DEFINING THE FRONTIERS OF GLOBAL BUSINESS RESEARCH ACROSS EMERGING COUNTRIES

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Introduction

Academy for Global Business Advancement (AGBA) is an independent, non-aligned and not-for-profit, charitable NGO registered in the state of Texas (USA). It has a worldwide network of over 1000 members based across more than 50 countries that include scholars from reputed academic institutions, corporate leaders, governmental officials, entrepreneurs and consultants hailing from both western and emerging countries. AGBA, as a global organization, aims to help academics and scholars at business schools across emerging countries to connect with their counterparts across western (developed) world for mutual benefit. Such collaboration would accelerate the process of globalization by furnishing ample opportunities to scholars in emerging countries to get recognition, disseminate new knowledge and assert themselves on the global stage.

AGBA’s Vision

To be globally recognized as a leading “not-for-profit charitable NGO” dedicated to serve the academic, professional, government, corporate and entrepreneurial sectors worldwide.

AGBA’s Mission

Building on the dynamics of the ongoing globalization process, AGBA is committed to provide a global platform aimed at assisting academics, scholars, professionals, officials, entrepreneurs and consultants of emerging countries to assert themselves on the global stage for recognition, networking and dissemination of knowledge.

AGBA’s Core Business

- Nurture globally competitive talents; expertise and skills in academics across the emerging countries;
- Arrange apprenticeships for academics, scholars, professionals, officials, entrepreneurs and consultants on the global stage;
- Provide advisory services to upcoming business schools across the emerging countries for accreditation by the US based Association to Advance Collegiate Schools of Business (AACSB);
- Provide advisory services to peers worldwide to obtain “Fulbright Grants” from the US government successfully;
- Offer customized training and professional development programs globally;
- Act as a platform for the advancement of “Global Entrepreneurship”; and
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Preface

This “Monograph Book” consists of 30 BEST scholarly papers presented at AGBA’s 14th World Congress held at MOI University, Eldoret, Kenya on Nov 23–25, 2017. After the fabulous success and overwhelming response from global scholars, we are delighted to bring out AGBA’s second monograph book. As AGBA is committed to nurture world-class academic research, this monograph book is an attempt to showcase the kind of research papers that are presented at AGBA’s global conferences. Through this monograph book, AGBA intends to inspire global scholars based across emerging countries to foray into unchartered territories of academic research of global prominence and bring forth substantial findings that could be beneficial for business firms (private and public) and policy makers across emerging countries.

In this monograph book, an attempt has been made to highlight the frontiers of global business research across emerging countries. This monograph book opens up wide range of dimensions that are important for emerging countries. The research streams covered in this monograph book encompass areas as diverse as Tourism and Hospitality, Predictive Analytic in Human Resource Management, Contract Farming, Healthcare Insurance, Financial Literacy, to name a few. This monograph book makes an interesting read supported by facts, figures, and analyses of scholarly research with global prominence.

By sponsoring this monograph book, AGBA has truly exhibited its adherence to its mission statement – “Building on the dynamics of the ongoing globalization process, AGBA is committed to provide a global platform aimed at assisting academics, scholars, professionals, officials, entrepreneurs and consultants of emerging countries to assert themselves on the global stage for recognition, networking and dissemination of knowledge.”

We are also fortunate that so many peers across the world so generously gave their time and offered to refine their papers on time. We met with these peers in person at AGBA’s 14th global conference held in Kenya and subsequently teleconferenced with them. The insights and recommendations of these peers were instrumental in the design and format of this monograph book. We extend our gratitude and thanks to all the authors and co-authors of these 30 papers for making this AGBA’s initiative (publication of a global monograph every year) possible.

This monograph book would not have been possible without the tireless efforts of many dedicated professionals at our globally acclaimed publisher (McGraw Hill). We are especially grateful to Mr. Nikhil Wadhera for his invaluable contribution facilitating the successful completion of this project on time. We hope readers will discover/rediscover, how stimulating, challenging, fascinating, and sometimes frustrating this world of global business could be.

Thank you very much.

Sincerely,

Prof. Dr. Zafar U. Ahmed (Editor)
Prof. Dr. Mohd Shukri Ab Yajid (Co-Editor)
Dr. Sahil Raj (Co-Editor)
Prof. Dr. Ali Khatibi (Co-Editor)
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**Prof. Dr. Zafar U. Ahmed (Editor)**

Prof. Dr. Zafar U. Ahmed has been serving American University of Ras Al Khaimah (United Arab Emirates) as a Professor of Marketing and International Business since January 1, 2017. He earned his BBA in International Business from the University of the State of New York’s Regents College at Albany (USA), an MBA in International Business from the Texas A&M International University (USA), and a Ph.D., with specialization in Branding from the Utah State University (USA) in 1988. He has well over 10-year industry experience earned across Africa as an exporter and global entrepreneur, and 30 years academic experience accumulated at six different American universities (e.g., Texas A&M University at Commerce (Texas); Fort Hays State University (Kansas); Sacred Heart University (Connecticut); Minot State University (North Dakota); and State University of New York at Fredonia (New York). He has been a Visiting Professor to Nanyang Technological University (Singapore), American University of Beirut (Lebanon), University of the Witwatersrand (South Africa), University of Malaya (Malaysia), University of Science Malaysia, Fahad Bin Sultan University of Saudi Arabia (as the Founding Dean of Business School), Prince Sultan University of Saudi Arabia (as the Founding Associate Dean of Business School), University of Putra Malaysia (as a Renong Distinguished Endowed Chair of Marketing), University of Dammam (Saudi Arabia), Lebanese American University, Kuwait University, and American University of Ras Al Khaimah (United Arab Emirates). He has been advisor and consultant to numerous governmental organizations such as Singapore Ministry of Foreign Affairs, United Nations Development Program, Japan International Cooperation Agency, British Commonwealth Secretariat, and MNCs across Africa and Asia. He has published over 200 scholarly papers in Thomas Reuters (ISI) and Scopus indexed journals and has a Google Scholar Citation Index of over 4,500, an “h-index of 31”, and “i-10 index of 72” to his credit. He has organized and presided over 15 global conferences across the world, serves on the editorial boards of more than 10 world-class journals, and serves as the Founder, President and CEO, US based Academy for Global Business Advancement (www.agba.us), Founder and Editor-in-Chief, UK based Journal for Global Business Advancement (www.inderscience.com/jgba), and Founder and Honorary Chief Editor, UK based Journal for International Business and Entrepreneurship Development (www.inderscience.com/jibed). He has been invited to guest edit a special issue of the Journal of Business Research with a focus on Africa. He could be reached via his email: zafaruahmed@gmail.com

**Prof. Dr. Mohd Shukri Ab. Yajid (Co-editor)**

Prof. Dr. Mohd Shukri Ab. Yajid is a passionate proponent for excellence in education. Prof. Shukri has set a new benchmark on excellence and quality in private education in Malaysia as the Founder and President of the Management and Science University (MSU), Malaysia and the PTPL Group of Colleges. MSU has twice been awarded the Excellent University rating, a Tier 5 Status under the Rating System for Malaysian Higher Education. The MSU College Group of Colleges was the first private college to receive accreditation from the Malaysian Qualification Agency. Prof. Shukri’s has played significant roles in teaching, curricular development, entrepreneurship development, quality compliance, management and its strategic development in his academic career. His commitment to teaching and learning is manifested through his involvement in workshops and supervisory consultancies to Ph.D., and Masters Candidates pursuing research in Entrepreneurship, Management, Marketing and Entrepreneurship related areas. Prof. Shukri has authored and co-authored over 100 scholarly papers published in international and local journals. He has been appointed to several high powered national committees related to development of education by the Malaysian government over the years. Many of these consultative committees were geared towards uplifting local and national education standards to a level that has gained global
recognition. Among these committees are the National Implementation Task Force (NITF) Committee; and the Human Resource Cluster Working Group (CWG), both established under the auspices of the Malaysian’s Prime Minister’s department. Prof. Shukri’s resolve, commitment and dedication to engage and synergize the efforts of the university with stakeholder industries, authorities and communities speaks volumes. Under his stewardship, consistent efforts have been undertaken by MSU in the schools and community engagement activities in Malaysia and abroad. Notably among these were efforts at cultivating excellence among pupils, developing leadership among school principals and the in-service teachers training program that is a project jointly undertaken with the Malaysian Ministry of Education.

**Biopic of Editors**

**Dr. Sahil Raj (Co-editor)**

Dr. Sahil Raj is an Assistant Professor of Management Information Systems at the School of Management Studies, Punjabi University, Patiala, State of Punjab, India. His main area of research interest is the application of Information Systems to business organizations. He earned his Bachelor of Engineering degree, an MBA and a PhD in Management Information Systems. Prior to joining his present university, he had worked in Ranbaxy Laboratories, a leading pharmaceutical company of India. Sahil has authored four textbooks including Management Information System and Business Analytics published by Pearson and Cengage. He is reviewer of global editions of numerous textbooks published by Pearson in MIS. Sahil has been regularly contributing research papers to national and international journals and has presented his scholarly research at numerous national and international conferences. He is reviewer of various national and international journals. He also serves on the Editorial Boards of numerous journals dealing with information systems and big data analytics. Sahil is also actively involved in imparting training in Business Analytics and Social Media Analytics to scholars, and professionals. Presently, he is supervising doctoral students in the areas of Artificial Neural Networks, Business Analytics, Strategic Information Systems, Expert Systems and Big Data Analytics. He is currently serving AGBA as its Vice President for Global Publications. He could be reached via his email: dr.sahilraj47@gmail.com

**Prof. Dr. Ali Khatibi (Co-editor)**

Prof. Dr. Ali Khatibi is currently serving Management and Science University (MSU), Malaysia as it’s Vice President of Business and Social Sciences Cluster, Dean: Graduate School of Management and Professor of Digital Marketing. Prof. Ali is honored as a “Senior Research Fellow” and has served as an Adjunct Professor across China, Singapore, Australia and Germany. In a career spanning 30 years in academia and industry, Prof. Ali has held many senior academic and administrative positions and has been instrumental in providing high level of leadership in research and teaching at MSU. Prof. Ali developed and promoted the new frontiers in marketing, the “DNA Marketing and Web Marketing” that swiftly gained international recognition. He developed and established undergraduate and postgraduate programs and lectured in these programs. He has establishing professional links with universities and industries across Malaysia and abroad. Prof. Ali has won the Gold and Silver Medals (2009/2011/2012) for the invention and innovation research in Malaysia. He is currently working with ABEST- Japan to develop “Asia’ Management Games”. Prof. Ali’s research and teaching interests span a range of areas including Marketing, TQM, Business Applications of IT, Multimedia and Web Marketing, e-business, IT Management and Outsourcing. Prof. Ali has successfully supervised 36 PhD, 46 Masters and more than 200 MBA students. He has obtained external and internal competitive research grants from funding agencies based in Malaysia, Japan, South Korea and UK, and has served as a reviewer for national and international research grant applications. Prof. Ali also serves as a consultant to over 24 local and international companies as as well as a reviewer for John Wiley and McGraw Hill. Prof. Ali has over 250 scholarly publications to his credit, which include 200-refereed journal and conference papers. He is the Deputy Editor, UK based and Scopus indexed journal (Journal for Global Business Management).
## Contents

<table>
<thead>
<tr>
<th>Sr No.</th>
<th>Title</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Introduction</strong></td>
<td>iii</td>
</tr>
<tr>
<td></td>
<td><strong>Sponsors</strong></td>
<td>iv</td>
</tr>
<tr>
<td></td>
<td><strong>Review Board</strong></td>
<td>v</td>
</tr>
<tr>
<td></td>
<td><strong>Preface</strong></td>
<td>ix</td>
</tr>
<tr>
<td></td>
<td><strong>Biopic of Editors</strong></td>
<td>xi</td>
</tr>
<tr>
<td></td>
<td>Anothonige Anil Jayantha Fernando</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Continuous Improvement: A Comparison between Islamic and Conventional Approaches</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Afroza Bulbul Afrin and Rafikul Islam</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Adoption of E-Learning in Tourism and Hospitality Training in Kenyatta and MOI Universities</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>Bernard Gichana Ombati, Noah Wasilwa Sitati and Bobby Ernest Lisamula Wbishitemi</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bhavan Narayana Kandala and Kameswara Rao Poranki</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Linking Employee Engagement with Knowledge Creation</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>Caroline Sitienei Koech</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Emotional Experience, Store Image, Social Value and Purchase Intention: A Moderated Mediation Analysis in a Retail Setting</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>Clement Gichunge Nkaabu, Ronald Bonuke and Ernest Saina</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Effect of User Perception on the Relationship Between Organizational Context and Adoption of Cloud Computing: Evidence From SMEs in Nairobi County, Kenya</td>
<td>112</td>
</tr>
<tr>
<td></td>
<td>Emily Mworia Chemjor, Charles Lagat and Ronald Bonuke</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Green Consumer Behaviour, Culture and Sustainability of Manufacturing Firms in Kenya</td>
<td>133</td>
</tr>
<tr>
<td></td>
<td>Emmanuel K. Tanui and Evaline J. Bartocho</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ester Agasha, Martin Bakunda and Lucy Jepchoge Rono</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>The Entry Mode Contract Negotiation and Formation Process in Emerging Market Environments</td>
<td>175</td>
</tr>
<tr>
<td></td>
<td>George White</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Factors Affecting the Farmers’ Decision Towards Contract Farming: An Empirical Study of Indian Punjab</td>
<td>194</td>
</tr>
<tr>
<td></td>
<td>Harpreet Singh and Inderjeet Singh</td>
<td></td>
</tr>
<tr>
<td>Sr No.</td>
<td>Title</td>
<td>Page No.</td>
</tr>
<tr>
<td>-------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------</td>
</tr>
</tbody>
</table>
| 12.   | CEO Cooperation, Charismatic Leadership and Performance of Small and Medium Size Enterprises in Western Kenya  
Hesbon Nangabo Otinga, Osteko Matti Omar, Loice Chepng’etich Maru and Moses Ng’on’ga                                                                 | 209      |
| 13.   | The Impact of Attendees’ Event Association on Sponsor Brand Image: A Case of Indian Premier League  
Jaskirat Singh and Apar Singh                                                                                                                                                    | 234      |
| 14.   | Media and Education: Domestic Tourists’ Perspective  
Kezia Herman Mkwizu, Rogers Matama and Caroline Atuzarirwe                                                                                                                             | 257      |
| 15.   | The Pecking Order of Financing and the Effect of Free Cash Flow on Implied Over – Investment of Publicly Traded Firms in Kenya  
Kimutai Torois, Josephat Cheboi and Daniel Kirui                                                                                                                                          | 276      |
Kaththota Ralalage Niluka Harshani, Zafar U. Ahmed and Ali Khatibi                                                                                                                     | 307      |
| 17.   | An Exploration of Global Five Star Hotel Branding with a Sri Lankan Perspective  
Kumudinie Champa Liyasilinie Iddamalgoda, Zafar U. Ahmed and Ali Khatibi                                                                                                           | 328      |
| 18.   | Building Corporate Image through Corporate Social Responsibility: Mediated by Stakeholders’ Attitude (CSR Activities in Indonesian State-Owned Enterprises)  
Mahrinasari MS                                                                                                                                                            | 347      |
Mustapha Hussaini, Garba Ibrahim Sheka                                                                                                                                             | 367      |
| 20.   | Technology Switching or Brand Switching: Which Phenomenon Reflects Switching Behavior Associated with Technological Products?  
Osama Sam AL-KWIFI                                                                                                                                          | 387      |
| 21.   | Developing an Understanding of Consumerism: A Macro-Level View  
Othman Mohammed Althawadi, John Fraedrich and Allam Abu Farha                                                                                                                        | 403      |
| 22.   | Choice between Personal Life and Education and Career: An Inquiry Into the Question of Domestic Duty vs. Self Interest of Learning and Career based from Female Postgraduate Students of Asian Institute of Technology, Thailand  
Prakaydao Krissadee                                                                                                                                            | 423      |
| 23.   | Our Nature, Our Planet, Our Resource-Blockchains: The Sustainable Differentiation Research  
Salil Kumar Sen, Viput Ongsakul and Chamlong Poboon                                                                                                                             | 440      |
| 24.   | Charismatic Leadership, Achievement Culture and Job Satisfaction: Testing for Mediation  
Samuel Kipkoech Marigat and Daniel Kipkirong Tarus                                                                                                                                   | 452      |
| 25.   | In What Manner Elasticity of the Resources Help in Leveraging the Strategic Resources—A Case Study of the Hotels of India  
Sanjay Dhir and Swati Dhir                                                                                                                                          | 469      |
<table>
<thead>
<tr>
<th>Sr No.</th>
<th>Title</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>26.</td>
<td>An Intellectual Journey into the Historical Evolution of Marketing Research in Global Luxury Branding</td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>Sattambi Sumith de Silva, Zafar U. Ahmed and Ali Khatibi</em></td>
<td>497</td>
</tr>
<tr>
<td>27.</td>
<td>Predictive Analytics in Human Resources – Applying Artificial Neural Networks to Predict ‘Who’ Quits and ‘Who’ Stays in Indian IT Firms</td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>Shivinder Nijjer, Sahil Raj and Tanveer Kajla</em></td>
<td>521</td>
</tr>
<tr>
<td></td>
<td><em>Sorasak Tang Thong and Sahil Raj</em></td>
<td>556</td>
</tr>
<tr>
<td>29.</td>
<td>Conceptualising Parental Behavior Influence in Provision of Food to Children</td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>Yoke Kiu Leong, Sanjaya Singh Gaur and Brian C. Imrie</em></td>
<td>586</td>
</tr>
<tr>
<td>30.</td>
<td>Knowledge Management Infrastructure Capability Effects on Higher Educational Institutions’ Performance and the Moderating Role of Religiosity: The Case of Malaysia</td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>Zainal Abidin Mohamed and Muhammad Hafiz Yaakub</em></td>
<td>602</td>
</tr>
</tbody>
</table>
Chapter #--- 1


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ABSTRACT

The purpose of this study is to examine whether commercial banks listed on Colombo stock exchange engage in Earnings Management (EM) practices. EM has become a major concern in the corporate world as plenty of avenues are available for managers to do so, despite the fact that accounting standards have stipulated with clear guidelines, rules and principles. Legitimacy theory provides a basis for corporate to appear as a legal person before stakeholders in order to carry out their operations smoothly. Therefore, shareholders, auditors, managers, accountants, and regulators are concerned whether financial statements have been manipulated. Previous studies find that managers engage in earnings management practices around the world by using different tools and techniques. Hence, this study attempts to investigate whether there are adequate factors that can be used by potential stakeholders to see whether banking companies listed on Colombo Stock Exchange engage in EM techniques. Several earnings management tests are carried out to test the extent to which managers engage in EM based on financial statements of ten banks for the years between 2010 to 2016. A conceptual framework comprising various motives and factors for managers to engage in EM practices developed based on literature review. Further, the study focuses on the awareness of managers, auditors and shareholders about EM practices. Study does not find strong evidence to conclude that commercial banks in Sri Lanka are engaging in EM practices. Major reason is found to be stringent compliance requirements to be complied by banks form local and international perspectives.

Keywords: Earnings Management, Commercial Banks, Sri Lanka, Financial Reporting, Operating Assets.

INTRODUCTION

The process of EM is used by many corporations in the world, knowingly or unknowingly with the mere expectation of seeking higher profits. Unfortunately, few loopholes in the accounting standards have provided enough space for the use of EM practices and have committed many financial frauds in the commercial world. The term EM can be defined as ‘the transformation of financial accounting figures from what they actually are to what prepares desire by taking advantage of the existing rules and for ignoring some or all of them’. (Naser, 1993) This is simply a way of manipulating real financial
information to hide losses and sugarcoat the profits of the firm. The financial reporting process should be highly accurate and reliable as the financial statements are the mediums by which both internal and external stakeholders acquire information about the performance and financial condition of firms. Due to the variety of stakeholders of a corporation with diverse interests, preparation of financial statements is a highly demanding process, as the company needs to satisfy the requirements of all such stakeholders. Hence, with this conflicting situation, companies require to maintain a balance between the accounting processes according to the needs of the situation. Therefore, as a remedy, accountants practice EM techniques as a way of satisfying company goals. But manipulating accounts and betraying stakeholders is a great economic shock in the long term, as manipulated accounts will direct investors towards wrong decisions, via higher company profits with an increase in the share prices by creating an inflationary situation in the economy.

At present, the world has become much more commercialized and profit maximization has gained a considerable weight among the main business goals. As a mode of reaching this ultimate goal, most of the companies in the world have narrowed towards to manipulate their company accounts. Being manipulation of accounts has become a common practice in the current business world; Earnings Management has reached a considerable attraction in the accounting literature, especially for the last few decades.

BACKGROUND AND THE RESEARCH PROBLEM

It could be argued that managers have a motive of manipulating accounting numbers in such a manner to show a good image of the company as they operate in market economy and therefore the agency problem can be seen in a firm.

It is believed that managers choose accounting methods and policies (Healy, 1985) to improve reported earnings on the assumption that managers’ bonus is decided upon financial performances (Holthausen et al., 1995). As a result, managers may tend to reduce earnings in the years where reported earnings are going to be well below the minimum level required for bonus payments (Watts and Zimmerman, 1978), on the ground that bonus is unlikely to be paid in that year.

Functional Fixation Hypothesis argues that managers are motivated to report an upward trend in profit growth when managers believe that capital markets are sensitive to accounting numbers. So that managers tend to manipulate accounting numbers to show positive results with a view to attract investors on the assumption that investors are not in a position to see the realities hidden behind the numbers. Signaling Hypothesis assumes that managers use numbers given in financial statements to pass signals about forecasts and prospects of the firm to various user groups.

Political cost hypothesis assumes that firms tend to select income decreasing accounting policies with a view to reduce the tax burden especially when the firm becomes larger. As a result, large firms are more likely to be subject to political intervention in the form of higher taxes. Therefore managers may prefer to understate earnings.

