place applying an
empirical study approach for data collection, and following a quantitative approach of data analysis in
order strategic trends to be defined and information to be provided regarding interrelation of factors that
influence the types and size of risks companies face when expand abroad.

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