Agency relationship that mainly exists between shareholders and managers of a firm creates the rationale for income smoothing. Managers have the control over the operations of a firm and it leaves much power and authority with managers to cook the books as they wish to show some favourable
results under their management. Hence it can be argued that managers will try to report favourable and flattering earnings over time instead of showing actual performances. A rational firm needs to have stable profits over time thus promoting income managed rather than reporting exceptionally high earnings in one year. Hence, whether managers manage the periodic income and how it is perceived by the users of financial statements is the central question of this study.

**LITERATURE REVIEW**

Fama (1980) found that managers tend to show good performances, when the supply of managerial labour is significant since it creates a threat of replacement of existing management unless the performance is satisfactory. Therefore, the pressure would build on managers to report flattering or positive results especially when they are operating in a competitive environment (Mathews and Perera, 1991) and the income variability is regarded as the main measure of risk for managers to survive. (Hepworth, 1953) first tested income management hypothesis. (Gordon, 1964) found that managers are backed by majority of shareholders when good results are shown established four propositions in relation to income smoothing.

On the other hand income management practices could be viewed as indication of the long term survival of firm as well. Therefore, It could be conceptually argued that, managers are likely to manipulate accounts thus showing desired earnings, which are different from realities. Those manipulations of earnings can be identified either as income management. Income management refers to the practice of showing favorable results in published accounts. Some of the common approaches that managers often used to manage income mainly by using Change in Accounting Policy Choices and Deferring Expenses.

The motive of income management was identified as lowering the risk of returns to investors by reducing the variability in earnings. Shareholders stimulate managers to smooth income since compensations for managers are connected with positive financial performances.

Both the term Creative Accounting and Earnings Management is referring to the same practicing of manipulating accounting to influence the reported figures being remaining within the accounting rules and laws in order to satisfy the requirements of the management by sugarcoating the real picture of the firm in front of stakeholders. There is no globally accepted or legal definition of the term EM and therefore most of the authors have defined the term on their own perspectives. Anglo-Saxon is the first person, who wrote about creative accounting in his literature in 1970s. (Tassadaq & Malik, 2015, p.548). Thereafter, many scholars came up with their own definitions of the term. These scholars discussed the term EM based on the theories of agency theory, shareholders theory, legitimacy theory, information theory, resource dependency theory and positive accounting theory.

Researchers have identified many reasons for the firms to engage in EM. Satisfying the desires of shareholders regarding high profits, dividends may bring in problems of high taxes, demand for higher wages and bonus etc. In one hand, lower profit trend may have a negative image in the minds of the investors regarding investment choice. Therefore, this requires the accountants to maintain a balance between their financial performance and the needs of the stakeholder, therefore the companies resort to practice of EM. (Bora &Saha, 2016, p.236) More specifically, this study examines whether the
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commercial banks in a developing country like Sri Lanka also practice EM techniques to reach their desired goals. Fernando and Kelum (2011) have proved in their study on EM practices in Sri Lanka, that most of the quoted companies do apply income management practices when preparing and presenting financial statements. But there is no any study has done previously to investigate whether the commercial banks in Sri Lanka even practice EM.

Most of the researchers have argued that income smoothing is one of the aspects the companies follow for EM. Rather than showing volatile profits with a series of dramatic rises and falls, the companies prefer to report a steady trend of growth in profits and in order to achieve this; the companies unnecessarily make high provisions for liabilities, or understate expenses and overstate assets. There are some reported cases like the case of Satyam Computers, where the companies have positioned fictitious expenses into the profit and loss account and siphoned off the funds. Bora and Saha (2016) and Fox (1997) reports on how accounting policies at Microsoft Corporation, USA are designed, within the normal accounting rules, to match reported earnings to profit forecasts. A large part of the profit is deferred to future years to cover potential upgradation and customer support costs when Microsoft sells software. Bora & Saha, 2016, p.736) Apart from income smoothing, the management of the company practice EM to maintain or boost share price both by reducing the apparent levels of borrowing and by creating the appearance of a good profit earning trend.

According to the conceptual framework of the study, the independent variables of pressure from managers, contractual obligations, necessity of managing taxes and share prices and to overcome political costs, act as motivating factors for the companies to follow Earnings Management through misleading accounting of data and misleading presentation of data.

Most of the researches have demonstrated that the pressure from the managers on their employees to achieve the company goals by any mean have direct influence on their practicing of EM. By adopting to the view of Fennell (1997) and Peterson (2003) defined ethical pressure as a situation in which the employees feel pressured by their peers, supervisors, and other members of the organization to compromise their personal values in order to achieve organization goals resulting in an ethical conflict for employee. (Tian & Peterson, 2016, p.10)

Based on Healy and Wahlen (1999) and Fong (2006) defined that the EM takes place when managers exercise judgment in financial reporting and in structuring transactions to adjust financial reports with an aim to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers.

According to Stangova and Vighova (2016) most of the companies in the world practice EM with the aim of managing taxes. Accordingly, the companies use EM techniques to reduce corporate income taxes by increasing the costs of the accounting entity by including the costs that are not foreseen by the Law on income tax and also the firms reduce their own tax liabilities for the value added tax through application of the deduction of VAT on purchases, which the Act on VAT does not allow. The study done by Desai and Dharmapala (2006) demonstrates tax avoidance as a highly attributing factor for EM.

According to Gosh (2010) EM may be employed in exchange for a variety of expected rewards among them being political gains. McBarnet (2005) further asserts that both complex fraud and complex
manipulation through legal EM has been brought out into the open. He expresses that one of the reasons why EM is practiced is to carefully avoid taxes, therefore reducing political costs. Moreover the accounting information is designed more to meet other demands, including reduction in political costs and determination of income taxes and dividend payments. (Van & Vanstraelen, 2005)

The share prices of a company is an influential factor to attract more and more shareholder to the company as share prices is one of the indicators that indicate company performance. Therefore, most of the companies manipulate their real accounts to manage attractive share prices.

Insider trading is commonly practicing in the business world with the aim of making higher profits. Insider dealings refers to a situation where an insider or a related party trades based on price sensitive non-public information obtained during the performance of the assigned duties at the corporation, it also involves breach of trust and confidence or where the confidential information was misappropriated from the company. (Bewaji, 2012)

The primary objective of the current study is to investigate the financial variables of a commercial bank that can be used to investigate whether banks are practicing EM. Moreover, the sub objectives of this study include:

- Investigating stakeholders’; managers, auditors and shareholders understanding and awareness of EM in the Commercial banks of Sri Lanka.
- Investigating whether there are adequate evidences to suspect whether commercial banks in Sri Lanka are using EM techniques.
- Identifying the factors influencing banks in Sri Lanka to practice EM techniques.

The study uses the following hypothesis to investigate whether the variables of pressure from managers, contractual obligations, tax management, share price management and political cost overcoming will affect for the commercial banks in Sri Lanka to practice EM techniques.

- \( H_0: \) Pressure from Managers has no effect on Earning Management practices of CSE listed banks in Sri Lanka
- \( H_1: \) Pressure from Managers has an effect on Earning Management practices of CSE listed banks in Sri Lanka
- \( H_0: \) Contractual Obligations has no effect on Earning Management practices of CSE listed banks in Sri Lanka
- \( H_1: \) Contractual Obligations has an effect on Earning Management practices of CSE listed banks in Sri Lanka
- \( H_0: \) Tax Management has no effect on Earning Management practices of the CSE listed banks in Sri Lanka
- \( H_1: \) Tax Management has an effect on Earning Management practices of the CSE listed banks in Sri Lanka
- \( H_0: \) Share price Management has no effect on Earning Management practices of the CSE listed banks in Sri Lanka
- \( H_1: \) Share price Management has an effect on Earning Management practices of the CSE listed banks in Sri Lanka
- \( H_0: \) Political cost overcoming has no effect on Earning Management practices of the CSE listed banks in Sri Lanka
• H₁: Political cost overcoming has an effect on Earning Management practices of the CSE listed banks in Sri Lanka

Therefore literature provided the evidence for different forms of income management practices at varying degrees by highlighting the fact that published figures have bearings on the users of financial statements. The behavioural aspects as to why managers engage in either income management practices have to be explored.

METHODOLOGY

Mainly quantitative methodology was used in this study as it dealt with whether firms have engaged in EM practices that are associated with manipulation of numbers. Some aspects such as factors influenced for manipulation and behaviours of managers are involved in the study therefore, it is essential to use a mixed methodology; both quantitative and qualitative, which will increase the reliability and accuracy of the research output.

Financial statements of 10 commercial banks listed in the CSE were carefully examined for the period between 2010-2016 in order to elicit if any EM techniques has been used. The following ratio of Earnings as a percentage of operating assets was used basing on the following assumptions to test whether the selected sample has used EM techniques during 2010-2016.

\[
\text{Earnings as a percentage of Operating assets} = \frac{\text{Earnings for the year } t}{\text{Operating Assets } t - 1}
\]

Assumptions:
• If there are larger variations in the earnings as a percentage of operating assets for more than five consecutive financial years, it is assumed to be; that the banks have manipulated their earnings.
• If there are no huge changes in between the earnings as a percentage of operating assets in between the years; it is assumed that the banks have not manipulated their earnings.

Moreover, structured interviews were employed to investigate the awareness of managers, auditors and shareholders about the use of EM by commercial banks in Sri Lanka. For that, a close ended questionnaire has been prepared by incorporating the key objectives of the study. The Cronbach’s Alpha test was conducted to confirm the reliability of the questionnaire statistically.

Pressure from managers, Contractual obligations, Tax management, Share price management and Political cost overcomings are found to be the main reasons for banks to practice EM. (Kamau, C.G, 2016; Bora, J., & Saha, A, 2016). Therefore, this study investigates whether the above identified factors by previous researchers are influencing the banks in Sri Lanka as well. In order to disclose this factor, the research uses a questionnaire covering seven sections supporting with an interview guide. The questionnaire has been administered among 107 respondents representing Chief Managers, Senior Auditors and major individual shareholders across all the banks listed in the CSE.

RESEARCH RESULTS AND DISCUSSION

The study is based on a descriptive analysis and a regression analysis of data, collected using the survey questionnaire and analyzing of financial statements of selected commercial banks for 2010-2016. SPSS 20.0 was used as the data analyzing software package for regression analysis and Excel 2010 was used for the descriptive analysis. The data collected in this study is evaluated, discussed and inferences made, in an effort to address the specific objectives of the study. Descriptive statistics were used to
analyze the data on each variable. The descriptive analysis discusses the awareness of three respondent groups on EM and the financial ratios obtained by calculating Earnings as a percentage of Operating Assets of the banks. Further, the study examines the dependent variable of ‘Earning Management’ with different influencing factors affecting for the banks to engage in EM practices.

The obtained results show that the banks are not practicing EM techniques. The table 1 below shows the results obtained by calculating the equation shown in the methodology, for each bank in the sample for the period of 2010-2016.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Year</th>
<th>Commercial bank</th>
<th>DFCC</th>
<th>HNB</th>
<th>NDB</th>
<th>Amana</th>
<th>NTB</th>
<th>Pan Asia bank</th>
<th>Sampath bank</th>
<th>Seylan bank</th>
<th>Union bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>0.02</td>
<td>0.06</td>
<td>0.02</td>
<td>0.02</td>
<td>-0.04</td>
<td>0.16</td>
<td>0.03</td>
<td>0.02</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>1.46</td>
<td>0.11</td>
<td>0.02</td>
<td>0.02</td>
<td>-0.01</td>
<td>0.02</td>
<td>0.03</td>
<td>0.02</td>
<td>0.01</td>
<td>0.02</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>1.25</td>
<td>0.06</td>
<td>0.02</td>
<td>0.03</td>
<td>0.02</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
<td>0.01</td>
<td>0.02</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>1.03</td>
<td>0.05</td>
<td>0.02</td>
<td>0.05</td>
<td>-0.03</td>
<td>0.03</td>
<td>0.00</td>
<td>0.01</td>
<td>0.02</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>1.07</td>
<td>0.04</td>
<td>0.02</td>
<td>0.02</td>
<td>0.00</td>
<td>0.03</td>
<td>0.01</td>
<td>0.02</td>
<td>0.02</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>1.06</td>
<td>0.03</td>
<td>0.02</td>
<td>0.01</td>
<td>0.01</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>1.22</td>
<td>0.02</td>
<td>0.03</td>
<td>0.01</td>
<td>0.00</td>
<td>0.02</td>
<td>0.01</td>
<td>0.02</td>
<td>0.02</td>
<td>0.01</td>
</tr>
</tbody>
</table>

(Source: Survey Data)

The above table clearly shows that the earnings as a percentage of operating assets of almost all the commercial banks listed in CSE for the period of 2010-2016 has not changed in larger percentages. Therefore, according to the assumptions discussed in the methodology, the results obtained by conducting the test proves that the Sri Lankan commercial banks listed in the CSE has not manipulated their earnings for the period of 2010-2016 via Earnings Management techniques. This result is very favorable for all the stakeholders of the commercial banks in Sri Lanka. It is because, a sound banking system free from earnings manipulations contributes to the effectiveness of intermediation, maturity transformation, payment facilitation, credit allocation, financial investments and financial discipline. In a country like Sri Lanka where there is a bank dominated financial system, which the banks contribute...
for 56% of the assets in the financial system and 77% of GDP, the result obtained in the study by calculating earnings as a percentage of operating assets is favorable for all the stakeholders related to the commercial banks in Sri Lanka, being the result proves that there is no such strong evidences to describe that the commercial banking sector is manipulating their earnings. Bank’s financial reports present the bank’s financial power and they use the information in order to decide whether they can overcome the possible risk or not in the financial environment. On the other hand, financial information users also need the information regarding the bank reports for their investment decisions. The central bank of Sri Lanka has highly regulated the banking sector in the country under a continuous supervision. The financial reports of the banks are under a strict audit which would lead them to provide reliable financial information compared to other institutions. On the other hand, reporting reliable financial information has a huge importance for banks in order to be trustworthy and reputable in the financial sector. Therefore, the financial accounts of the banks are getting audited regularly within the bank as well as by external auditors assigned to the banks. Therefore, the chances of manipulating the accounts of public listed banks in Sri Lanka are very limited. But it is obvious that the regulation cannot guarantee for a zero failure in the banking system. Hence, it can control the banks from Earnings Management practices to a certain level as the loopholes in the regulations of Sri Lankan banking system is very low being the regulations are some times more higher than the required level in order to protect the banks from failures.

The results obtained through the following multiple regression model reveals that there is a week positive relationship between all the five independent variables, i.e., Pressure from managers (MP), Contractual obligations (CO), Tax management (MT), Share price management (SPM) and Political cost overcomings (OPC). The outcome of the influences of these five independent variables on EM is given in the following equation.

\[
EM = 1.454 + 0.197 \times (MP) + 0.059 \times (CO) + 0.113 \times (MT) + 0.117 \times (SPM) + 0.104 \times (OPC)
\]

Details results are given in table 2 and it indicates that the coefficient of determination \((R^2)\) of 0.149 and coefficient of correlation \((R)\) of 0.387. This means that about 14.9% of the variation in EM is explained by the study model. However 85.1% of the variation in EM is unexplained by the model. Adjusted R2 is a modified version of R2 that has been adjusted for the effect of increase in the number of predictors in the model. (Kamau,2016) The adjusted R2 of 0.107 which is slightly lower than the R2 value is a precise indicator of the relationship between the independent and the dependent variable because it is sensitive to the addition of irrelevant variables. The adjusted R2 indicates that 10.7% of the changes in EM is explained by the model and 89.3% is not explained by the model.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.387(^a)</td>
<td>.149</td>
<td>.107</td>
<td>.44028</td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), MPC, MCO, MPM, MMSP, MMT
The R value points to a week linear relationship between Pressure from managers, Contractual obligations, Tax Management, Share price management, Political cost over comings and Earnings Management among banks in Sri Lanka. The result suggests that there is a lesser tendency for banks in Sri Lanka to practice EM techniques, depicting that the relationship between the dependent and independent variables taken to the study are week but positive.

The ANOVA test in the table 3 indicates that the independent variables of the model have a significant effect on Earnings Management among Sri Lankan banks since the p value is 0.004 which is less than 5% level of significance. Being it is very close to 5%, it implies that the level of significance is very low when considering the influence of independent variables to the dependent variable of EM among banks in Sri Lanka.

**Table 3: ANOVA of dependent and independent variables**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.440</td>
<td>5</td>
<td>.688</td>
<td>3.550</td>
<td>.004b</td>
</tr>
<tr>
<td>1 Residual</td>
<td>19.578</td>
<td>101</td>
<td>.194</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>23.019</td>
<td>106</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dependent Variable: MEM
Predictors: (Constant), MPC, MCO, MPM, MMSP, MMT

Out of the identified five independent variables, Pressure from managers shows the strongest relationship while the relationship of other independent variables to the dependent variable is week. This means that the influence of all the above independent variables on Earnings Management among the companies in Sri Lanka is not strong. Even though these independent variables effect on the practice of EM in other countries according to Kamau (2016) and Tian & Peterson (2016) there is not much more influence from these variables to the EM practices of Sri Lankan firms and therefore there may be another different factors will have affected to the EM practices of Sri Lanka.

The model estimates suggest that the hypothesized model is not explained by the data collected. It is because, except in the first hypothesis, in all the other four hypothesis, the alternative hypothesis was rejected and the null hypothesis was taken. It is because, only in the first hypothesis, the p value 0.011<0.05 making the coefficient of pressure from managers is significant in the model.

The awareness of the shareholders and auditors about the earnings management practices of the commercial banks is very important. The results obtained in checking the awareness of auditors and shareholders on EM practices of banks indicate that the auditors and shareholders are unaware on this EM practices while few of the managers are aware on this practicing. Even though the results of the study prove that the Sri Lankan banks listed at CSE are not practicing EM, it is essential for all the
stakeholders to be aware of this EM practicing being their unawareness can lead them to wrong business decisions and make the whole economy of the country inefficient.

**SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

According to the results of the study, there are no evidences to suspect that the banks in Sri Lanka are practicing EM, probably because they are highly regulated and under the strict supervision of CBSL. Further, the study ensures that the awareness and knowledge of most of the Sri Lankans on EM is not at a standard level. Moreover, the research evaluates the factors that influence EM practices of banks in Sri Lanka. The results obtained by the study indicate that there is a positive relationship (R=0.387) between pressure from managers and Earnings Management. The regression analysis showed that there is a positive relationship between the independent variable managers’ pressure and Earnings Management.

Following the findings of the study, it is recommended that the financial information should not be biased to one party, giving individual benefits through information asymmetry, as it will make the economy inefficient by providing more chances for stakeholders to take wrong business decisions. Therefore, the reliability and transparency of the financial information is very necessary.

For further maintenance of this favorable accounting reporting of the Sri Lankan banks in the same unbiased manner during each financial year, the study recommend following recommendations.

- It is necessary to encourage the issuance of extended audit reports by the independent auditors.
- Performance based compensation should be avoided in order to reduce the temptation of influencing the EM practices.
- Corporate governance should be improved in order to improve the quality of the financial reporting to increase the confidence of investors in company’s financial report.
- Accountants and bookkeepers should be encouraged to participate for business ethics training programs each year.
- Earnings Management should be introduced to the Syllabus of accounting students in order to stress on the ethical aspects of accounting and to improve the awareness of future shareholders on EM practices of banks.
- The internal audit department of banks should be more independent, active, efficient and strict their supervision.
- Government and other regulatory agencies should implement clear rules and legal framework regarding the EM practices of banks.

The findings of this study contributed to reduce the research gap of locally to international. It is because, there was no previous research has done in Sri Lanka on EM practices of commercial banks in the country. Being the topic EM is not in the syllabuses of accounting students in most of the Sri Lankan universities and therefore they are not familiar with the term earnings management and as a result their awareness of the EM practices if banks are in a very minimum level. Therefore, the findings of this study have contributed in filling this knowledge gap in local literature on the subject Earnings Management and guided the university students to study more on this term Earnings Management.
REFERENCES


Chapter #--- 2

Continuous Improvement: A Comparison between Islamic and Conventional Approaches

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ABSTRACT

Continuous improvement in products/services is one of the vital elements of Total Quality Management (TQM). TQM is not a one-step activity; rather it is a continuous approach and a never-ending process. In order to strengthen competitive advantage in the market, organisations must endeavour to continuously improve quality of products and services. One may call it Jidoka or Kaizan or PDSA or 5-S or 6 sigma or JIT, the purpose is all the same, which is to improve continually either product/service quality or process quality. All of the mentioned models basically focus on the mundane world benefits only. But the proposed NAIS model for continuous improvement is more comprehensive and it focuses benefits in both the worlds –Here and Hereafter. To develop a model of continuous improvement from an Islamic perspective and to find out the distinction between Islamic approach and conventional approaches to continuous improvement are the major objectives of this present study. By nature, the present study is an exploratory one, at the same time it is a theoretical one based on the library research and only the secondary data collected from different relevant literatures, Qur’an and Sunnah are used to realize the objectives.

Key Words: Continuous Improvement, PDSA Cycle, 5-S, Philosophical Underpinnings, Islamic Approach to Continuous Improvement, NAIS Cycle.

INTRODUCTION

One of the fundamental elements of Total Quality Management (TQM) is continuous improvement (CI). ‘Good is not good enough; there is always a scope to be better’ – keeping this proverb in mind, TQM espouses continuous quality improvement (Mannan & Ferdousi, 2007). TQM is
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not a one-step activity; rather it is a continuous approach and a never-ending process. With a long-term focus, quality improvement becomes an everyday activity. In order to strengthen competitive advantage in the market, organisations must endeavour to continuously improve quality of products and services which results in cost-savings and an increase in market share because of a reputation for having a quality product or service. The process teams of an organisation are directly related with continuous process improvement through which the organisations can produce continuously improved products or provide quality services to the customers (Plenert, 2012). Continuous improvement approach is not important only for the product producer or service provider organisations, but equally important for the client organisations to improve their performance and to maximize the benefits gained (Ahbabi & Alshawi, 2015).

CI is a service program and should be dedicated to elevating the minds and talents of everyone within the organisation. It should be dedicated to helping employees by supplying the knowledge to create and the freedom to implement (Bigelow, 2015). There is a direct relationship between supervisor-subordinate relationship and their commitment to CI initiatives. Collaboration, consultation, gratification, inspirational appeals and rational persuasion are significant and strong predictors of employee commitment to CI initiatives and these tactics are significant drivers of the quality (Lam et al, 2015).

The models on continuous improvement developed by the western scholars are rooted in the concept of worldly gain. Remaining within the realm of bounded rationality, the models may not pass the test over time. Therefore, there is a need to develop a model based on divine knowledge which would be not only to help improve a product/service continuously, but also provide gain in the life hereafter. The present work intends to minimize the by-waited research gap, in addition to developing a new model for continuous improvement from an Islamic perspective, the paper also compares the Islamic and Conventional Approaches to CI. The researchers have also shown how the new model will be applied in an organisation to help its journey towards CI.

The present study is an exploratory research and also a theoretical one based on library research. Relevant secondary information and data from published literatures, relevant verses from the Holy Qur’an, principles and traditions of Prophet Muhammad (pbuh), writings of Muslim reformers, and contributions of Muslim and non-Muslim scholars are used in appropriate places to pursue the objectives of the study.

LITERATURE REVIEW

PDCA/PDSA Cycle

The term continuous improvement is used widely to compete successfully in the market. It started in 1930s when Walter Shewhart introduced the concept of a straight-line, three-step scientific process of specification, production and inspection (Shewhart, 1939). He later revised this idea into a cyclical concept. “These three steps must go in a circle instead of in a straight line. It may be helpful to think of the three steps in the mass production process as steps in the scientific method. In this sense, specification, production and inspection correspond respectively to hypothesizing, carrying out an experiment and testing the hypothesis. The three steps constitute a dynamic scientific process of acquiring knowledge”, Shewhart wrote (p.45). Shewhart’s concept eventually evolved into what became known as the Shewhart cycle.
Deming had a front-row seat for Shewhart’s thinking. At the age of 39, Deming edited a series of lectures Shewhart delivered to the U.S. Department of Agriculture into what eventually became the basis of Shewhart’s 1939 book. Deming worked on Shewhart’s cycle and modified the concept. He got the chance to present the new version of the cycle in 1950 during an eight-day visit to Japan sponsored by the Japanese Union of Scientists and Engineers (JUSE) (Deming, 1950).

In his new version of the cycle, Deming emphasized the importance of constant interaction among the four steps of design, production, sales and research. He highlighted that these steps should be rotated constantly, keeping quality of product and service as the main aim. This new version is referred to as the Deming cycle or PDSA (Plan-Do-Study-Act) Cycle. Deming described it as a flow diagram for learning and improvement of a product or a process.

**Kaizen**

The Japanese word *Kaizen* means continuous improvement activities, and is often reflected in the limited context of shop-floor improvement activities. However, this concept is now broadly defined to include ongoing improvement activities involving everyone in the organisation (Imai, 1986). *Kaizen* is based on the belief on people’s inherent desire for quality and work. It requires sharing, caring, commitment, and a different kind of leadership based on personal experience and conviction. The message of *Kaizen* is that not a day should go by without some kind of improvement being made somewhere in the company. As an ongoing process, it signifies small improvements in the status quo as a result of ongoing efforts. It generates both process-oriented and people-oriented thinking in the sense that it is directed towards improvement of processes. It is concerned more with the process than the forthcoming results.

**5-S**

5-S is an important step towards TQM. Over the last century, the Japanese have formalized the technique and named it as 5-S Practice. Professor Sam Ho has improved and defined its terms in English/Chinese and developed the world's first 5-S Audit Checklist which was used for training in Malaysia under an Asian Development Bank Quality Expert assignment in 1993-94 at SIRIM. The 5-S steps are: Seiri (Structurise), Seiton (Systematise), Seiso (Sanitise), Seiketsu (Standardise), and Shitsuke (Self-discipline).

**Concept of JIT**

Just-in-Time (JIT) is another imperative and well-practiced tool for continuous improvement. Since the early 1980s, JIT production has received great interest internationally. In general, the JIT philosophy concentrates more on improving manufacturing efficiency by eliminating non-value added activities and minimizing inventory (Lau, 2000). JIT practices have been used by many manufacturers as a powerful tool for continuous manufacturing improvement based on the significant reduction of inventory and work-in-progress in all phases of new/recast manufacturing process. This philosophy emphasizes materials flow, not on materials storage (Kamoun & Yano, 1996). Originally, JIT manufacturing concentrated more on increasing manufacturing efficiency by eliminating all forms of waste and minimize inventory (Lau, 2000). Today, more and more North American firms and firms in many other countries use it as an approach to produce the right parts in the right place at the right time. Traditionally, inventory has been viewed as an asset. But the JIT view is that inventory does not add
value but instead incurs costs. JIT views inventory as a symptom of inadequate management, a method of hiding inefficiencies and problems (Sanchez & Perez, 2001; Singh and Ahuja, 2014).

**Six Sigma**

Six Sigma refers to a measure of quality that strives for near perfection. James Harrington defined, “Six sigma is simply a TQM process that uses process capability analysis as a way of measuring progress” (Harrington, 2001). Six Sigma stands for Six Standard Deviations from the arithmetic mean. It is basically a process of quality goal. It, thus, falls into the category of process capability ($C_p$) technique. Six Sigma methodology provides the techniques and tools to improve the capability and reduce the defects in any process. Six Sigma uses a variety of statistics to determine the best practices for any given process. Statisticians and Six Sigma consultants study the existing processes and determine the methods that produce the best overall results. Six Sigma statistically ensures that 99.9997% of all products produced in a process are of acceptable quality. Six Sigma allows only a maximum of 3.4 defects per million opportunities. If a given process fails to meet this criterion, it is re-analysed, altered and tested to find out if there is any possibility of improvements. If no improvement is found, the process is re-analysed, altered and tested again. This cycle is repeated until an improvement becomes visible. Once an improvement is found, it is documented and the knowledge is spread across other units in the company so they can implement this new process and reduce the defects per million opportunities.

Beside the above approaches of CI, there are some other approaches also which are being well practised in the organisations to improve the quality. Some studies showed that those different approaches to CI are equally effective in driving improvements in both technical and social systems, even though there are significant differences in the project size, type, location, and industrial sector (Jin & Doolen, 2014). But some other studies stated that the success of the use of CI approaches depends on the culture of the organisation and the capability of the managers and the leaders to implement those approaches effectively. Robinson suggested that every unique culture of the organisation should follow unique approaches of CI to ensure better improvement (Robinson, 2015).

**AN ISLAMIC APPROACH TO QUALITY AND CONTINUOUS IMPROVEMENT**

In the Islamic system, management and any other mundane affairs of life are linked with man’s mission in life. This leads us to the philosophical underpinnings of quality management in the Islamic framework. Broadly speaking, the philosophical underpinnings of human life and the management of its affairs in the context of Islamic worldview are classified into four: 1) *Tawhid*, 2) *Risalah*, 3) *Khilafah*, and 4) *Akhirah* (Sadeq, 1996).

In the Islamic code which unifies all mundane and other aspects of life in the normative bondage of Islamic worldview, quality matters so much that one’s performance is judged by the quality, rather than the mere quantity. Quality deserves the highest attention in management. This is because a low quality management will naturally be transmitted to the whole system of a business or organisation and thus the entire performance is subjected to sub-standard quality. A high quality management, on the other hand, is expected to be reflected in the blood stream of the whole body and this is how a high quality overall performance is expected to be. This is why Islam emphasizes highly on quality management.
According to Islam, quality is a process of bringing positive changes for excellent performance in all spectra of human endeavours. It is a long-term process and its improvement can continuously be refined as we go along. Every individual and organisation must work for quality performance by following proper approach and planning. Quality performance cannot be narrowly understood and to mean only to produce quality products and services which can satisfy customer demands. From Islamic perspective, an organisation must have the focus on the following four elements to pursue quality and productivity (Sadeq, 1996): Quality workers, Effective leadership, Good management and Appropriate structural set up.

**Continuous Improvement and Waste in the Eye of Islam**

A Muslim must make every effort to remove any wastage around him, at home, workplace, or in society even when faced with confrontation. A very common example would be to control the use of water, food, and electricity according to the needs. Wastage of resources such as material in the workplace, man-hours, machine-hours, human potential, and time should also be minimized. While 100% elimination is not possible, we should still try to get as close to it as possible, and this can only be achieved through relentlessly continuous effort. Muslims should find this easier to do than other people because they have been clearly instructed to do so in this regard by the Holy Quran. Continuous striving is the only way available to attain minimum possible wastage or maximum possible efficiency. “For the wasteful are the brothers of Satan; and Satan is ungrateful to his Lord” (Al-Isra, 17:27).

It is the obligation for every good Muslim to try again and again to develop his daily activities. As narrated from Sayyidina Ali (RA), “If your today’s activities are not better than those of yesterday, you are not a good Muslim” (Ibn Majah). Prophet Muhammad (pbuh) said, “He whose two days are equal (in accomplishment) is a loser” (Al Daylamy). Here is a clear indication of continual improvement of any task. These activities include not only our personal activities but also the activities through which we serve others. It is the nature of human being that they want better quality products and better behavior from others and this demand increases day by day. Prophet Muhammad (pbuh) said, “Do for others, whatever you want for you” (Tirmidhi). The above mentioned verse and hadiths teach us to improve the quality of our deeds continually, and beyond doubt, it’s an ibadah for a Muslim.

**NAIS Cycle for Continuous Improvement from Islamic Perspective**

Because the purpose of the life of a Muslim is nothing but to worship Allah (swt), the overriding objective of doing every activity will be to satisfy Allah (swt) by obeying the direction of Qur’an and Sunnah. Having this direction in mind, the researchers have developed a Continuous Improvement Model named NAIS Cycle on the basis of the available Islamic literatures related with equally improvement. Figure 1 and Figure 2 describe the cycle while the following section provides the details of its various components.

The cycle starts with Niyah and followed by Amal, Ihtesab and Shukr; and again Niyah. It seems that all of these steps are suitable for individual level practices. But it should be remembered that an organisation is built up and run by a number of individuals. So, if the individuals can follow these steps effectively in their own areas of responsibility, the organisations will be benefited accordingly. Again, the organisations have separate legal entity like a human being and on behalf of the organisations a group of people do all of the activities. For these reasons, the present model is equality applicable for
individuals as well as organisations. Hence, in every step the organisations need to do a number of activities which are described in figure 1 and in Figure 2.

**Niyah**

**Intention (niyah)**

In Islam, the very initial stage of doing any task is to clarify the niyah why s/he is intending to do that. In this regard, the doer must be very honest, clear and pure about the niyah, because “Indeed, the result of every task depends on the doer’s niyah” (Bukhari & Muslim). The niyah of an organisation also reflects the vision and mission statements of that organisation. In the Qur’an Allah (swt) has asked people, “Say, truly my prayer and my sacrifice, my life and my death (all) are only for Allah, the Cherisher of the world, no partner hath He: this I am commanded and I am the first of those who submit to His will” (Anam, 6: 162-163).

From the above verses, it is clear that whatever a Muslim will do, intention must be to satisfy Allah (swt) by following His instruction regarding that particular work. Like an individual, an organisation also must have very good intention to serve the people by producing halal products and services.

![Figure 1. NAIS Cycle](image)

**Objectives (al-ahdaaf)**

According to the niyah, the doer/decision maker will have to set some objectives to be achieved through the organisational activities. Here objectives indicate the ultimate destination of doing any task.
To describe objectives, Sayyidina Ali (RA) said, “The objective of the clouds is not the rain, rather it is the fruits to be produced” (Jabnoun, 1994). When a Muslim intends to do any task, the objectives of doing that task should be very clearly specified and well known to the doer. As Allah (swt) mentions in the Qur’an, “When Allah announced to the angels that He was about to create man and to establish him on earth as vicegerent for Him, the angels said: would you establish on earth a creature that sheds blood and works evil, while we adore you and praise you constantly? Allah answered: I have a purpose/objective which you do not know” (Al-Baqarah, 2:30).

If Allah (swt) wanted, He could easily create man and sent him on earth, but he did not do that. He announced that in front of the angels and said about His objective. So, very clear indication of this verse for man is that whenever man will do any task, it must have a clear objective and that objective must be very clear to the doer.

![Figure 2. Expansion of NAIS Cycle](image)

**Planning (takhteet)**

Planning wisely is an important task in Islam. If we look at the life of Prophet Muhammad (pbuh), we can see no haphazard and unplanned work; he has ever taken in his life. Qur’an tells us that Allah (swt) has created this universe according to His plan. The pathway of accomplishing a task in an organisation should be stated very clearly. Duties and responsibilities will be assigned without any hesitation and need to authorize the person according to the nature and requirement of the assigned task.

Again, if we look at the system of creation of Adam (AS) and sending him in the earth, we can observe that the whole process is a systematic way and the execution of a well-planned action. Since Allah (SWT) can create everything by uttering “Kun, fa ya kun”, the creation of mankind and sending them in the earth and His resorting to six days for the creation of whole world would be a hint of
planned activity. “Verily your lord is Allah, Who created the heaven and earth in six days” (Younus, 10:3).

Sayyidina Ali (RA) once said, “Plan your work daily, because every day comes with new concerns” (Alam, 1983). About planned activity, Sayyidina Abdullah Ibn Umar Faruq (RA) said, “You do the earthly activities in such a way that you will remain alive for ever and at the same time work for the hereafter in such a way that you will die soon” (Jabnoun, 1994).

Anal (Implementation of plan)

Education (at-ta’leem)

After making a proper plan, next step is to let the people know about their duties and responsibilities and at the same time, they should be known their authority how much they will exercise. At the very beginning of nobuwah, Prophet Muhammad (pbuh) was at the Cave of Hira Mountain. When he turned forty, the Angel Jibreel (AS) came and commanded him to read. Muhammad (pbuh) replied: “I cannot read”. Jibreel (AS) embraced him until he could not breathe, and let him go saying: “O Muhammad, Read”. Again Muhammad (pbuh) replied: “I cannot read”. Jibreel (AS) embraced him for the second time. He then ordered him to read for third time; when he did not, he embraced him tightly until he could not breathe, and then let him go saying: “O Muhammad, Recite with the Name of your Robb. Who created, created man, out of a (mere) clot of congealed blood: Proclaim! And your Robb is Most Bountiful” (Alaq, 96: 1-3).

It is very clear that whenever anybody is given any responsibility, he must also be taught regarding its way of execution.

Training (at-tadreeb)

Having duties, responsibilities and power, the people need to learn the operating system of the relevant tools, techniques and technology. After creating Adam (as), the first man, in the Qur’an, Allah (swt) says, “And He taught Adam the nature of all things; then He placed them before the angels, and said: “Tell me the nature of these if ye are right”” (Al-Baqarah, 2:31).

Angel Jibreel (AS) taught Prophet Muhammad (pbuh) how to pray (Salah) by praying with him. And Prophet Muhammad (pbuh) said his followers to follow him how and when he prayed. And also for the Muslim Ummah, there is one month (Ramadan) out of twelve in a year for training. So training is emphasized in Islam to carry out tasks effectively and efficiently.

Acquisition (at-tanfeej)

After proper education and training people, they need to be provided the required equipment and materials to accomplish the tasks. To provide them, the organisation must have to acquire those quality equipment and materials from available sources to do the tasks efficiently. In the life of Prophet Muhammad (pbuh), we can see that in any crisis moment, he used to accumulate the commodities and distribute them among the seekers. Before starting any battle, he started to accumulate the materials needed to conduct the battle and then distributed them among the fighters. So, it is observed that in Islam acquisition and distribution are emphasized.
Implementation (at-tisaab)

After acquisition of the supporting materials, the next step is to implement the plan. In this step, the doer must have to be very careful because the result of any task will depend upon the sincerity and efficiency of the doer at the time of doing the task. “By (the Token of) Time (through the ages), verily Man is in loss, except such as have Faith, and do righteous deeds, and (join together) in the mutual teaching of Truth, and of Patience and Constancy” (Al-Asr, 103:1-3).

Here it is clear that without implementing the plan, it will not carry any good to man. A number of related verses are there in the Qur’an where it is said that if anyone has good intention, s/he will get one benefit and if s/he implements that in action, will get double.

Recording (at-tasjeel)

Big and small, every task must be recorded when it is done, so that nothing will be missing at the time of counting and evaluating. It will help to audit properly, to reward or punish the doer rightly. As Allah says, “But verily over you (are appointed angels) to protect you, kind and honorable, writing down (your deeds): they know (and understand) all that ye do” (Al-Infitr, 82: 10-12).

“On that Day will men proceed in companies sorted out, to be shown the deeds that they (had done). Then shall anyone who has done an atom's weight of good, see it! And anyone who has done an atom's weight of evil, shall see it” (Al-Zilzal, 99:6-8).

“So, every individual should keep his/her own record so that he/she can realize the status of his/her activities and can improve it day by day. Along with the individuals, the organisations also have to record properly the activities of their employees so that the organisations can appraise their employees’ performance correctly with justice.

Ihtesab

Evaluation (at-taqeem)

The recorded results, in this step, will be collected and examined quantitatively as well as qualitatively. As Allah (swt) declared in the Holy Qur’an that every atom of good and bad deeds will be evaluated at the Day of Judgment and nobody will be exempted from that.

“(It will be said to him:) Read thine (own) record: Sufficient is thy soul this day to make out an account against thee” (Al-Isra, 17:14).

So, it is the indication here that people will evaluate their own works and superior will evaluate the subordinates’ works as it is and justice should prevail.

Comparison and Constructive Analysis (Muqarabatun wa tahleelubinna’)
After examining the outcomes, it will be compared with the objectives and plans. If there is a need of any analysis, that should be conducted in a constructive way. In Islam, everything is Allah’s concern and falls within the scope of the religious imperative. Allah (swt) describes the faithful as “The Believers, men and women, are protectors one of another: they enjoin what is just and forbid what is evil: they observe regular prayers, practise regular charity, and obey God and His Apostle. On them will God pour His mercy: for God is Exalted in power, Wise” (At-Tawbah, 9:71).

Still more directly, Allah (swt) also directs us to “Help ye one another in righteousness and piety, but help ye not one another in sin and rancour: fear Allah, for Allah is strict in punishment” (Mayadah, 5:2).

Prophet (pbuh) said, “Muslims are like mirror for each other, whenever he sees any wrong with others, it is his duty to remove it” (Tirmidhi). So, in every sphere of life, Muslims should cooperate with each other in good deeds and try to improve their activities by constructive analysis.

Identifying strong and weak points (tahdeedu nuqaatilquwati wadda’f)

SWOT analysis is needed to point out the strong points that will help the organisations to achieve their goals; and if there is failure to achieve the objectives and goals (set earlier), the reasons will be identified. Human beings are not perfect. They may have some weak points along with their strong ones. But, it is important to recognize the weak points as early as possible so that corrective measures can be taken to improve on those weaknesses.

Feedback (rududalfai’)

Every person has a right to know what he/she has done. In organisational context, if they did any good, they will be known and be rewarded; and if there is any wrong, they may need counselling and mentoring to improve the quality of their tasks. Nobody is responsible for the defaults of others. As Allah says, “Namely, that no bearer of burdens can bear the burden of another; that man can have nothing but what he strives for” (An-Nazm, 53: 38-39).

“(Then) shall each soul know what it hath sent forward and (what it hath) kept back” (Infitr, 82:5).

Shukr

Praise to Allah (shukr)

Shukr means giving thanks to Allah (swt). In every situation - good or bad, a good Muslim always pays thanks to Allah. Whenever he/she gets anything good, says ‘Alhamdulillah’ and whenever he/she faces any difficulties, says ‘Inna lillahi wa inna ilaihi rajaun’.

Allah says, “Any who is (so) grateful does so to the profit of his own soul: but if any is ungrateful, verily God is free of all wants, Worthy of all praise” (Luqman, 31:12).

In the organisations, there should be a culture to shukr Allah (swt) along with thanking their peers and superiors.

Seeking Forgiveness (al-istegfer)

Al-istegfer means to seek pardon for any mistake – intentional or unintentional. It demands that the person feels the mistake by heart, and make commitment not to commit the same mistake again.
Tawbah urges the individual to do more good work to compensate for the wrong he/she has done, in addition, he/she needs to abstain from doing wrong doings. As Allah (swt) says, “verily, if any of you did evil in ignorance, and thereafter repented, and amend (his conduct), lo! He is Oft-forgiving, Most Merciful” (Anam, 6:54).

According to the history and Qur’anic description, the Holy Prophets Adam (as), Younus (as), Musa (as) and Zakariyah (as), all did mistakes and also they were blessed by Allah (swt) because, they made tawbah and istegfer. Iblis (Satan) also did mistake but he did not make tawba, so he became Satan. Prophet Muhammad (pbuh) did not make any mistake in his life but always made istegfer because within tawbah/istegfer there is hidden prayer for seeking help of Allah. There are three conditions of accepting tawbah: i) Feeling by heart about the mistake, ii) Feeling of guilty for making mistake, and iii) Making commitment for not to do the same mistake in future. Allah (swt) says, “When comes the Help of God, and Victory, and thou dost see the people enter God's Religion in crowds, celebrate the praises of thy Lord, and pray for His Forgiveness: For He is Oft-Returning (in Grace and Mercy)” (Nasr, 110:1-3).

According to Islamic culture, there should be a practice of making istegfer properly, so that people do not commit the same mistake again and again and can gain for themselves and for the organisation recurrently.

Commitment for future (al iltijaamu minajli mustaqbil)

Having learnt from the past, the people, and the organisations as well, will have to be committed to do better in future accordingly. And this step again leads them to make a good niyah.

**DISTINCTION BETWEEN CONVENTIONAL AND ISLAMIC APPROACHES TO CONTINUOUS IMPROVEMENT**

The differences among the Islamic Approach and Conventional Approach to continuous improvement are stated in Table 1

**Table 1. Comparison of Islamic Approach and Conventional Approach to Continuous Improvement**

<table>
<thead>
<tr>
<th>Conventional Approach to CI</th>
<th>Islamic Approach to CI</th>
</tr>
</thead>
<tbody>
<tr>
<td>It focuses on a narrow area.</td>
<td>It focuses on a wider area.</td>
</tr>
<tr>
<td>It emphasizes only on the mundane world benefits.</td>
<td>It emphasizes benefits in both the worlds- here and hereafter.</td>
</tr>
<tr>
<td>Intention of the doer is not significant here.</td>
<td>Intention of the doer is vital and which is nothing but to satisfy Allah.</td>
</tr>
<tr>
<td>No provision here to <em>shukr</em> and <em>istegfer</em>.</td>
<td><em>Shukr</em> and <em>istegfer</em> are essential in Islamic approach. This is because, Muslims believe that without Allah (swt)’s help nothing is possible.</td>
</tr>
<tr>
<td>In conventional approach CI was developed by Imai in 1986 (Murry &amp; Chapman, 2003) and still growing.</td>
<td>It is as old as civilization and got maturity in the seventh century at the era of Prophet Muhammad (saw) and still green.</td>
</tr>
</tbody>
</table>
CONCLUSION

To make the conventional approach of continuous improvement more fruitful, PDCA/PDSA Cycle, Kaizen approach, JIT management, 5-S, Six-sigma and DEMAIC have been developed and the study is ongoing. Organisations are more concerned about to learn and practise those approaches to improve quality continually. But in case of Islamic approach, till now, no supporting model has been developed regarding this particular issue to practise in the organisations. In the present paper, the researchers have taken an initiative to draw a model of practising continuous improvement principle of TQM from Islamic point of view named NAIS Cycle, which is also an inseparable part of Shariah Compliance Management. To implement this model, a group of people (basically top level) from the organisations will be trained first about the implementation process of the model. Then those trained group members will be able to train other members of their respective areas of responsibilities. After developing the model, the next step is to test the practicability of this model in the organisations. Future researchers may take the opportunity to conduct a study on the same.

REFERENCES


Chapter #--- 3

Adoption of E-Learning in Tourism and Hospitality Training in Kenyatta and MOI Universities

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ABSTRACT

The use of Information Communication Technology (ICT’s) has permeated every aspect of human life, in education, health, financial, governance and entertainment sectors. ICT has increased the supply of information and overcome the constraints of distance and geographical barriers making the world a Global Village. However, as an emerging current delivery approach that augments learning experiences by integrating multimedia and network technologies, effective use of the method along with instructor attitudes, e-learning facilities particularly in Kenyatta and MOI Universities remains a challenge. The purpose of this study was to examine the extent to which e-learning has been adopted as a mode of delivery in two public Kenyan Universities. The objectives were to establish the extent of adoption of e-learning in the teaching of tourism and hospitality programs in Kenyatta and MOI Universities, and establish challenges facing the implementation of e-learning in the teaching of Tourism and Hospitality programs. The study was guided by Diffusion and Innovation theory. A sample size of 120 students and six key informants Directors Institute of Open and Distance Learning (IODL), ICT and the Deans from the two Universities were used in the study using questionnaire surveys and interview.
Both purposive and stratified sampling techniques were used to select the respondents’ students and staff. Data was analyzed using Statistical Package for Social Sciences (SPSS) where descriptive and inferential tests were undertaken including percentages, t-tests and chi squares tests to compare between variables. The results showed that adoption of e-learning in the teaching of tourism and hospitality was effective, accurate, relevant information and provision of adequate e-learning materials, easy login and access to modules and communication online has helped learning experience. In conclusion, the adoption of E-Learning in the teaching of tourism and hospitality is a crucial issue in the world today. Key recommendations include embracing e-learning for both staff and students and development of ICT infrastructure to benefits from this unique digital technology in Kenyan universities.

Keywords: e-learning, Hospitality Industry, Tourism, diffusion and innovation theory

INTRODUCTION

The development of skills within Kenya’s tourism sector is important for both economic and social reasons (Chan & Kuok, 2011). Improving the skills and knowledge of the workforce can assist tourism competitiveness and help to establish and maintain a viable industry that is closely related to local and international needs. Information communication technologies (ICTs) can thus act as fundamental driver for tourism-driven development in developing as well as in developed countries. The significance of ICTs is realized in many aspects such as improved access to learning by all (Kaino, Iwai, Kenichiro, Homma, & Jianing, 2012), creation of conducive learning environment quality of knowledge delivery, expanded secondary and post-secondary education and reduction of expenditure on training. Thus University research has a potential in the contribution to achievement of Millennium Development Goals such as Education for All (EFA) and expanded access to secondary, vocational and higher education (Lahti, Hätönen, & Välimäki, 2014b).

There has been an unprecedented growth in demand for university education in Kenya; unparalleled anywhere in the East African region. A large number of people are enrolling for university education today than any other time in the recent past (Makokha & Mutisya, 2016). Thus, the demand for university education continues to surpass the supply. Among the measures public universities are putting in place to cope with increasing demand for higher education and enrol more students is a change in the method of delivery of content from the traditional face-to-face (F2F) to e-learning, which involves the use of computer and network-enabled transfer of skills and knowledge. E-learning is preferred because it is flexible and suited to distance learning.

ICT technologies provide a distinct advantage to e-learning by revolutionizing every aspect of the learning. (Wanjala, Khaemba, & Mukwa, 2011) advise institutions to adopt ICT utilization in education because these technologies have been recognized worldwide as tools that facilitate and enhance the teaching and learning process through various ways like providing universal access to learning resources. Adoption and use of ICT in Universities can promote collaborative, active and lifelong learning, increase students’ motivation, offer better access to information and shared working resources, deepen understanding, help students think and communicate creatively (Khan, Hasan & Clement, 2012). (Tarus, Gichoya, & Muumbo, 2015) point out that e-learning has become the protagonist for change in education sector. Thus, stark ultimatums continue to be made by education technologists that universities must either ‘transform or die’ in the face of technological progress (Tarus, Gichoya, & Muumbo, 2015) points out that promoting e-learning provides a potential and comparative
ladder for developing countries to leapfrog to the knowledge economy. It is seen as a cost effective approach to facilitating learning to large groups using information and communication technology.

The trend towards virtual applications gamifications, social collaborations and bite-size E-learning indicates a shifts away from traditional, text-heavy courses to a more dynamic, fun learning experience containing fewer limitations and greater opportunities for engagement and participation, thus incorporating these trends into traditional training methods (McMurray, Horst, & Samuelson, 2012).

The emerging E-learning environment as one that is “adapted and developed for intellectual partnership”, suggesting that rich learning activities allow students to learn with computers according to (Okafor, 2017). This is to make E-learning experience richer, engaging and more interactive and that it provides faster learning at reduced costs, dramatically expands access to learning, and assures clear accountability for all parties in the learning process. Tools that are coupled to digital information and support the possibility of designing real-world objects and physical structures on which the learner later will reflect. Significantly, these technologies and platforms encourage new forms of learning. For example, students exchange knowledge via Facebook groups. Similarly, people share knowledge at no cost via YouTube videos which anyone anywhere in world can watch, so long as there is a stable internet connection to permit it. The new technology also boosts students’ ability to learn whenever and wherever they want.

Part and parcel to this advance is the proliferation of smartphones this, coupled with robust internet access, and helps explain why platforms like YouTube and Facebook are now daily visited by millions. Effective technology and changing customer needs are creating vibrant opportunities for University education, (e-Learning) Universities are striving to become a standout in the already highly competitive market (Urh, Vukovic, & Jereb, 2015).

While the benefits of ICT have been acknowledged there have been some constraints including access to computers (email and internet), affordability of computers and connectivity, telephone and electricity infrastructure, computer literacy and expertise (Urh et al., 2015). However, the main reasons behind the slow pace of adoption have been identified as lack of effective policies on ICT (Nadham& Sambaya, 2015). Many countries have outlined the significance of these technologies and much of these policies have remained on paper without committing enough resources to policies. The issue of utilizing a fraction of the capacity of existing ICT facility in developing countries has been noted in past studies (Okafor, 2017).

E-learning provides a distinct advantage to e-learning by revolutionizing every aspect of the learning. Wanjala, Khaemba and Mukwa (2011) advise institutions to adopt ICT utilization in education because these technologies have been recognized worldwide as tools that facilitate and enhance the teaching and learning process through various ways like providing universal access to learning resources. Adoption and use of ICT in Universities can promote collaborative, active and lifelong learning, increase students’ motivation, offer better access to information and shared working resources, deepen understanding, help students think and communicate creatively (Khan, Hasan& Clement, 2012). E-learning has become the protagonist for change in education sector. Thus, stark ultimatums continue to be made by education technologists that universities must either ‘transform or die’ in the face of technological progress (Tsegaye & Ababa, 2014). Points out that promoting e-learning provides a potential and comparative ladder for developing countries to leapfrog to the knowledge economy. It is
seen as a cost effective approach to facilitating learning to large groups using information and communication technology.

1.1 Evolution of E-learning

In the context of the wider education community, the use of the term E-learning has historically had wider connotations that embrace a diverse range of practices, technologies, and theoretical positions. It is not only focused on online contexts, and includes the full range of computer-based learning platforms and delivery methods, genres, formats and media such as multimedia, educational programming, simulations, games and the use of new media on fixed and mobile platforms across all discipline areas. It is often characterized by active learner-centred pedagogies (Fernández-Manjón, Sánchez-Pérez, Gómez-Pulido, Vega-Rodríguez, & Bravo-Rodríguez, 2007).

Since its inception, E-learning has assimilated a diverse range of pedagogical practices, but the defining aspect of E-Learning the trend towards collaborative online learning environments is not only a result of the increasing adoption of constructivist paradigms, but is also a consequence of the affordances of ubiquitous global networks that have facilitated the realisation of individualized learning and interpersonal interactivity on a large scale, perhaps far exceeding the expectations of in its scale and scope (Suppes and Bitzer, 1964, 1966, 1986). E-learning, however, became part of the classroom environment from the beginning. The early use of computers was geared to help the classroom instructor. Gradually, as more and more personal computers became available, the idea of online classes was explored by some pioneering colleges and universities.

Even though, with the involvement of electronically-based technological learning, E-learning started in the early 1960s. From the 1960s through to the early 1980s, technology was mostly used to replace existing one-to-one or face-to-face traditional classes. During the 1980s through to early 1990s a few different approaches were tried out but they did not survive long, as they only transferred existing paper-based teaching materials into digitally-based course formats such as cassettes, CDs and video (McDonald & McDonald, 2012). With the growth of the World Wide Web, advancements in network technologies clearly created an environment that the first wave of E-learning systems supported. For example, synchronous and live online discussions, which had not been possible before then, were of great use in technologically-based learning systems. Although the telephone line had almost replaced the offline types of collaborative paper-based discussions, the cost was usually a burden on the users of E-learning systems at both ends.

From 1994 to 1999, the development of E-learning systems with the support of internationally interconnected computers, the progression of multimedia and media players, the capabilities of streaming audio and video, and the use of email, which is counted as a major breakthrough in the use of technology in education, generated a vacuum for researchers in the field of instructional design to study further the use of hypermedia in the field of education. These studies guided the development of online learning environments into the second wave of E-learning systems (Wiley, 2000; Taylor, 2002). From 2000 to 2005, researchers studied, designed and developed hypermedia-embedded learner-centered and personalized E-learning environments which tried to get more involvement of learners learning styles into existing E-learning systems (Carver, 2014).
learning within institutions and the implications these origins have for E-learning development. Their research indicates four categories of institutions as illustrated below (Morris & Rippin (2002)).

Figure 1. Evolution of E-learning
Source: Thambala (2013)

Transforming education for future is an excellent introduction to how digital culture is influencing visions of education. The argument is that the current educational system exists to prepare people for the 21st century and beyond, and that must be recreated in order to prepare students for the future. This goes beyond reading, writing, math, and science. It explores the role of digital literacy; critical thinking and problem solving; and new approaches to collaboration, communication and creation.

Thus e-learning will provide avenues for human development and bridges the digital divide thus enabling participants to fit in the global economy and to be up to date with the advanced countries, by availing educational opportunities, providing access to quality open educational resources and allowing equitable access to information, which helps to foster information exchange and sharing. To enables lecturers to invest in more innovative teaching, whereas students are active in their own learning thus bridging the gap between the learner and facilitator, which help to improve the teaching methods and reduce pressure on resources (Owino, Ogachi, & Olel, 2011).

1.2 E-learning system as Social entity

Social learning is learning that takes place through social interaction between peers and it may or may not lead to a change in attitudes and/or behavior. More specifically, to be considered social, a process must; demonstrate that a change in understanding has taken place in the individuals involved; demonstrate that this change goes beyond the individual and becomes situated within wider social units or communities of practice; and occur through social interactions and processes between actors within a social network (Reed et al., 2010).
1.3 E-Learning system as a technical entity

As mentioned in social issues, there are technical issues such as system quality and internet quality that have a significant effect on the effectiveness of an E-learning system. Quality has two components, the E-learning software and the peripherals, like hardware, the software while quality involves stability, security, reliability, pace, responsiveness, ease of use, user-friendliness, well organized design and personalization. The quality of the peripherals involves wellness of microphones, earphones, electronic blackboards, electronic mail, online threaded discussion boards, synchronous chat, and desktop video-conferencing. The higher the quality and reliability of used technology, the higher the learning effects will be. Content quality in E-learning depends on how well the learning setup is designed and managed. Learners place great value on content where content is well organized, effectively presented, interactive, clearly written, in the right length, useful, flexible, and provide appropriate degree of breath (Sejzi & bin Aris, 2012). Their study highlighted the importance of up-to-date and usefulness of the content. In addition, effective course management, for example by processing students’ marks in time, making necessary announcements on time, pre-defined structured exam evaluation criteria, enables learners to feel more comfortable with the course content, resulting in higher retention and satisfaction rate (Leimeister & Balaji, 2015).

1.4 The demand-driven E-learning model

Although this model is based on the technology learning management system vendors’ model of technology, content and service, the technology is seen as support or a tool to achieve the desired learning outcomes in a cost-effective way (Figure 2.1). The primary purpose of the model is to encourage academics to take a proactive role in the development and use of emphasizes the three consumer demands: high quality content, delivery and service. Delivery is web-based and the interface of E-learning programs should be user-friendly with communication tools to support interactivity. Service should include the provision of resources needed for learning as well as any administrative and technical support needed. Source: Morris & Rippin (2002)

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Other issues when delivering courses via an E-learning can be grouped under service quality, which includes administrative affairs such as, student tracking, course/instruction authorization, providing E-learning design tools, course management, budgeting, institutional funding and resources for delivering and maintenance. Technology drivers, pedagogical advances and changing learning patterns, the demands of corporate training and the business aspect of E-learning as windows of opportunities are determining factors. Therefore, E-learning represents the convergence of many factors from different fields, for example technological drivers, changes in society, changing corporate training and the new learning paradigm which describes the shift from training to learning (Bates, 2005).

1.7 The demand-driven E-learning model

![Figure 3. The demand-driven learning model](source: Cook & Triola, 2014)
Although this model is based on the technology learning management system vendors’ model of technology, content and service, the technology is seen as support or a tool to achieve the desired learning outcomes in a cost-effective way (Figure 3). The primary purpose of the model is to encourage academics to take a proactive role in the development and use of emphasizes the three consumer demands: high quality content, delivery and service (Content) should be comprehensive, authentic and researched. Delivery is web-based and the interface of E-learning programs should be user-friendly with communication tools to support interactivity. Service should include the provision of resources needed for learning as well as any administrative and technical support needed.

As technology is fundamental to E-learning, this model provides a valuable framework for understanding the importance of investing in ICT infrastructure to support content, delivery and service. However, this model also highlights the importance of realizing the changing needs of learners and their employers and the pedagogical changes that must be made to content and services to meet these needs.

### 1.8 Virtual Universities

The term "virtual university" is often not clearly defined and is used to refer to both "conventional" campus-based universities offering online courses ("hybrid" institutions, "brick-and-mortar") and virtual universities in a "pure" form in the sense that all their activities are delivered online via the Internet. A virtual university may be defined as an institution which is involved as a direct provider of learning opportunities and uses the internet to deliver its programs and courses while receiving tuition support (De-Marcos, Domínguez, Saenz-de-Navarrete, & Pagés, 2014). Virtual universities belong to the academic sector, are often accredited and their core activities are the same as those of conventional universities. The business actors are the universities and their students, privately employed people, who are mainly studying part-time. The benefit for the universities is that they can unite the whole program of conventional universities under one "virtual roof". Students benefit from virtual universities because they can learn anytime and anywhere in a very flexible way to guarantee their continuing professional education and thus embracing adoption at the point of interaction.

E-learning environments guarantee access to digital libraries and to student teams and tutors to support their learning processes. Sources of revenues are similar to traditional universities and are mainly universities fees and tuition fees for online courses. The purpose of this research is to develop a comprehensive E-learning assessment model using existing literature as a base, to identify gaps opportunities and how these can be utilized to enhance and adopt technology in teaching tourism and hospitality courses in the Kenyan public Universities.

An interesting scenario will make extensive use of humor, imagination, reward, anticipation, or drama to enhance the activity. It will have topics and themes likely to be relevant and interesting to the target audience. It will make the learning activity seem like an obvious or necessary thing to undertake, given the situation presented by the scenario. Designers of entertainment products have long understood this requirement, and the study of their techniques is of increasing interest to educators such as Gee. In his book What Video Games Have to Teach Us About Learning and Literacy (Gee, 2003) suggests that learners participate in extended engagement. For the effective design of E-learning materials, the target audience must be clearly identified in order to develop scenarios that are likely to engage and stimulate the learning.
1.9 Education and Training in Kenya’s Vision 2030

Under education and training, Kenya will provide globally competitive quality education, training and research to her citizens for development and enhanced individual well-being. The overall goal is to reduce illiteracy by increasing access to education, improving the transition rate from primary to secondary schools, and raising the quality and relevance of education. Other goals include the integration of all special needs education into learning and training institutions, achieving an 80% adult literacy rate, increasing the school enrolment rate to 95% and increasing the transition rates to technical institutions and universities from 3% to 8% (Kithae, Gakure, & Munyao, 2012).

Public and private universities will be encouraged to expand enrolment, with an emphasis on science and technology courses. Kenya intends to have international ranking for her Institutions achievement in mathematics, science and technology. The specific strategies will involve; (i) integrating early childhood into primary education; (ii) reforming secondary curricula; (iii) modernizing teacher training; and (iv) strengthening partnerships with the private sector. Kenya is develop key programs for learners with special needs, rejuvenate ongoing adult training programs, and revises the curricula of university and technical institutes by including more science and technology subjects. In partnership with the private sector, the Government will also increase funding to enable all these institutions to support activities envisaged under the economic pillar. Kenya aims to be a regional center of research and development in new technologies (GoK, 2012). ICT lecturer competency framework and e-resource center have been developed with the aim of expanding open and distance learning programs, develop a digital evaluation framework and integrate element of digital literacy in all curricula for higher institutions and TVET (Mwenzwa, 2014).

1.10 Feature of effective E-learning

To be effective, E-learning must meet certain criteria. As noted by (Angeliki, Asimina & Eleni, 2005), in general effective E-learning has the following characteristics: successful in reaching learning objectives, easy accessibility, consistent and accurate message, easy to use, entertaining. Memorable, relevant and reduced training costs.

The learning process is organized in a way that the individual takes on their studies in a self-paced manner. There is no rush in the program and therefore no pressure whatsoever as the student can fasten their studies or slow it down to their preference. Other than going in a manageable pace, there is also provision of self-direction so that the student can select what they want in the course. The program allows for choosing specific tools and content that is appropriate for the differing interests, levels and skills a student may have. With E-learning, there is also the privilege of choosing from different learning styles and picking from a variety of delivery methods. This is a great opportunity to students of different learning abilities to get effective teachings. In short, the learning process is made around the student. One other great feature of learning online is the fact that a student does not have to worry about any geographical barriers or constraints. This means that there is a more broad option for learning and access to the learning facilities is available full time. Scheduling and balancing between work and study can be made easy because there is an opportunity to attend classes on demand.
1.11 E-learning benefits

The primary purpose of any Institution/organization is to survive. In order to succeed in this effort, they all strive to utilize the most cost-effective and efficient methods. How best to address the training needs, as noted by (Allen, 2007). Reduced overall cost is the single most influential factor in adopting E-learning. The elimination of costs associated with instructor's salaries, meeting room rentals, and student travel, lodging, and meals are directly quantifiable. The reduction of time spent away from the job by employees may be the most positive offshoot. Learning times reduced by an average of 40 to 60 percent. (Amin & Garg, 2014).

Increased retention and application to the job averages an increase of 25 percent over traditional methods, according to an independent study by (Coleman, 2011). Consistent delivery of content is possible with asynchronous, self-paced E-learning. Expert knowledge is communicated, but more importantly captured, with good E-learning and knowledge management systems. Proof of completion and certification, essential elements of training initiatives, can be automated.

Along with the increased retention, reduced learning time, and other aforementioned benefits to students, particular advantages of E-learning include: on-demand availability enables students to complete training conveniently at off-hours or from home, self-pacing for slow or quick learners reduces stress and increases satisfaction, Interactivity engages users, pushing them rather than pulling them through training and confidence that refresher or quick reference materials are available reduces burden of responsibility of mastery.

1.12 Theoretical framework

A theoretical framework is a theory which answers the problem and why the used approach is a feasible solution. Furthermore, a theory is a basic explanation of some aspect of the natural world, an accepted knowledge applied in most circumstances to certain specific set of phenomena (Princeton University WorldNet, 2006). Several researchers have found out the importance of a scientific theory. Theory shows commonalities in phenomena that may be isolated. It helps in making predictions and controlling events; organizes isolated findings from different research studies into an explanatory framework and assists researchers to maintain consistency in field of study.

When the users are not capable of accessing the information they need in order to fill the gap or resolve a particular problem, the usage will be low and it will be high when the users are capable of manipulating the materials available for their use. People’s ability to access can limit the use of the technology and access to the E-journals available. This leads to the importance of training before the implementation of new technology or policy in every domain. Without this, they intended implementation of the innovation will fail.

1.13 Diffusion of Innovation Theory: Two Research Streams

Rogers (2003), who developed the first model of diffusion, defined diffusion of innovation as, the process by which an innovation is communicated through certain channels over time among the members of a social system. For its adopter, an innovation could be any idea, practice, or object that is perceived as new by an individual or other unit of adoption (Rogers, 2003). The diffusion process
Adoption of E-Learning in Tourism and Hospitality Training in Kenyatta and MoI Universities

consists of four key elements: innovation, the social system which the innovation affects, the communication channels of that social system and time (Rogers, 2003). As one of the most influential theories of communication in marketing, the focus of diffusion theory is on the means by which information about an innovation is disseminated. Although Rogers’ model is classic and widely established, it has several limitations regarding its predictive power related to the dissemination of an innovation (Bass, 1969). Bass, therefore, proposed the Bass model to explain his discovery that the number of adopters during a time period is almost identical to the number of sales throughout most of the diffusion process.

The model suggests that the number of adopters in a time period serves as a good proxy for sales. Thus, the Bass model has been revised and implemented in forecasting innovation diffusion in multiple fields (Drysdale, Flynt, & Hannon-Johnson, 2011). While the Bass model has potential to predict the distribution of the adoption curve, Rogers’ model serves as a comprehensive framework for understanding diffusion process of an innovation and its underlying factors driving the diffusion thus a suitable model in e-learning since it can be adopted as a new product and mode of delivery that can be effective, efficient and easy to deliver in well-established setup in form of E-learning.

1.14 Conceptual Framework

E-learning perspective builds on existing learning theories that emphasize in particular the relationships between the differing perspectives (Figure 1.4). The Internet supported learning environment allows in principle greater transferability of learning techniques and methods. All users including academic staff and students are able to access all learning content as a member of the learning community.

![Figure 4. The adoption of e-learning in universities](source: Researcher, 2018)
The dynamic and interactive nature of the web is realizing a shift in learning styles towards a more collaborative and interactive perspective.

**METHODOLOGY**

A table was used to determine the sample size that is widely used in research using the approach by (Krejcie & Morgan, 1970). This was applied to participants who use e-learning platform for learning and teaching Tourism program in the respective universities. A sample size of 160 was derived comprising of a total of 120 where 3rd and 4th year undergraduate students, 60 from each university, 10 masters students and 10 teaching staff was derived (Table 3.1). The researcher chose the undergraduate third and fourth years and masters students because the assumption of the study is that this group is better placed to experience the adoption of ICT.

Table 1. Sample Size of the respondents

<table>
<thead>
<tr>
<th>University</th>
<th>Undergraduate 3rd years</th>
<th>Undergraduate 4th years</th>
<th>Masters</th>
<th>Staff</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenyatta University</td>
<td>30</td>
<td>30</td>
<td>10</td>
<td>10</td>
<td>80</td>
</tr>
<tr>
<td>Moi University</td>
<td>30</td>
<td>30</td>
<td>10</td>
<td>10</td>
<td>80</td>
</tr>
<tr>
<td>Total per University</td>
<td>60</td>
<td>60</td>
<td>20</td>
<td>20</td>
<td>160</td>
</tr>
</tbody>
</table>

2.1 Criteria for Recruiting Respondents

Generally, the research participants were required to meet the following requirements aimed to ensure that they were sufficiently familiar with their working environment in terms of being technology savvy, the Technical personnel who supports and maintains the E-learning platform, teaching staff and students who in one way or the other have interacted with the platform in their respective institutions. Secondly, participants were conversant with the actual daily activities involving e-learning platform as a means to disseminate knowledge. Thirdly, those participants were actively involved in training, maintenance and applicability of the E-learning facilities in their respective universities.

2.2 Data collection

Information from university administrators on developments, available students, facilities, and challenges in offering e-learning was obtained by direct interview. Information from lecturers and students in e-learning was obtained by administering lecturers’ and students’ questionnaire respectively and interview schedules arranged and grouped accordingly to individual research questions. Data from the questionnaire were then entered into appropriate categories in the computer worksheet using the statistical Package for social sciences (SPSS) version 20 and Microsoft Excel. Frequencies, percentages and cross-tabulation were then used to analyze data. Information from the interview schedule was interpreted as per the study objectives.
RESULTS

From the study as shown in the Table the study population comprised of 4.1, 52.1% of students from MOI University and 47.9% from Kenyatta University and this did not differ between the respondents ($\chi^2=0.207$, $p=0.649$). Concerning gender, 51.2% were males and 48.8% were females and this did not vary between the respondents ($\chi^2=0.074$, $p=0.785$).

Table 2. Demographic information of the respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Chi square</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Institution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moi University</td>
<td>63</td>
<td>52.1</td>
<td>0.207</td>
<td>0.649</td>
</tr>
<tr>
<td>Kenyatta University</td>
<td>58</td>
<td>47.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>59</td>
<td>51.2</td>
<td>0.074</td>
<td>0.785</td>
</tr>
<tr>
<td>Female</td>
<td>62</td>
<td>47.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Highest level of education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td>33</td>
<td>27.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelors</td>
<td>84</td>
<td>69.4</td>
<td>81.338</td>
<td>0.001</td>
</tr>
<tr>
<td>Masters</td>
<td>4</td>
<td>3.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 - 30 years</td>
<td>49</td>
<td>40.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 - 40 years</td>
<td>41</td>
<td>33.9</td>
<td>4.033</td>
<td>0.133</td>
</tr>
<tr>
<td>41 - 50 years</td>
<td>31</td>
<td>25.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Marital status</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>74</td>
<td>61.2</td>
<td>6.025</td>
<td>0.014</td>
</tr>
<tr>
<td>Married</td>
<td>47</td>
<td>38.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total income level per month</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than Kshs. 10,000</td>
<td>40</td>
<td>33.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kshs. 10,000 - Kshs. 20,000</td>
<td>32</td>
<td>26.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kshs. 20,001 - Kshs. 30,000</td>
<td>23</td>
<td>19.0</td>
<td>35.157</td>
<td>0.001</td>
</tr>
<tr>
<td>Kshs. 40,001 - Kshs. 50,000</td>
<td>1</td>
<td>0.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above Kshs. 50,000</td>
<td>25</td>
<td>20.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Area of specialization</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>33</td>
<td>27.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Relation</td>
<td>8</td>
<td>6.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tour operations</td>
<td>14</td>
<td>11.6</td>
<td>14.342</td>
<td>0.002</td>
</tr>
<tr>
<td>Tourism</td>
<td>57</td>
<td>47.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wildlife</td>
<td>9</td>
<td>7.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher, 2017

On the highest level of education, majority (69.4%) of the students had diploma while 27.3% had bachelors and masters had 3.3% and this varied significantly between the respondents ($\chi^2=81.338$, $p=0.001$). On age, majority (40.5%) of the students were in the age category of 18 – 30 years and 31 –
40 years and 41 – 50 years were 33.9% and 25.6%, respectively and this did not vary between the respondents ($\chi^2=4.033, p=0.133$).

From the study, majority (61.2%) of the respondents were single and married were 38.8%. The marital status of the respondents varied significantly ($\chi^2=6.025, p=0.014$). On the total income level per month, less than Kshs. 10,000 had 33.1%, Kshs. 10,000 - Kshs. 20,000 had 26.4%, Kshs. 20,001 - Kshs. 30,000 had 19.0%, Kshs. 40,001 - Kshs. 50,000 had 0.8% and above Kshs. 50,000 had 20.7% and this varied significantly between the respondents ($\chi^2=35.157, p=0.001$). This meant that a majority of the respondents earned less than Kshs. 10,000. On the area of specialization, communication had 27.3%, public relations had 6.6%, tour operations had 11.6%, tourism had 47.1% and 7.4% and this varied significantly between the respondents ($\chi^2=14.342, p=0.002$).

2.4 Extent of adoption of e-learning in the teaching of tourism and hospitality programs

On adoption of e-learning in the teaching of tourism and hospitality, majority (72.7%) of the students disagreed that there is an effective e-learning program and this varied significantly between the respondents (Table 4.2; $\chi^2=15.333, p=0.004$). Accurate and relevant information had disagree of 66.1% and this varied significantly between the respondents ($\chi^2=14.600, p=0.002$). Accurate and relevant information had 33.1% and this did not vary between the respondents ($\chi^2=3.333, p=0.504$). Provision of adequate e-learning materials had 27.3% of the respondents strongly disagreeing and this did not vary between the respondents ($\chi^2=2.000, p=0.736$). Easy login and access to modules had 27.3% strongly disagreeing and this did not vary significantly between the respondents ($\chi^2=2.123, p=0.706$). Whether communication online has helped learning experience had 33.1% strongly disagreeing and this did not vary between the respondents ($\chi^2=3.454, p=0.456$).

Table 3. Adoption of E-learning in the teaching of tourism and hospitality programs

<table>
<thead>
<tr>
<th>Adoption of E-learning</th>
<th>SA% (f)</th>
<th>A% (f)</th>
<th>N% (f)</th>
<th>D% (f)</th>
<th>SD% (f)</th>
<th>$\chi^2$</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective e-learning program</td>
<td>5.8 (7)</td>
<td>14.0 (17)</td>
<td>7.4 (9)</td>
<td>60.3 (73)</td>
<td>12.4 (15)</td>
<td>15.333</td>
<td>0.004</td>
</tr>
<tr>
<td>Accurate and relevant information</td>
<td>5.8 (7)</td>
<td>21.5 (26)</td>
<td>6.6 (8)</td>
<td>66.1 (80)</td>
<td>0 (0)</td>
<td>14.600</td>
<td>0.002</td>
</tr>
<tr>
<td>E-learning systems have links</td>
<td>5.8 (7)</td>
<td>27.3 (33)</td>
<td>33.1 (40)</td>
<td>20.7 (25)</td>
<td>13.2 (16)</td>
<td>3.333</td>
<td>0.504</td>
</tr>
<tr>
<td>Provision of adequate e-learning materials</td>
<td>5.8 (7)</td>
<td>21.5 (26)</td>
<td>19.8 (24)</td>
<td>25.6 (31)</td>
<td>27.3 (33)</td>
<td>2.000</td>
<td>0.736</td>
</tr>
<tr>
<td>Easy login and access to modules</td>
<td>5.8 (7)</td>
<td>26.4 (32)</td>
<td>19.8 (24)</td>
<td>20.7 (25)</td>
<td>27.3 (33)</td>
<td>2.123</td>
<td>0.706</td>
</tr>
<tr>
<td>Communication online has helped learning experience</td>
<td>5.8 (7)</td>
<td>26.4 (32)</td>
<td>13.2 (16)</td>
<td>21.5 (26)</td>
<td>33.1 (40)</td>
<td>3.454</td>
<td>0.456</td>
</tr>
</tbody>
</table>

Source: Researcher, 2015. (SA=Strongly Agreed, A=Agreed, N=Not sure, D=Disagree and SD=strongly disagree)
Challenges facing the implementation of e-learning in the teaching of tourism and hospitality programs

The respondents were inquired on the challenges facing the implementation of E-learning in the teaching of Tourism and Hospitality programmes (Table 4.4). Lack of technical facilities had 41.3% and this varied significantly between the respondents ($\chi^2=5.333$, $p=0.255$). Lack of adequate space for learning had 33.9% and this varied significantly between the respondents ($\chi^2=2.000$, $p=0.736$).

Lack of sufficient access points had 54.5% agreeing and this varied significantly between the respondents ($\chi^2=7.667$, $p=0.053$). Unreliable technology had 40.5% of the respondents agreeing with the issues and this varied significantly between the respondents ($\chi^2=15.333$, $p=0.004$). Lack of enough system security had strongly agreeing 26.4% and this did not vary between the respondents ($\chi^2=0.667$, $p=0.995$). Low bandwidth had 32.2% of the respondents strongly agreeing with the issues. The findings of the study reveal that lack of sufficient access points stood out as the main challenge facing the implementation of e-learning in the teaching tourism and hospitality programs.

Table 4. Challenges facing the implementation of e-learning in the teaching

<table>
<thead>
<tr>
<th>Challenges facing the implementation</th>
<th>SA% (f)</th>
<th>A% (f)</th>
<th>N% (f)</th>
<th>D% (f)</th>
<th>SD% (f)</th>
<th>$\chi^2$</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of technical facilities</td>
<td>27.3 (33)</td>
<td>41.3 (50)</td>
<td>12.4 (15)</td>
<td>5.8 (7)</td>
<td>13.2 (16)</td>
<td>5.333</td>
<td>0.255</td>
</tr>
<tr>
<td>Lack of adequate space for learning</td>
<td>12.4 (15)</td>
<td>33.9 (41)</td>
<td>22.3 (27)</td>
<td>18.2 (22)</td>
<td>13.2 (16)</td>
<td>2.000</td>
<td>0.736</td>
</tr>
<tr>
<td>Lack of sufficient access points</td>
<td>0.0 (0)</td>
<td>54.5 (66)</td>
<td>26.4 (32)</td>
<td>5.8 (7)</td>
<td>13.2 (16)</td>
<td>7.667</td>
<td>0.053</td>
</tr>
<tr>
<td>Lack of enough system security</td>
<td>26.4 (32)</td>
<td>22.3 (27)</td>
<td>19.8 (24)</td>
<td>12.4 (15)</td>
<td>19.0 (23)</td>
<td>0.667</td>
<td>0.995</td>
</tr>
<tr>
<td>Low bandwidth</td>
<td>32.2 (39)</td>
<td>28.1 (34)</td>
<td>20.7 (25)</td>
<td>5.8 (7)</td>
<td>13.2 (16)</td>
<td>3.333</td>
<td>0.504</td>
</tr>
<tr>
<td>Unreliable technology</td>
<td>25.6 (31)</td>
<td>40.5 (49)</td>
<td>7.4 (9)</td>
<td>0.0 (0)</td>
<td>13.2 (16)</td>
<td>5.333</td>
<td>0.255</td>
</tr>
</tbody>
</table>

2.5 Discussions

Adoption of E-learning in the teaching of tourism and hospitality programs

On adoption of E-learning in the teaching of tourism and hospitality, there was effective E-learning program, accurate and relevant information, accurate and relevant information, provision of adequate e-learning materials, easy login and access to modules and communication online has helped learning experience. This is in agreement with findings by Panayiotou (2012) which states that E-learning has been identified as a key source of competitive advantage for businesses, especially for the hotel and tourism industry, which relies upon people to provide services. The need to reduce costs and increase quality, has demonstrated e-learning technology’s importance on training personnel. E-learning...
technology in tourism sector is associated with knowledge being delivered online to learners who in this case are the employers and employees of the enterprise (Panayiotou, 2012).

There are several barriers that can impede the adoption of e-learning in higher learning institutions. (Kisanga & Ireson 2015), the barriers of adoption of e-learning include poor infrastructure, financial constraints, inadequate support, lack of e-learning knowledge and teachers’ resistance to change.

CONCLUSIONS

In conclusion, the adoption of e-learning in the teaching of tourism and hospitality is an important issue in the contemporary world. The effective e-learning program, accurate and relevant information, provision of adequate E-learning materials, easy login and access to modules and communication online has helped learning experience were issues that were posed to the respondents.

Moreover, on the stakeholder aspirations on the use of e-learning as a mode of instruction in the teaching of Tourism and Hospitality Programs, e-learning will make studying easier, E-learning will make studying cheaper, e-Learning will increase interaction among students and will improve relationship between students and lecturers, e-Learning will link the university with other university and will increase the revenue of the university were issues in question.

Furthermore, on the attitudes and perceptions of tourism students towards E-learning, the availability of sufficient learning materials online, platform has increased student/lecturer instructiveness, the platform is user friendly, learning experience is flexible, bandwidth sustains all the online activities, convenience is an important feature of e-learning and e-Learning gives the opportunity to acquire new knowledge were issues at hand.

E-learning enables the development of knowledge of the internet and computers skill that will help learners throughout their lives and careers to successfully compute online of computer based courses builds self-knowledge and self-confidence and encourages students to take responsibility for the learning. Students can test out of or skim over materials already mastered and concentrate effort areas containing information and or skills this reduce time taken to complete a course and/or courses within the duration envisaged. Content is quickly and easily updated online, since materials are simply uploaded to a server. It can lead to increased retention and stronger grasp on the subject since many elements are combined in e-learning to reinforce the message, such as video, audio, quizzes interactions, there is also the ability to replay sections of training that might not have been clear for the first time during delivery of the lecture.

RECOMMENDATIONS

Policy recommendations

New developments in learning sciences and technologies provide opportunities to develop well-designed, learner-centered, engaging, interactive, affordable, efficient, effective, easily accessible, flexible, and meaningful e-learning environments. However, institutions development and deployment
of online programs should be increasingly interested in investigating the return-on-investment of their e-learning products. These institutions must use a comprehensive review system to get a real picture of what works, what doesn’t and where needs improvement (Khan, 2007). Future research must focus on developing new e-learning models that suitable for them. E-Learning players have developed mostly by deconstructing the traditional educational value chain.

From the research findings, the researcher recommends the following:

a) **Staff Training** – There should be the training of staff to ensure the adoption of eLearning.
b) **Provision of incentives** - Incentives should be availed to provide a better and friendly avenue for the adoption of eLearning.
c) **Development of ICT infrastructure** – there should be systematic and sustainable development of ICT infrastructures to ensure that eLearning is effectively and efficiently adopted.

The Universities should consider rolling out all courses online since student and lecturer have embraced the e-learning, e-learning infrastructure and technology and improve attitude of academic staff through training to sustain and improve adoption of E-learning in higher institutions.

**MANAGERIAL IMPLICATIONS**

1. **Organizes e-Learning content in one location.**
   Reduces the risk of losing important data and makes it easier to create your learning course. Students fraternity are able to access the information if the institutions adopts cloud-based learning management system since all the information is stored in a remote server.

2. **Provides unlimited access to e-learning materials.**
   The students has unlimited access to the information they require. The audience can access from anywhere through smartphones and tablets, the convenience allow users to develop skills and perfect work-related task thus convenient in different geographical zones.

3. **Easy to track learner progress and performance**
   The learning system gives the tutor the ability to track the progress of the learner and make modifications where necessary.

4. **Reduces Learning and development costs**
   Instructor travel costs are reduced the instructor does not have to necessarily travel to the institution the learners carry out all of the training online, Less printing of manuals. System can even reduce online training times, thanks to the fact that it gives online learners only the information they need in a direct and organized manner. Participate in interactive scenarios and simulations, and watch e-learning videos that highlight complex process or tasks.

5. **Keeps Organizations up-to-date with Compliance regulations**
   E-learning becomes an invaluable tool since it give the ability to add new compliance standards to online training course within a matter of munites, thus enabling corporare learners be aware of latest compliance rules so that the organisation can avoid costly penalties.
6. **Quickly and conveniently expands e-Learning courses.**
   Additional online modules can easily be integrated to the e-Learning course in order to update information based on new trends or scientific evidence, you can simply login to the Learning Management System and make the necessary modifications without redoing your entire e-Learning course.

7. **Integrates social learning experiences**
   E-learning system easily integrates social learning into learning strategy. Since the system is already online one needs to only include the links to facebook and twitters pages, LinkedIn groups, and online forums that may be beneficial for learners.

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Chapter #--- 4

Impact of Relationship Marketing Practices on Customer Loyalty: A Case Study of Awash Bank Dire Dawa, Ethiopia

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ABSTRACT

Today, in this fast paced global environment marketing, practitioners around the globe agree that acquiring new customers alone is not fruitful for long term success, but sustaining the current customer ensures long term success. So, often pragmatic relationship marketing practice results in effective customer loyalty for banks as it is a way to sustain and increase sales and profits. Therefore, this research examined how the Awash Bank in Dire Dawa, Ethiopia uses relationship marketing as a competitive mechanism to gain customer loyalty. The main objective of this research is to examine customer’s perceptions and to investigate relationship marketing practice in its key components (trust, communication, commitment and bonding) by taking Awash Bank of Dire Dawa, Ethiopia as a case study. Descriptive cross sectional study was employed and simultaneously, Multiple Linear Regression Analysis was also used. The study was conducted in Awash Bank of Dire Dawa, Ethiopia. The study population was 384, who are customers of Awash Bank in Dire Dawa, Ethiopia. The findings of this research suggest that banks which desire to have a good quality relationship with customers should insist that their managers and staff act trustworthily, show strong commitment to service, communicate efficiently and reliably and pay much attention to existing bonding.

Originality / Value: This paper associates a significant body of literature within a customized research unifying practical framework and hence the title. (226 words)

Keywords: Trust, Commitment, Communication, Bonding, Loyalty, Relationships, Ethiopia.
INTRODUCTION

In the present globalized economic scenario, there is heavy competition whatever may be the sector we take. Due to excessive competition, all sectors, either in manufacturing industries or in service sector, need customer relationships to be maintained in order to secure continued patronage or loyalty. Therefore, it is very clear without loyal customers or consumers, it is almost impossible to survive in the present worldwide sectors either in manufacturing or service sectors. As per this author’s narration on this subject matter in his wider experience is of the opinion that there is genuine need to understand that banking sector is also not immune to competitive forces as this sector comes under financial or banking services. Authors also opines that, unless these service providers maintain sustainable customer relationships with the present as well as potential customer (Kameswara Rao Poranki, 2017).

It means the author is of the opinion that he is relating sustainable customer relationships and relationship marketing as the key for the sustained profitability of the service providers. Thus, coming to the banking environment, relationship marketing is a very powerful tool to gain and keep the customers. Interestingly, the main goals of relationship marketing are enhancing good relationship between customer and organization and converting indifferent customers into loyal ones. These authors have pointed out that relationship marketing represents a dramatic change in buyer-seller interactions from the previous transaction-based marketing that focused on a single transaction. Then a study by Chen (2003), identified that from a customer’s perspective, well-implemented Relationship Marketing can offer a greater opportunity for effective customer interface that enables customization and personalization. According to a company’s perspective Lovelock (2007) suggests that relationship marketing allows a company to better understand customer value, segment and tier its customer base, better target promotions and cross-selling and even implement alert systems that signal danger of customer defection. Another interesting study by Clow (2003), affirms that profitability is closely related with customer’s retention. He has explained that the longer a bank can retain a customer, the greater will be the revenue and cost savings from that customer. Customer loyalty is an important factor that contributes to an organization’s earnings and profits. Strikingly, the banks are competing with each other to gain a great slice of the market share with the globalization effect. Therefore, this research paper is going to explore how Awash Bank in Dire Dawa used relationship marketing as a competitive weapon to gain customer loyalty and what effect it will have on the bank.

STATEMENT OF THE PROBLEM

In today’s fast paced global banking environment, more competition requires more performance which pin points the need to develop strong relationship (Rechheld &Sasser, 1990). Customer loyalty is considered as the backbone for firms and has several values. Some studies have confirmed this finding. For example Ndubisi (2004) has shown that the cost of serving one loyal customer is five to six times less than the cost of attracting and serving one new customer. Furthermore, (Sasser 1990) found that when a company retains just 5% more of its customers, profits could increase by 25% to 125%. Recently, the banking sector in Ethiopia has witnessed many changes. Over the past few years, Ethiopian banking environment is showing a quick change and development in the area of deregulations. Technology for providing services and setting growth objectives, have experienced a new kind of competition (NBE, 2010).Taking into consideration the preceding discussion and the subsequent benefits that can be obtained from customer loyalty and RM, research still to be has conducted to obtain evidence on the effects of relationship marketing and customer loyalty in the banking industry of Ethiopia especially in Dire Dawa setting. Therefore, it is important, to examine the actual effects of relationship marketing
dimensions such as trust, commitment, bonding, and communication to ensure customer loyalty in Awash Bank in all Dire Dawa Branches. Such understanding or finding will help banks to establish better practice of customer relationship and achieve the higher level of loyalty among customers. Finally, in doing so, the research is expected to answer the following questions:
- To what extent relationship marketing influences on customer loyalty?
- Which selected relationship marketing dimensions can highly affect customer loyalty?

**OBJECTIVES**

1. To assess the effect of relationship marketing practices on customer loyalty in Awash International Bank, Dire Dawa Branch.

2. To examine the existing relationship marketing practice of Awash international bank, Dire Dawa

3. To assess the association between relationship marketing dimensions and customers loyalty in Awash Bank.

4. To identify which relationship marketing dimension is most important to determine customer loyalty in Awash International Bank, Dire Dawa.

**SIGNIFICANCE AND SCOPE OF THE STUDY**

With our primary understanding that the Relationship marketing (RM) has become a strategic imperative for all companies. Its effective implementation can increase customer satisfaction, loyalty and retention and so, overall sales and repeat purchases. We the authors of this research paper have focused on the results which are providing assistance to banking companies’ management to better satisfy its customers, respond to their needs efficiently and on timely manner. The scope of this research study is includes target groups of population which are taken from customers list of the selected private banks. The authors who have taken the sample size have done so by using the formula from published article that is relevant to this study. Depending on the nature of the research, the study would limit to the selected bank of ‘Awash Bank’ in Dire Dawa city. The bank was selected for the study because there are number of customers when compared to other private banks in Dire Dawa, Ethiopia. There are certain limitations in this research as the data analyzed were collected from only one private bank namely Awash Bank, which are functioning in Dire Dawa city.

**Key Terms:** Relationship marketing is a philosophy of doing business - a strategic orientation that focuses on keeping and improving current customers rather than on acquiring new customers (Zeithaml and Bitner, 2003).

- **Trust:** is partners 'confidence in an exchange partners reliability and integrity (Morgan and Hunt, 1994).
- **Commitment:** is an enduring desire to maintain a valued relationship (Morgan and Hunt, 1994).
- **Communication:** is the amount, frequency, and quality of information shared between exchange parties (Palmatier, 2008).
- **Bonding:** bonding is defined as the dimension of a business relationship that results in two parties (the customer and the supplier) acting in a unified manner toward a desired goal. (Taleghaniet.al.,2011)
Customer loyalty: - is a buyer's over all attachment or deep commitment to a product, service, brand, or organization (Oliver, 1999).

**REVIEW OF LITERATURE**

**Relationship Marketing:** Relationship marketing strategy adopting a relationship-based approach to marketing to increase customer loyalty and retention due to increased competition, changing trends of customer demand and advancement in Information Technology (Chen & Popovich (2005)). Relationship marketing has emerged over the years as an exciting area of marketing that focuses on building long-term relationships with customers and other parties. Customer relationship marketing management is moving to become an integral part of the marketing management function (Aaltonen, 2004). A recent study by Hougaard and Bjerre (2009) also defined relationship marketing as “company behavior with the purpose of establishing, maintaining and developing competitive and profitable customer relationship to the benefit of both parties”. The concept of relationship marketing goes beyond transactional exchange based on the intention of organizations to deliver superior value by emphasizing customers' perspectives as the focal point of relationship building activities. Relationship marketing implies that consumers enter into relational exchanges with organizations only when they think that the benefits derived from such relational exchanges exceed the costs (Hunt et al. 2006). By building and maintaining strong and profile relationship with customers, organizations also gain valid information source for effective marketing intelligence in order to formulate marketing strategies for their target market. Customer Loyalty is central to the relationship marketing. Relationship marketing by design will not guarantee long lasting customer relationship; in fact, customers would demonstrate relationship with varied closeness and intensity. In order to develop effective relationship marketing strategies, organizations should improve customers' perceived benefits of getting into relationships (O'Malley and Tynan, 2000). Another view by Gilbert and Choi (2003), RM is about mutually beneficial relationships between customers and service providers. In the exchange process, its economic nature is manifested in goods, services, delivery systems, financial solutions, material administration and the transfer of information.

**Relationship marketing and customer loyalty**

Multiple evidences considered that the final purpose of relationship marketing is to gain the maximal value of a customer, customer loyalty should be emphasized to achieve this goal (Ndubisi and Chan, 2005; Ndubisi, 2007). It is explained that RM brings stability and decreased uncertainty to the company by acting as a barrier to competitor entry and by keeping a stable and solid base of customers (Newell, 2009). As Otim and Grover in (2006) revealed, close and long-term relationships with the banks customers yield three types of benefits: 1) psychological or social benefits (familiarity, friendship and information-sharing), 2) economic benefits (discount or other money-saving benefits) and 3) customization benefits (tailor-made services/products). Relationship marketing orientation measures the extent to which a company engages in developing a long term relationship with its customers. Relationship marketing orientation is a multi-dimensional constructs consisting of four behavioral components: Trust; Commitment; Communications; Bonding.

**Relationship marketing dimensions: Trust:** Trust is important because it provides a basis for future collaborations, Morgan and Hunt, (1994) define trust as a willingness to rely on an exchange partner in whom one has confidence. Trust ensures that the relational exchange is mutually beneficial, as
worthiness. The promise. Customers are likely to switch from one service provider to another in search for trust if they trust that service providers will meet their needs and provide what they promise. Customers are likely to switch from one service provider to another in search for trust worthiness. Therefore, banks should strive to win customers trust. In a study conducted by Shiferaw (2011) showed that, trust dimension and customers loyalty are correlated in a moderate relationship \( r = 0.624 \) and regression analysis also pointed out that 38.90% of customers loyalty is explained by trust. Therefore, trust was considered as predictors of customers loyalty and reported high level of significance \( p < 0.01 \). Researchers like (Shiferaw 2011) actually stress that in Bank services, trust is the basis for loyalty, and that the biggest cause of failure to retain customers and make them loyal is the lack of trust.

**Commitment:** Commitment is another important determinant of the strength of a marketing relationship, and useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Morgan and Hunt, 1994). If a firm is committed to a relationship with its customers, the customers are also likely to be committed to maintaining the relationship with that organization, thereby becoming loyal to it. Thus, customer loyalty can be explained to some degree by the extent to which the customers of a firm are committed to maintaining their relationship with that firm. Commitment is important to the study of relationships because it not only signals enduring stability at the conceptual level, but also serves as a reliable surrogate measure of long-term relationships at the operational and empirical level (Farrelly & Quester, 2003). Locally conducted study revealed that there is significant correlation between commitment dimension and customers loyalty \( r = 0.806 \) and also 64.9% of the variation in customer loyalty is explained by commitment. Therefore, it is the highest of all the independent variables in explaining customer’s loyalty. (Shiferaw, 2011). Therefore, commitment is central to all the relational exchanges between the firm and its various partners. As for commitment as a critical factor in building customer loyalty, consisting in the study of accommodating to customer’s needs, tailoring products to requirements, and being generally flexible in their customer relationships is needed Ndubisi (2007). He also indicated that banks should recognize the influence of service commitment in keeping loyal customers, and act accordingly. They must also show genuine commitment to customer relations. Morgan and Hunt (1994) viewed that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it.

**Bonding:** Bonding is defined as the dimension of business relationship that results in two parties (buyer and seller) acting in a unified manner toward a desired goal (Callaghan et.al., 1995). It is suggested that bonding leads to personal well-being; thus providing an additional motivation, over and above economic incentives, to develop and maintain relationships (Simon et al 2007). The dimension of bonding as it applies to relationship marketing consists of developing and enhancing customer loyalty, which results directly in feelings of affection, a sense of belonging to the relationship, and in directly in a sense of belonging to the organization (Sin et.al., 2002). In the dynamic relationship of a buyer and a seller, bonding can be described as a dynamic process that is progressive over time. The bonding process begins with the very basic force of the need for a seller to find a buyer for their product, and the desire for a buyer to purchase a product that will satisfy the needs (Chattananon & Trimetsoontorn, 2009).

**Communication:** Communication is also considered an important aspect of successful relationships (Morgan and Hunt, 1994). Anderson and Narus (1990) describe communication as formal as well as informal sharing of meaningful and timely information between firms”. “Empirical evidence
suggestions that communication increases the level of trust between partners (Anderson and Narus, 1990; Anderson and Weitz, 1992; Morgan and Hunt, 1994). In general, communication helps build trust by providing partners with a mechanism that can be used to resolve disputes. In addition, it improves partners’ ability to align their expectations and perceptions. Communication is an indispensable attribute in successful alliances and has thus been described as a core competence in alliance building (Rule and Keown, 1998). Hunt et al. (2000) noted that communication among boundary-spanning personnel produces a shared interpretation of expectations and goals, and a common understanding of the processes and responsibilities necessary to achieve those goals. Communication, as conceptualized by Mohr et al. (1996), comprises a combination of relationship building communication attributes. These include communication frequency, bi-directionality, formality, and influence activities. By highlighting shared interests and common goals, collaborative communication can generate volitional compliance between partners and thus bolster relationship performance (Mohr et al., 1996).

**Customer Loyalty:** In today’s competitive marketing, an organization’s success is heavily dependent upon its capability to develop and enhance long term customer relationships through offering amazing customer experience. Earlier research revealed that cultivating loyal customers can lead to increased sales and customer share at lower costs and thus improve the profitability of the organization Anderson et al., 1994; Grönroos, 2000; argued that when a company consistently delivers superior value and wins customer loyalty, market share and revenue goes up, and the cost of acquiring and serving customers goes down”. The probability that an individual will exhibit loyalty, exit, or voice depends on the degree of former satisfaction with the relationship, the magnitude of the person's investment in the relationship, and an evaluation of the alternatives one has. Grönroos (2000) indicated that loyal customers are willing to pay a premium price that, in turn, improves the organization's profitability. The focal point of service organizations is to delight customers and to ensure customer loyalty, i.e. retaining customers and generating repeat orders. Customer relationship profitability takes place in the course of attracting and retaining high quality customers with low cost of maintenance that also lead to increased revenue for the organization (Anderson & Mittal, 2000). Although there is not a single universally accepted definition of customer loyalty; researchers tried to define customer loyalty in various ways. Loyalty refers to the “favorable attitude towards a brand in addition to purchasing it repeatedly” Jacoby and Kyner (1973) explained “loyalty as the biased (i.e. non-random), behavioral response (i.e. purchase), expressed over time, by some decision making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (i.e. Decision making, evaluation) processes”. Jones & Sasser Jr (1995) opined that the customer loyalty is “a feeling of attachment to or affection for a company's people, products, or services”. Dick & Basu (1994) viewed customer loyalty “as the strength of the relationship between an individual’s relative attitude and repeat patronage”. They have also noted that the customer loyalty has two dimensions i.e. attitudinal and behavioral dimension. Both the attitudinal as well as behavioral measures were used to define customer loyalty. From an attitudinal perspective, Czepiel & Gilmore (1987) viewed customer loyalty as a definite desire to maintain the relationship with a service organization for long term. Neal (1999) considered behavioral perspective and defined customer loyalty as “the proportion of times a purchaser chooses the same product or service in a category compared with his or her total number of purchases in the category, assuming that acceptable competitive products or services are conveniently available”. One of the most acceptable definitions of customer loyalty is given by Oliver (1999) who defined customer loyalty as “a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there are situational influence and marketing
efforts having the potential to cause switching behavior”. Customer loyalty an also be defined as a commitment to continue doing business with an organization on an on-going basis.

RESEARCH METHOD

This study employed more of quantitative method which is a cross sectional study design that answers the research questions and used some qualitative information to know the current conditions of Bank of Awash International S.C with regard to relationship marketing and customer loyalty. This quantitative approach was applied to identify the effect of relationship marketing on customer loyalty. Qualitative information also was gathered from the organization by using semi-structured interview. The study was conducted in Dire Dawa city administration which is located 515 km east away from Addis Ababa with an estimated population size of 400,000 with land coverage of approximately 1,977 square kilometers. A total of 187 square kilometers is urbanized while the remaining 1,790 square kilometers is rural. Dire Dawa is located at an elevation of 1,320 and 1,900 meters above sea level. The weather is characterized by a warm and dry climate and a relatively low level of precipitation. Awash Bank has 187 branches in Ethiopia with total customer’s population of more than one million, in which only 4 branches are found in Dire Dawa with the total numbers of customers listed by the company are 41,857 in Dire Dawa branches (Wikipedia, the free encyclopedia). Dire Dawa is selected for this study because there is no specific study concerning this topic. The study was conducted from March 1, 2017 to September 2017. The study populations was the banks customers who have an account book with more than six month and come for banking services in all awash bank branches of Dire Dawa during study period.

Sample size determination

According to Bryman (2008), sampling is the process of selecting a number of individuals for a study in such a way that the individual represents a larger group from which they are selected. The major criterion used when deciding on the sample size is the extent to which the sample size is represents the populations. A sample size of 384 respondents was considered by calculating the target population of 41,857 from four branch of the bank with a 95% confidence level and an error of 0.05 using the following formula from Ariola, (2006):
\[ N = \frac{Z(a/2)^2P(1-P)}{d^2} \]

Where
N= the desired sample size; if the target population on is greater than 10,000
Z is the Z– value=1.96
P=Population proportion 0.50
Q=1-p
\( \alpha \)= level of significance=5% 
\[ N = \frac{3.84 * 0.25}{0.0025} = 384 \]

**Sampling Procedure**

To obtain representative samples, simple random sampling technique was used to select customers who were willing to complete the questionnaire. Simple random sampling technique was used in this research because it provides an equal and non-zero chance of being selected for each customer of the bank (Abiyet. s al, 2009). The researcher focuses on customers of the bank. In order to get access, it is important to have a list of existing customers of the company. All branches (100%) are selected from Dire Dawa branches by using simple random sampling technique. In order to answer the research questions of this study a sample of 384 customers were selected randomly from 4 branches to fill the questionnaire. This means that 384 customers were taken from each branch. The branches that were considered in this research are Konel, Ashewa, Kezira and Sabian branch.

**Data Collection:** The data was primarily collected from the respondents of four Awash bank branches of Dire Dawa namely Konel, Kezira, Sabian & Ashewa. A total of 4 branches were selected and based on the total population customers on each branches proportional distribution of study subjects was allocated. The researcher developed some questions and included in it the questionnaire. Part three consists of ten semi-structured interview questions with regard to the banks relationship marketing activities and customer loyalty. The banks marketing division manager also was interviewed.

**DATA ANALYSIS**

Analysis of data was done by using statistical tools using multiple regression and correlation models. Multiple Regression analysis was used to know by how much the independent variable i.e. relationship marketing explains or influences the dependent variable which is customer loyalty. Correlation analysis also conducted to measure the strength of the association between relationship marketing dimensions and customer loyalty. And also descriptive analysis used for the demographic factors such as gender, age, education, occupation, monthly income and for how many times the customers are using the banks services. The result of semi-structured interview questions was analyzed qualitatively. Tools like tables and percentage are used. Data analysis was performed by using IBM-SPSS Software Version 21.

**Reliability test result:** Alpha reliability is regarded as a measure of internal consistency of the mean of the items at the time of administration of the questionnaire. Cronbach alpha is liability coefficient that indicates how well the items in a set are positively related to one another (www.wikipedia.com). It is computed in terms of the average inter correlations among the items measuring the concept. Reliability is calculated in such a way that it represents there liability of the
mean of the items, not the reliability of any single item. This coefficient can hold a value of 0 to 1. The result of 0.7 and above implies an acceptable level of internal reliability. The result of reliability test for the questionnaires shown in the following table. As it is indicated in the table, the test result is between 0.81 and 0.92. Therefore, based on the test, the results for the items are reliable and acceptable.

### Table 1: Reliability test result for the questionnaire

<table>
<thead>
<tr>
<th>Item</th>
<th>Number of Item</th>
<th>CronbachAlpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>6</td>
<td>0.81</td>
</tr>
<tr>
<td>Commitment</td>
<td>6</td>
<td>0.89</td>
</tr>
<tr>
<td>Bonding</td>
<td>5</td>
<td>0.85</td>
</tr>
<tr>
<td>Communication</td>
<td>6</td>
<td>0.89</td>
</tr>
<tr>
<td>Customer loyalty</td>
<td>9</td>
<td>0.92</td>
</tr>
</tbody>
</table>

**Multi-Co linearity Testing:** Two major approaches were utilized in order to determine the presence of multi-collinearity among independent variables in this study. These methodologies involved calculation of both a Tolerance test and Variance Inflation Factor (VIF) (Kleinbaumet.al, 1988) cited by Velnampy & Sivesan (2012). Tolerance level > 0.1 and VIF < 10 is indicating that independent variables are free from multi-collinearity effects. It can be clearly seen that from the table the tolerance level is >0.1 and VIF values are well below 10. Therefore, the measures selected for assessing independent variables in this study, do not reach multi-collinearity.

### Table-2: Test of Multi-co linearity testing

<table>
<thead>
<tr>
<th>Variables</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMMUNICATION</td>
<td>0.404</td>
<td>2.475</td>
</tr>
<tr>
<td>BONDING</td>
<td>0.350</td>
<td>2.853</td>
</tr>
<tr>
<td>TRUST</td>
<td>0.501</td>
<td>1.997</td>
</tr>
<tr>
<td>COMMITMENT</td>
<td>0.332</td>
<td>3.010</td>
</tr>
</tbody>
</table>

*Source: SPSS Primary data, 2017*

**Ethical consideration:** Ethical clearance was obtained from Dire Dawa University and then Letters of Permission were obtained from Awash Bank Dire Dawa Branch. Subsequently, all branches were communicated with official letter of permission that was obtained from the main bank. More over the objective of the study was well explained to bank management. The Necessary information on the study such as purposes and procedures, potential risk and benefits was given to the study participants to get accurate & honest response and then verbal and written consent was obtained from the respondents.

**Data analysis, Finding and Discussion:** A total of 384 questionnaires were distributed to the study participants. Of these 356 questionnaires was filled completely and returned. Therefore, the response rate of this study was found to be 92%. The questionnaire were developed in five scales ranging from five to one; where 5 represents strongly agree, 4 agree, 3 no opinion, 2 disagree, and 1 strongly disagree. All questionnaires were filled by the customers of Bank of Awash international bank who were attending during study period. Study participants were selected based on random sampling and efforts have been made to have representative sample and the results are considered as representative of the population. Descriptive statistics were used for demographic factors and correlation
and regression analysis were conducted for scale typed questionnaires. The current information of the bank with regard to relationship marketing and customers’ loyalty, interview was conducted with the bank business development and marketing division manager.

**Descriptive Analysis:** Descriptive analysis was used to describe the socio demographic information of the respondents. The demographics factors used in this research are gender, age, place, education qualification, occupation, monthly income, account type and length of time the respondents uses the banks services. For the scale typed variables mean or average response of respondents was used. The mean response for all independent variables and dependent variables 4.3 and above which was stated as agree. This average response shows that most of the respondents agreed that the banks relationship marketing activities are good and also they are loyal to the bank.

**Gender of respondents:** The gender of the respondents is in table below shows that majority of the respondents are male 228 (64%) while 128 (36%) are female.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>228</td>
<td>64.0</td>
</tr>
<tr>
<td>Female</td>
<td>128</td>
<td>36.0</td>
</tr>
<tr>
<td>Total</td>
<td>356</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Age of respondents:** The respondents’ age in table 4 shows that 194 (54.5%) are the age group 18-27 years old, followed by age group between 28-37 years old with 132 (37.1%). The remaining of the respondents 8.4% were 38 years old and above.

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-27</td>
<td>194</td>
<td>54.5</td>
</tr>
<tr>
<td>28-37</td>
<td>132</td>
<td>37.1</td>
</tr>
<tr>
<td>More than 38</td>
<td>30</td>
<td>8.4</td>
</tr>
<tr>
<td>Total</td>
<td>356</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Education qualification of the respondents:** The education status of respondents are shown in table 5; indicated that 287 (80.6%) were above high School and 55 (15.4%) are in high school level the remaining 3.9% were elementary and below.

<table>
<thead>
<tr>
<th>Education Qualification</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary &amp; Below</td>
<td>14</td>
<td>3.9</td>
</tr>
<tr>
<td>High School</td>
<td>55</td>
<td>15.4</td>
</tr>
<tr>
<td>Above High School</td>
<td>287</td>
<td>80.6</td>
</tr>
<tr>
<td>Total</td>
<td>356</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Occupation of the respondents: The results of occupation were indicated in table 6; 144 (40.4%) of the respondents engaged in private working, 81 (22.8%) were having their own business and 5.1 %work in other occupation.

Table-6: Occupation of respondents

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Employee</td>
<td>47</td>
<td>13.2</td>
</tr>
<tr>
<td>Private Employee</td>
<td>144</td>
<td>40.4</td>
</tr>
<tr>
<td>Own Business</td>
<td>81</td>
<td>22.8</td>
</tr>
<tr>
<td>Student</td>
<td>66</td>
<td>18.5</td>
</tr>
<tr>
<td>Others</td>
<td>18</td>
<td>5.1</td>
</tr>
<tr>
<td>Total</td>
<td>356</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Monthly income of respondents: Monthly income of respondents shown in table 7; 49 (13.8%) of the respondents had income of 10,000 birr and above and 96 (27%) between birr 6000-9999 monthly. On the other hand, 151 (42.4%) had income of between birr 1000-5999 and the remaining respondents 16.9 %, were below 1000 Birr.

Table 7: Monthly income of respondents

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>60</td>
<td>16.9</td>
</tr>
<tr>
<td>1000 _5999</td>
<td>151</td>
<td>42.4</td>
</tr>
<tr>
<td>6000 _9999</td>
<td>96</td>
<td>27.0</td>
</tr>
<tr>
<td>Above 10000</td>
<td>49</td>
<td>13.8</td>
</tr>
<tr>
<td>Total</td>
<td>356</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Length of time the respondents uses the banks services: The results of length of time the customers uses the banks services were indicated in the table below. 91(25.6%) of the respondents have used the bank for 1-3 years, 188 (52.8%) have used the banks services for above 3 years. The rest 21.6% of the respondents have used the banks services below1 years.

Table8: Length of time the respondents uses the banks services

<table>
<thead>
<tr>
<th>Time Range</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 1 Year</td>
<td>77</td>
<td>21.6</td>
</tr>
<tr>
<td>1-3 Year</td>
<td>91</td>
<td>25.6</td>
</tr>
<tr>
<td>Above 3 Year</td>
<td>188</td>
<td>52.8</td>
</tr>
<tr>
<td>Total</td>
<td>356</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Correlation analysis: Like the demographic factors, the scale typed questionnaire entered to the SPSS software version 21. To process correlation analysis. Based on the questionnaire which was filled by the study participants of Awash International S.C bank, the following correlation analysis was made.
Correlation analysis between relationship marketing and customers’ loyalty: Pearson correlation test was conducted to know the degree of relationship between the independent variable relationship marketing and the dependent variable customers’ loyalty. The results of the correlation between these variables are shown in table below. It is indicated in the table there is significant correlation between relationship marketing and customers’ loyalty. In other words relationship marketing and customers loyalty have high relationship ($r = .735$ with $p<0.01$).

Table 9: Correlations between relationship marketing and customers loyalty

<table>
<thead>
<tr>
<th></th>
<th>Relationship Marketing</th>
<th>Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship Marketing</td>
<td>Pearson Correlation 1</td>
<td>.735**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) .000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N 356</td>
<td>356</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Pearson Correlation .735**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) .000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N 356</td>
<td>356</td>
</tr>
</tbody>
</table>

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

Correlation analysis between trust and customers’ loyalty: Pearson correlation test was also conducted for these variables and the results are shown in the below table. As it is indicated in the table, there is significant positive correlation between trust dimension and customers loyalty. In other words trust dimension and customers loyalty are correlated in a strong relationship ($r=0.567$).

Table 10: Correlations between trust dimension and customers loyalty

<table>
<thead>
<tr>
<th></th>
<th>Trust</th>
<th>Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>Pearson Correlation 1</td>
<td>.567**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) .000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N 356</td>
<td>356</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Pearson Correlation .567**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) .000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N 356</td>
<td>356</td>
</tr>
</tbody>
</table>

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

Correlation analysis between commitment and customers’ loyalty: For these variables Pearson correlation test was conducted and the results are shown in table below. As it is shown in the table, there is significant correlation between commitment dimension and customers loyalty. In other words commitment dimension and customers loyalty have strong relationship ($r = 0.648$).
Table 11: Correlations between commitment dimension and customer loyalty

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Loyalty</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
<th>356</th>
<th>356</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty</td>
<td>Commitment</td>
<td>Pearson Correlation</td>
<td>.648**</td>
<td>.000</td>
<td>356</td>
<td>356</td>
</tr>
</tbody>
</table>

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

Correlation analysis between Communication and customers’ loyalty: For these variables Pearson correlations was also conducted and the results are shown in table below. As it is clearly indicated in the table, there is significant positive correlation between communication and customer’s loyalty. In other words communication dimension and customers loyalty have strong relationship or correlation (r = 0.683).

Table 12: Correlations between communication and customers loyalty

<table>
<thead>
<tr>
<th>Loyalty</th>
<th>Communication</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
<th>356</th>
<th>356</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty</td>
<td>Loyalty</td>
<td>Pearson Correlation</td>
<td>.683**</td>
<td>.000</td>
<td>356</td>
<td>356</td>
</tr>
</tbody>
</table>

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

Correlation analysis between Bonding and customers’ loyalty: Pearson correlation test was conducted to know whether there is significant correlation or not between bonding and customer’s loyalty and the results are shown in table below. As it is clearly indicated on the table, there is positive correlation between bonding and customer’s loyalty. The result of correlation analysis prove that bonding dimension and customers loyalty are correlated with a strong relationship (r = 0.626).

Table 13: Correlations between bonding and customers loyalty

<table>
<thead>
<tr>
<th>Loyalty</th>
<th>Bonding</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
<th>356</th>
<th>356</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty</td>
<td>Loyalty</td>
<td>Pearson Correlation</td>
<td>.626**</td>
<td>.000</td>
<td>356</td>
<td>356</td>
</tr>
</tbody>
</table>

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

This regression analysis was conducted to know by how much the independent variable explains the dependent variables. It is also used to understand by how much independent variable (trust, commitment, communication and bonding) explains the dependent variable that is customers' loyalty. The results of the regression analysis are the following.

Regression analysis of relationship marketing and customers’ loyalty

The Results of regression analysis against customers’ loyalty can be seen in table 14 below. The result shows that relationship marketing has the power to explain customer loyalty. In this case the results of correlation of relationship marketing and customers’ loyalty and R Square (0.546) are taken into consideration. The regression analysis model summary indicates that relationship marketing which is entered into the regression model on SPSS has relationship with customer’s loyalty with correlation coefficient of 0.739. The R square is the explained variance and it is actually the square of the multiple R ($0.546)^2$. Therefore, it is pointed out that 54% percent of relationship marketing can explain the dependent variable that is customers’ loyalty. As it is indicated in table, total relationship marketing was considered as predictors of customers loyalty and reported high level of significance p<0.01. And also the R square value of 0.546 confirming that, 54% of the variation in customer loyalty is explained by relationship marketing. Relationship marketing as used for prediction was found to be significantly related to customers’ loyalty as the p-value is less than 0.01.

Table 14: Regression analysis result for relationship marketing and customer loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.683a</td>
<td>.467</td>
<td>.465</td>
<td>.48612</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>.722b</td>
<td>.521</td>
<td>.518</td>
<td>.46136</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>.733c</td>
<td>.537</td>
<td>.533</td>
<td>.45414</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>.739d</td>
<td>.546</td>
<td>.540</td>
<td>.45065</td>
<td>2.035</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Communication
b. Predictors: (Constant), Communication, Bonding
c. Predictors: (Constant), Communication, Bonding, Trust
d. Predictors: (Constant), Communication, Bonding, Trust, Commitment
e. Dependent Variable: Loyalty

Table 15 titled as coefficients of relationship marketing dimensions, helps us to understand which variables among the four independent variables is the most important in explaining the variance in customers loyalty. As it is indicated in the table, high beta values how that it is significant in explaining. If we can see the Beta column unstandardized coefficients below, we can understand that the highest number in the beta is 0.376 for communication dimension and the second highest is Trust with 0.164 the third one is 0.159 Commitments. Therefore, Communication and Trust are the major determinant of customers’ loyalty.
Table 15: Titled as coefficients of relationship marketing dimensions

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>Unstandardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>.343</td>
<td>.052</td>
<td>.376</td>
<td>6.64</td>
<td>.000</td>
</tr>
<tr>
<td>Bonding</td>
<td>.136</td>
<td>.056</td>
<td>.148</td>
<td>2.43</td>
<td>.015</td>
</tr>
<tr>
<td>Trust</td>
<td>.163</td>
<td>.051</td>
<td>.164</td>
<td>3.23</td>
<td>.001</td>
</tr>
<tr>
<td>Commitment</td>
<td>.163</td>
<td>.064</td>
<td>.159</td>
<td>2.54</td>
<td>.011</td>
</tr>
</tbody>
</table>

a. Dependent variable Customer Loyalty

Regression analysis of trust and customers’ loyalty

As it is indicated in the model summary of table 16, trust explains customers’ loyalty. In this case, the results of correlation of relationship marketing and customers’ loyalty and R Square (.321) are taken into consideration. This R square is the explained variance and it is actually the square of the multiple R (0.567)2 which is 0.321.

Table 16: Regression analysis result for trust and customers loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.567</td>
<td>.321</td>
<td>.319</td>
<td>.54852</td>
<td>2.088</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Trust
b. Dependent Variable: Loyalty

Table 17: ANOVAa result for trust and customers loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>50.335</td>
<td>1</td>
<td>50.335</td>
<td>167.298</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>106.509</td>
<td>354</td>
<td>.301</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>156.844</td>
<td>355</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Loyalty
b. Predictors: (Constant), Trust

Therefore, it is pointed out that 32.1% of customers loyalty is explained by trust. As it is indicated in table, trust was considered as predictors of customers loyalty and reported high level of significance p<0.01. And also the R square value of 0.321 confirming that, 32.1% of the variation in customer loyalty is explained by trust. Trust as used for prediction was found to be significantly related to customers’ loyalty as the p-value is less than 0.01.

Regression analysis of Bonding and customers’ loyalty

Table shows the results of regression analysis for bonding and customer’s loyalty. In this case, the results of correlation of these two variables and R Square (0.392) are taken into consideration. Here the R square is the explained variance and it is actually the square of the multiple R(0.626)2
which is 0.392. Therefore, it is possible to state that 39.2% of customer’s loyalty is explained by Bonding. As it is indicated in table 17, Bonding was considered as predictors of customers loyalty of significance p<0.01. And also the R square value of 0.392 confirming that, 39.2% of the variation in customer loyalty is explained by Bonding. Bonding as used for prediction was found to be significantly related to customer’s loyalty as p-value is less than 0.01.

Table 18: Regression analysis result for Bonding and customers loyalty

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.626&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.392</td>
<td>.391</td>
<td>.51884</td>
<td>2.020</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Bonding
b. Dependent Variable: Loyalty

Table 19: ANOVA<sup>a</sup> result for Bonding and customers’ loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>61.550</td>
<td>1</td>
<td>61.550</td>
<td>228.648</td>
<td>.000&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>95.294</td>
<td>354</td>
<td>.269</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>156.844</td>
<td>355</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Loyalty
b. Predictors: (Constant), Bonding

Regression analysis of Commitment and customers’ loyalty

As the result of regression analysis of commitment and customer’s loyalty indicates, Commitment can explain customer’s loyalty in some extent. In this case again, the correlation result of these variables and the R square are taken. The R square is the explained variance and it is actually the square of the multiple R (.648<sup>2</sup>) which is 0.420. Therefore, it is possible to conclude that 42.0% of customer’s loyalty is explained by Commitment. As it is indicated in table 20 Commitment was considered as predictors of customer’s loyalty and reported high level of significance p<0.01. And also the R square value of 0.420 confirming that, 42% of the variation in customer loyalty is explained by Commitment. Commitment as used for prediction was found to be significantly related to customer’s loyalty as p-value is less than 0.01.

Table 20: Regression analysis result for Commitment and customers loyalty

<table>
<thead>
<tr>
<th>Model Summary&lt;sup&gt;b&lt;/sup&gt;</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.648&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.420</td>
<td>.418</td>
<td>.50714</td>
<td>2.043</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Commitment
b. Dependent Variable: Loyalty
Defining the Frontiers of Global Business Research Across Emerging Countries

Table 21: ANOVA result for Commitment and customers loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>65.800</td>
<td>1</td>
<td>65.800</td>
<td>255.842</td>
<td>.000^7</td>
</tr>
<tr>
<td>Residual</td>
<td>91.044</td>
<td>354</td>
<td>.257</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>156.844</td>
<td>355</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Loyalty
b. Predictors: (Constant), Commitment

Regression analysis of Communication and customers’ loyalty

We can also look the regression analysis result of communication and customer’s loyalty in table. As it is clearly indicated in the table 22 Communication can explain customer loyalty in banking industry, particularly in Bank of Awash international S.C. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R (0.683)^2 which is 0.467 Therefore, it is possible to state that 46.7% of customers loyalty is significantly explained by Communication. Communication was considered as predictors of customers loyalty and reported high level of significance p<0.01 as it is indicated in table. And also the R square value of 0.467 confirming that, 46.7% of the variation in customer loyalty is explained by communication. Communication as used for prediction was found to be significantly related to customers’ loyalty as p-value is less than 0.01. It is the second highest of all the independent variables in explaining customers loyalty.

Table 22: Regression analysis result for communication and customer’s loyalty

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>.683^a</td>
<td>.467</td>
<td>.465</td>
<td>.48612</td>
<td>2.012</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Communication
b. Dependent Variable: Loyalty

Table 23: ANOVA result for communication and customers loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>73.189</td>
<td>1</td>
<td>73.189</td>
<td>309.710</td>
<td>.000^a</td>
</tr>
<tr>
<td>Residual</td>
<td>83.655</td>
<td>354</td>
<td>.236</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>156.844</td>
<td>355</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Loyalty
b. Predictors: (Constant), Communication

Generally, the research questions which are proposed earlier were answered by using a sample of 356 respondents. From the analysis it is clearly indicated that relationship marketing and customer loyalty are related and the measure of correlation between these variables as it is indicated in the correlation analysis is positive. And also it was noticed that the independent variables which was
included in the elements of relationship marketing have the power to explain the dependent variable as it is indicated in the regression analysis. Therefore, all the research questions are answered based on the test conducted & relationship marketing has the power to explain customer loyalty in banking industry, particularly in Awash International S.C bank Dire Dawa setting.

RESULTS

The objective of this study is to assess the effect of relationship marketing on customer loyalty within the Bank of Awash international S.C bank, by analyzing the relationship of every construct in the theoretical framework. Demographic factors such as gender, age, occupation, education qualification, monthly income and length of time the customers availed the banks services have been used to learn about the general characteristics of the respondents. Based on the results from this research, relationship marketing is correlated with customers’ loyalty. The findings show that relationship marketing activities can explain 54.6% of customers’ loyalty in Bank of Awash Dire Dawa branches. Relationship marketing elements, particularly trust and Communication have greater effect on customer’s loyalty. Out of the total 354 respondents 64% were male and 36% females. In terms of age, the majority 54.5% of respondents is in between 18-27 years old and followed by 37.1% of age group between 28-37 and the remaining were above 38 years. Regarding educational qualification of respondents, the majority were above high school with 80.6% which is followed by 15.42% high school certificate the remaining were 3.9% respondents were elementary and below. Concerning occupation of the respondents, most of them are working in private sector which accounted for 40.4% and followed by 22.8% having their own business, the remaining 13.2% and 18.5% were government employees and students respectively. In terms of the monthly income of the respondents, the majority had income ranging from Birr1000 to 5999 which is accounted as 42.4%, followed by 27% having income in between Birr 6000 to 9999, the remaining 27% respondents have above 10000 and 16.9% below 1000 income level. When we look at the length of time customers used the banks services, most of the customers used the banks services for more than 3 years which accounted 52.8% followed by 25.6% used for 1-3 years. The research result showed that all demographic factors dimensions have no relationship with customers’ loyalty. The findings of different studies showed that, if a bank wants to achieve a high rate of customer loyalty, then RM has to be considered as a strategy. In other words, banks must make continuous efforts to effectively manage their relationships with their customers because how they build and maintain these relationships will affect their loyalty. Specifically, banks must take the necessary steps to improve upon their competence since competence has been found in this study to be driving force of customer loyalty. Regarding, the findings of this study major independent variable was found to be associated with dependent variables. Based on Pearson correlation test trust dimension positively correlated with the dependent variables customer loyalty \( r=0.567 \). In other words, if customers trust the bank they will be loyal to their bank. The finding of this research is similar to the study conducted by Shiferaw (2011). The regression analysis of trust dimension and customer loyalty indicates that 32.1% of the variance \( R^2 \) in customers loyalty has been significantly explained by trust. The finding of Shiferaw (2011) showed that trust is the most important RM dimension in the development of customer loyalty. Another study by Ndubisi (2009) on RM also identified trust as a key variable in influencing customer loyalty. Therefore, banks seeking to enhance customer’s loyalty should focus on ‘trust’ as a primary determinant of customer loyalty in banking industries. Commitment proved to be strong determinants of customer loyalty. Based on Pearson correlation test, commitment dimension were highly and positively correlated with customer loyalty. The correlation coefficient between commitment and customers loyalty which is \( r=0.648 \). This shows that commitment dimension is one of major determinant of customer’s
loyalty. The practical implication of commitment to the banks is that, managers must show keen enthusiasm and commitment in making frequent changes to meet the ever-changing customer needs 321 and requirements Ndubisi (2009). Regarding the regression analysis of commitment dimension and customers’ loyalty, 39.2% of the variance R square in customers loyalty is significantly explained by commitment. In addition, if banks want to increase customer loyalty, they must encourage the building of strong relational ties in the form of social bonds between their employees and customers. This finding was found to be similar with the study conducted by Nareth (2009). The other factor that is included in the dimensions of relationship marketing is communication. Based on the Pearson correlation test, communication dimension were highly and positively correlated with customers loyalty. The correlation coefficient between communication and customers loyalty which is ($r=0.683$). This shows that communication dimension is the major determinant of customer’s loyalty. It is worthy to note that also It infrastructure did effectively mediate the communication between RM practices and customer loyalty in this study. By this, method employees gave genuine and detailed information regarding the various transactions of the bank. Concerning the regression analysis of the communication dimension and customers’ loyalty, 46.7% of the variance R square in customers loyalty is significantly explained by communication. The finding of this research is consistent with the results of Root man et.al (2010). The last factor included in the dimension of relationship marketing is ‘bonding’. Based on the Pearson correlation test, bonding dimension was positively correlated with customer’s loyalty. The correlation coefficient between bonding and customers loyalty which is ($r=0.626$). This finding is similar to the result of Asmamaw (2016) and Mohamed et.al (2011). Regarding the regression analysis of the bonding dimension and customers’ loyalty, 42.0% of the variance R square in customers loyalty is significantly explained by bonding . A possible explanation to this the banks, must encourage the building of strong relational ties in the form of social bonds between their employees and customers. This would be significant in generating customer’s loyalty Nareth (2009). On the other hand qualitative aspect of the analysis was under taken in order to examine the existing RM practice and its effects on customer loyalty from the banks perspective by this a total of 4 branch manager and 4 CRM managers were interviewed using semi structured questionnaire.

Therefore, after interviewing the selected study participants the following points were summarized.

- In the bank there is the practice of relationship marketing to retain and attract customers within dependently established position and assigned officer. In fact, it is only 4 months since the bank identified and collected information about the needs and wants of customers. However, there is no strong evaluation system in place to measure the effects.
- The bank believes that relationship marketing practices have the power to make customers loyal. To mention some of the activities of relationship marketing practiced by the bank were put in suggestion boxes, identifying customers and face-to-face discussion.
- The bank uses RM as a strategy to improve the level of customer loyalty by emphasizing on trust and communication dimensions. But the manager identified that there is a gap in implementing consistently the RM practices as a strategy to retain customers.
- The bank still has no strong feedback mechanism to customer’s complaints, solution is not given on time to resolve complains.
- The overall view of the banks in acknowledging and putting in place RM practices was good despite the acute and fresh experience in implementing RM strategy. In all branches of the Awash Banks of Dire Dawa RM managers has good perception on positive effects of RM practices on customer’s loyalty.
Generally, the findings of this research were providing valuable information on major dimensions of RM practices particularly (Trust, Commitment, Bonding and Communications) in Bank and its practical effects in behavioral loyalty of customers. However, since the study was conducted on a small scale caution is needed in using the results of the study. Despite these limitations the findings of the study will serve as a source of information for future studies.

CONCLUSION

In general, this study investigated effects of customer relationship marketing on customer loyalty in the banking industry of Dire Dawa. In particular, the study examined the relationships between the study variables. RM constructs are identified from the literature, integrated in the proposed model, and linked with customers’ loyalty. Moreover, the objectives of the research have been achieved. The study revealed that there are significant relationships between independent variables (trust, commitment, communication, and bonding) and dependent variable (customer loyalty). The relatively strong relationship demonstrated between relationship marketing practices dimensions and customer loyalty can lead the management of a bank to think that it is more beneficial to focus on ‘trust’ and ‘communications’ than it is on ‘bonding’ and ‘commitment’. This also enables banking companies to ensure that the more practical the relationship marketing, the higher the consumer loyalty levels. Therefore, this research concludes that if banks need to enjoy profitability huge investments must be made in more relational strategies like building trust, commitment, communication, and bonding. This study recommends that banking industry in an intensely price based competitive environment needs to emphasize in more relational strategies like building trust, commitment, communication and bonding. Finally, the study recommends that Awash Bank should ensure customer loyalty as it is a good predictor for future purchase behavior, an indication of behavioral loyalty of the customer. Satisfied loyal customers generate profits because they are responsible for a large percentage of sales and are less costly to develop than new customers.

REFERENCES


Chapter #--- 5

Linking Employee Engagement with Knowledge Creation

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ABSTRACT

The purpose of this paper is to examine the influence of employee engagement on knowledge creation in technical institutions in Rift Valley, Kenya. The paper adopted explanatory research design and regression analysis was used to analyse data from a sample of 343 employees out of the target population of 3,147 employees in 8 technical institutions in Rift Valley. The study findings revealed that employee engagement has a significant influence on knowledge creation ($\beta = .264$; $t = 4.837$; $p < .05$). The results suggest that employee engagement is a significant intervention program in improving knowledge creation among employees. The study contributes to theory by analysing empirically the extent of the relationship between employee engagement and knowledge creation. This study is among the first to focus on testing the influence of employee engagement on knowledge creation in technical institutions in Rift Valley, Kenya therefore, the study provides new data. Given that the study looked at employee engagement and knowledge creation, the study recommends a study covering all regions in Kenya to provide more insights on the study variables.

Keywords: Employee Engagement, Knowledge Creation, Technical Institutions.

INTRODUCTION

Across the globe, both profit and non-profit organizations are facing constant challenges from internal and external environment. This has forced organizations to make the best use of each employee’s skills, knowledge, experience, talents and capabilities. Human capital theory posits that people add value to the organisation through their knowledge, skills, experiences, talents and intelligent quotient (Armstrong, 2006). Evidence shows that innovative organisations with superior performance actively engage their employees (Wagner & Saks, 2006; Harter, 2006; Fleming & Asplund, 2007; Halbesleben & Wheeler, 2008; Demerouti & Cropanzano, 2010; Kim, Kolb & Kim, 2012; Kruise, 2012; Sang, Wario & Odhiambo, 2014). Employee engagement has been linked to various positive outcomes such as quality, safety, retention, profits and total shareholder returns (Gallup, 2012; Kruise, 2012; Merry, 2014), job satisfaction (Gruman & Saks, 2011), employee performance (Mone & London, 2010; Anitha, 2014; Koech, Boit & Maru, 2015) and creativity (Bakker & Xanthopoulou, 2013). Studies have also linked employee engagement to negative outcomes such as low performance (Murphy, 2013), low income per capita (Jaupi & Llaci, 2014) and poor employee wellbeing (Christian, Garza & Slaughter, 2011). These contrasting findings call for more research.
Despite the fact that engagement has been linked to a wide range of positive outcomes, limited studies have linked employee engagement with knowledge management practices such as knowledge creation, sharing, acquisition, retention, protection and implementation. Yao and Juan (2017) reviewed extant literature linking knowledge creation with employee engagement and acknowledged scanty empirical literature thus recommending an empirical study to test the relationship between employee engagement and knowledge creation. Baek-Kyoo (2010) and Nazem, Mozaini and Seifi (2014) agree that most empirical studies on employee engagement and knowledge management have been done in developed economies. This calls for a need for more studies in developing economies, such as Kenya, with varying institutions, demographics and cultural context. Fewer studies have focused on the concept of knowledge management in learning institutions particularly in technical institutions (Nasiruzzaman et al., 2013).

In Kenya, technical institutions comprise of national polytechnics, technical teachers colleges, and institutes of technology, technical training institutes, industrial training centers, youth polytechnics, vocational training centers and private commercial colleges. These institutions offer training in Engineering, Health and Applied Sciences, business Studies, Institutional Management and Information Technology (Ministry of Higher Education Science and Technology, 2011).Technical, Vocational Education and Training (TVET) institutions provide learners with technical skills needed for industrialization and national development.

A World Bank report recommended refocusing the role of TVET as an instrument for the knowledge economy in order to provide highly skilled and knowledgeable individuals of different ages, with experience to meet the demands of the dynamic labor market (World Bank and European Training Foundation, 2005). Kenya is in the forefront in rebranding TVET as holding the key to rapid industrialization and national development (Ministry of Industrialization and Enterprise Development, 2014). However the development agenda emphasizes more on infrastructure within TVET (Afeti, 2012; Ministry of Industrialization and Enterprise Development, 2014; Ministry of Education Science and Technology 2014) and pays little attention to employees in TVET who bring knowledge, skills and capabilities for better performance in these institutions resulting to high turnover and consequent loss of tacit knowledge (Koech, 2015).

The Ministry of Education Science and Technology (2014) articulated the need for technical competencies from TVET if Kenya is to become industrialized and this can be partly achieved by engaging employees. Ugwu, Onyishi and Rodrı́guez Sa´nchez (2013) observe that modern organizations have replaced control, close supervision and monitoring of employees with engagement in their pursuit to improve performance. Based on these arguments, there was a need to conduct a study on employee engagement and knowledge creation in technical institutions in Kenya.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Knowledge Creation
Knowledge creation is “the process that involves the utilization of internal and external resources of an organization to generate new knowledge for achieving organizational goals” (Gholami et al, 2013, p. 207). Nonaka and Takeuchi (1995) articulate that tacit and explicit knowledge can be combined to create new knowledge in the organization through Socialization, Externalization, Combination and Internalization (SECI) model. Socialization occurs in the workplace when employees interact with one
another as they carry out their tasks and, in the process, tacit knowledge held within an individual is passed from one employee to another through observation, guidance and practice. Tsoukas (2009) asserts that new knowledge is created when employees engage in direct social interaction specifically dialogue. In productive dialogue, individual employees negotiate their understandings and, in the process, employees are more probable to keenly take responsibility for collective tasks and relationships and these results to new distinctions through conceptual combination, expansion and reframing and when new distinctions are made and recognized new knowledge emerge in the organization. Tsang (2007) observes that when new distinctions are embedded in new actions and developed into new products, services and processes then innovation and learning take place.

Externalization occurs when employee’s document tacit knowledge inform of work manuals, procedures and process for easy access and use by other employees throughout the organization. The third way is combination and this is where employees combine various codified knowledge sources such as various documented reports to create new knowledge. Finally, new knowledge is also created through internalization. Employees acquire knowledge from internal and external explicit sources and the acquired knowledge is internalized resulting to modification of employees’ tacit knowledge and the end result is new organizational knowledge flowing in form of actions and quality decisions as observed by Ceptureanu and Ceptureanu (2010). This view is supported by Obstfeld (2005) and Hakanson (2007) who observe that a constant practice of making knowledge relevant and applicable to the work at hand is important in creation of new knowledge.

Gourlay (2006) conceptualized two types of knowledge as know-how and know-that which correspond to two modes of behavior namely reflective and non-reflective. Reflective behavior is where people consciously attempt to describe experiences or events with the aim of controlling those events or communicating something about the events to others. This view is supported by Tsoukas (2003) who articulated that “new knowledge comes about when practitioners seek to turn an unreflective practice into a reflective one through reflexive social interaction” (Tsoukas, 2003, p. 2). Gourlay conceptualization does not demonstrate empirically how knowledge is created through know how and this provides an avenue for future research. A five-year longitudinal study by Mura, Lettieri, Radaelli, and Spiller (2013) found that knowledge creation process provided participants with learning opportunities and this increased their creativity. They also concluded that value was created through problem solving leading to continuous improvement in performance. A study by Ceptureanu and Ceptureanu (2010) agrees with this view and note that new knowledge creation is inevitable when employees apply and exploit the acquired information through activities such as problem solving.

Previous researches further acknowledged significant relationship between knowledge creation and employee performance. Firestone (2003) argues that production of knowledge starts with the necessity for knowledge, followed by individual or group learning, acquisition of information and subsequent application of knowledge resulting to organizational knowledge in form of complex web of relationships, procedures and processes and which enhance employee performance. Yuan (2007) found that tacit sources of knowledge are more interactive and requires social capital which can be achieved through employees in form of relationships to boost performance. In his study, Zack (1999) found that effective knowledge creation requires organizational climate and reward systems that value and encourage cooperation among employees, trust, learning, and innovation. According to Lee (2005), rewards, top management support, and integrated information technology infrastructure are some of the critical managerial drivers that create conducive environment for knowledge creation and this influences
employee performance in knowledge creation. However, Weddell (2008) differs with Lee (2005) and contends that the presence or lack of incentives may inspire individual employees to participate in knowledge creation.

Pauleen and Manson (2002) agree with Ceptureanu and Ceptureanu (2010) that the level of autonomy in an organization inspires individuals to develop novel ideas in the workplace. Encouraging individual employees and groups in the organization to be autonomous as they perform their tasks gives them an opportunity to introduce novel and unpredicted ideas. This also offers employees an opportunity to reconsider their central ways of thinking and challenge existing concepts leading to development of new concepts and ideas making innovations to become real and practical in the work place. Ngulube and Lwoga (2007) established that extra flow of information beyond functional boundaries allows employees to contribute to discourses more actively and this allows them to clearly justify their ideas. These ideas when implemented enhance employee performance.

Knowledge creation requires organizations to not only recognize new knowledge but also to transform this knowledge into better products and services (Nazemet al., 2014). Mavodza and Ngulube (2011) further support this view and articulate that knowledge creation and effective utilization of the existing knowledge are essential in knowledge management process. Kaplan and Norton (2010) assert that new knowledge generated by employees’ impacts directly on organizations innovative outputs which, in-turn, positively influences the overall organization performance.

Employee Engagement

Employee engagement was first used by Khan in his study. Khan notes that employee engagement occurs when “people bring in or leave out their personal selves during work-role performances” (Khan, 1990, p. 702). However, it was not until the mid-1990s when Gallup started to refine and extend employee engagement by developing twelve items (Q12) to measure employee engagement which were then adopted and validated by many researchers through research studies and practical application in the workplace (Shuck & Wollard, 2009; Kruse, 2012; Murphy, 2013).

There were many and conflicting definitions of employee engagement in the early years and this contributed to slow development of the construct. Shuck, Osam, Zigarmi and Nimon (2017) argue that the underdevelopment of engagement construct is as a result of varied definitions, measurements and conceptualizations of the construct by scholars. A study by Shuck and Wollard (2009) focused on employee engagement from an historical perspective by reviewing structured literature and seminal works, and they established inconsistent definitions and interpretations of employee engagement and by synthesizing the early and contemporary conceptualizations and definitions of employee engagement, they developed an emergent and working definition of employee engagement “as a positive cognitive, emotional, and behavioral state directed toward organizational outcomes” (p. 138). Over the years, the construct has grown and there is evidence of consensus in literature on some aspects of engagement. For instance, engagement is regarded as an active state (Khan, 1990; Christian, Garza & Slaughter, 2011; Shuck, 2011; Biggs, Brough & Barbour, 2014; Shuckel et al., 2017) and cognition, emotion and behavior are considered as elements of employee engagement (Khan, 1990; Vance, 2006; Shuck & Wollard, 2009; Shuck, Adelson & Reio, 2016; Shuck, Osam, Zigarmi & Nimon, 2017) and cognitive engagement is considered the most powerful of the three elements (Shuck & Wollard, 2010). Cognition is regarded as a catalyst for emotion and behavior because it takes place silently within an individual before it is
manifested emotionally and behaviorally. An employee makes the decision to engage before they actually engage.

Xanthopoulou, Bakker and Ilies (2012) attributed the immaturity of engagement construct to few studies that have focused on cognitive, emotional and behavioral sub concepts of employee engagement as they are key in the formation of engagement construct. According to Shuck (2011), literature revealed four conceptualizations of engagement - need satisfying approach, burn out antithesis approach, satisfaction approach and multidimensional approach. These conceptualizations illustrate work engagement, employee engagement and job engagement frameworks which are used interchangeably by researchers hence stifling the growth of employee engagement construct. Shuck et al. (2017) caution researchers from using these frameworks interchangeably because each framework has its own definition, theoretical structure and measurement.

Although researchers admit that there is no unified definition of engagement (Schaufeli, 2013) and employee engagement (Shuck, Twyford, Reio&Shuck, 2014), a study by Shuck et al. (2017) has shed more light on engagement construct and has contributed in easing the confusion in literature by establishing theoretical structure, measurement of employee engagement construct, operationalizing the definition of employee engagement and separating the label of employee engagement from other engagement frameworks such as work engagement, job engagement and organizational engagement among others. Their work brings conceptual clarity on employee engagement construct and promotes its applicability in theory building, practice and, consequently, the maturity of the construct. Based on their extensive literature review, Shuck et al. (2017) defined employee engagement “as a positive, active, work-related psychological state operationalized by the maintenance, intensity, and direction of cognitive, emotional, and behavioral energy”(Shuck et al., 2017, p. 269). This definition illustrates employee engagement as an individual level construct but more often it has been viewed from organization level perspective leading to distortions (Maslach et al., 200; Czarnowsky, 2008; Shuck et al., 2017).

Since the inception of engagement construct, researchers have studied various aspects of employee engagement. Gallup (2002) has identified three types of employees in organizations: engaged, not engaged and actively disengaged. An engaged employee shows his or her true self via physical participation, cognitive consciousness and emotional relations and such an employee consistently endeavors to go beyond the call of duty and perform excellently at work. According to Hewitt (2013) and Murphy (2013), an engaged employee has an intense desire to be part of the organization, exerts extra effort and engages in behavior that contributes to organizational success unlike a not engaged employee who narrowly focuses on outlined tasks rather than overall goals and success of the organization. In the Aon Hewitt model, three behaviors that measure employee engagement are say, stay and strive dimensions. The say dimension shows that an engaged employee speaks positively about the organization to colleagues, potential future colleagues and customers. The stay dimension indicates that an engaged employee has an intense sense of belonging and desire to be part of the organization and finally, the strive dimension indicate that an engaged is motivated and exerts effort towards the success of the job and the organization (Hewitt, 2012). Merry (2013) argues that employees need to be demonstrating all the three behaviors in order to be fully engaged and performing at their optimum level. Employee engagement not only generates greater employee productivity, business unit performance, profits but also reduced accidents and reduced employee turnover (Du Plessis, 2014).
A disengaged employee separates himself from the work and limits individual contribution in physical, cognitive and emotional dimensions of work resulting to poor performance (Truss, Shantzb, Soanec, Alfesd&Delbridge, 2013). A disengaged employee is ready to exit the organization (Koech, 2015). Actively disengaged employees are not only poor performers but dangerous employees who demotivate performers (Gallup, 2002) and this can threaten the survival of the organizations. A study by Rampersad (2006) pointed out that disengaged employees can be a serious liability to the organization because they cause organizations to incur excess costs as a result of underperformance on crucial tasks which in turn lead to widespread customer dissatisfaction.

Lack of trust between employees and management, unhealthy competition, bullying, harassment, excess control and bureaucracy, toxic politics and poor level of equity in pay packages are the major causes of employee disengagement at work (Rampersad, 2006). Poor working conditions, poor performance feedback and divisive workplace politics were found to also contribute in disengaging employees at work (Du Plessis, 2014). Performance feedback, work environment, coworker relations, leadership, team effort, training, career development, compensation, work place wellbeing and organization policies have an effect on employee engagement (Anitha, 2014). It is evident from extant literature that employee engagement has an impact on organization results both at employee level and organization level. Kruse (2012) did an analysis of 28 research studies and revealed a relationship between employee engagement and greater service quality, greater customer satisfaction, improved sales, profits and greater shareholder returns.

The link between employee engagement and positive employee outcome is further supported by Wagner ad Harter (2006) and Fleming and Asplund (2007) who articulated that employees who are engaged are often emotionally connected with their work and they are more productive, profitable, safer, healthier with low turnover intention. These findings are further supported by a four-year longitudinal study by Winkler et al. (2012) who used 755 retail bank employees to assess employee engagement on business unit metrics and established that employee engagement had more impact on business results. Employee engagement has also been linked with organization trust (Ugwuet al., 2013) organization citizenship behavior (Christian, Garza & Slaughter, 2011; Rurkhum & Bartlett, 2012) and individual wellbeing (Christian et al., 2011).

The link between employee engagement and positive outcomes has been sharply contrasted by some research studies. Murphy (2013), in his study which linked employee engagement scores and employee appraisal scores, found that workers who were deemed to be low performers in their annual review scored higher in engagement scores than those employees who were viewed as high performers. This revealed that highly engaged employees were low performers and those employees who were low in engagement were high performers. Jaupi and Llaci (2014) established that in Albania, the region that reported the lowest income per capita (GDP 24%), had the most employees engaged (76.4%). Koech (2015) established that employees who bring value to the organization in knowledge retention are those employees who are low engaged because their turnover intention is high and are likely to participate in knowledge retention activities as they anticipate to exit from the organization, while highly engaged employees have the intention to stay with the organization and they do not see the need to engage in knowledge retention activities.

Halbesleben (2011) argues that high levels of engagement point to a possibility of compromised work-life balance among engaged employees while Christian, Garza and Slaughter (2011) aver that poor
employee wellbeing is associated with disengagement at work resulting to poor employee and organization performance. These studies point to both high engagement and low engagement as problematic for individuals and organizations and therefore, there is need to question further the influence of employee engagement on employee wellbeing. George (2011) points out that there is need to interrogate if high levels of engagement always lead to positive experience for employees.

The inconsistency of these findings, with many research studies conducted in nearly three decades, showing that high employee engagement positively correlates with both organizational and individual performance (Kruise, 2012; Gallup, 2012; Hewitt, 2012; Schaufeli, 2013; Anita, 2014) implies that more research is needed to further explore employee engagement construct.

Employee Engagement and Knowledge Creation

The seminal work by Kahn (1990) articulated that employee engagement consists of three dimensions which reflect that employees could be engaged emotionally, cognitively and physically as they perform their tasks. Evidence shows that innovative organisations with superior performance have engaged employees (Wagner & Saks, 2006; Demerouti & Cropanzano, 2010; Kim, Kolb & Kim, 2012; Kruise, 2012; Sanget al., 2014).

Knowledge creation is defined as “the process that involves the utilization of internal and external resources of an organization to produce new knowledge for achieving organizational goals” (Gholamiet al., 2013, p. 207). Nazemet al. (2014) observe that knowledge creation requires the organization to not only recognize new knowledge but also transform this knowledge into better products and services.

Studies have revealed that engaged employees produce quality goods and services (Kruse 2012), employee engagement improves profitability, safety, health and reduces employee turnover (Fleming & Asplund, 2007) and impacts positively on business performance (Winkler et al., 2012). It evident in literature that engaged employees create value to the organization in knowledge creation because they are able to translate their thoughts to action leading to high performance in the work place (Halbesleben & Wheeler, 2008; Demerouti & Cropanzano, 2010).

Previous studies have established that engaged employees are more receptive to new experiences and thus tend to explore their environments leading to more innovation and creativity at work (Fredrickson, 2001). In addition, engaged employees are more willing to learn new things (Bakker et al., 2012). This shows that engaged employees are willing and ready to exploit learning opportunities in knowledge creation process and thus generating more knowledge making knowledge creation real in the work place. Therefore, engaged employees learn in knowledge creation process and they add value to the organization through quality decisions, in all areas of work (Mura, Giovanni & Spiller, 2013).

Ceptureanu and Ceptureanu (2010) observe that new knowledge creation is inevitable when employees apply and exploit the acquired information through activities such as problem solving. This observation echoes that of March (1991) who notes that knowledge is created over a period of time through a continuous flow of various resources and competencies such as effective problem solving and acquisition of new knowledge. Continuous interaction among employees in problem solving ensures that tacit knowledge held by employees is shared and utilized together with documented knowledge because documented knowledge loses its meaning without tacit insight as postulated by Hussain (2009).

According to Nonaka and Takeuchi (1995) and Ngulube and Lwoga (2007), extra flow of information beyond functional boundaries allows employees to participate more actively in dialogues and, in the process, they are able to justify their ideas. Productive dialogue allows employees to move from unreflective practices through direct interaction and in the process new knowledge emerge (Tsoukas, 2003; Tsoukas, 2009). Externalization is a process where tacit knowledge such as personal experiences, ideas, insights and beliefs becomes expressed through conceptualization, elicitation and articulation, leading to direct commitment in knowledge creation process (Nonaka & Takeuchi, 1995). This illustrates that employees who are engaged freely express their ideas and experiences and thus conversion of tacit knowledge into new explicit knowledge. Koudsi (2000) advocates for the use of incentives to motivate employees to participate in knowledge sharing through interaction and collaboration thus facilitating diffusion and creation of knowledge. Weddell (2008) contends that the presence or absence of incentives may encourage employees to participate in knowledge creation.

Pauleen and Manson (2002) agree with Ceptureanu and Ceptureanu (2010) that the level of autonomy in an organization determines the motivation of individuals to develop new and original ideas. Allowing individual employees and groups to be autonomous as they perform their tasks increases the possibility of introducing new and unexpected ideas in the organization. This triggers employees to change their fundamental ways of thinking and challenge existing concepts leading to development of new concepts and ideas thus generation of new knowledge. Employee engagement has been found to correlate positively with employee initiative over a period time. According to Tsoukas (2009), an employee has the responsibility to take initiative on conceptual combinations, expansion and reframing in order to create new knowledge in a productive dialogue. Brainstorming methods, collaboration in problem solving and conducting research are some of the strategies applied by organizations in creating knowledge (Moodysson, 2008; Gholami et al., 2013).

Based on mixed findings established in literature review, the study developed the following hypothesis that "employee engagement influences knowledge creation" labeled H₁.

**CONCEPTUAL FRAMEWORK**

![Conceptual Framework](image)

**Figure1: Conceptual Framework**
The Human Capital Theory

“Human capital is the totality of personal cognitive or embodied knowledge, learned or entrenched through practice over time” (Styhre, 2008, p. 945). Human capital is created when employees acquire knowledge, skills and capabilities which enable them to perform their tasks in innovative ways. Creation of human capital is facilitated by social capital which exists in relationships among employees which allows them to mutually share personal knowledge for others to learn and benefit from the shared knowledge (Weisingera&Black, 2006; Styhre, 2008).

The human capital theory postulates that people add value to the organisation through their knowledge, skills, experiences, talents and intelligent quotient which cannot be imitated by competitors particularly the tacit knowledge held by individual employees (Barney, 1991; Boxall, 1996; Armstrong, 2006). Human capital theory, according to Ehrenberg and Smith (1994) holds that the knowledge and skills that employees acquire through education, training and experience generate a stock of productive capital which emphasizes the added value that employees contribute to organizations. This value can be further established by considering knowledge management conceptualised by the study as, knowledge creation in relation to employee engagement. From the employers’ viewpoint, investing in employee training and development is an important strategy for attracting and retaining human capital and knowledge retention leads to better performance. These returns are improvements in performance of employees evidenced by high productivity, flexibility and the capacity to innovate resulting from knowledge sharing, knowledge creation, knowledge implementation (Schuller, 2000; Armstrong, 2006).

According to Boxall (1999), the human capital theory regards human capital and human process as enhancing organization performance. The human capital advantage posits that bringing people on board with valuable knowledge, skills, experience which much of it is largely tacit knowledge enables the employees to perform better than their competitors. This is because tacit knowledge that the employees possesses in form of knowhow, experience, insights and feelings are difficult to be copied by competitors (Buta, 2015). The study suggests that to further enhance human capital advantage reflexive social interaction should be encouraged so that tacit knowledge can be shared across the organisation and this will facilitate problem solving, quality decision making, creativity, innovation and generation of new knowledge. The knowledge that has been shared is not at risk when employees exit the organization and therefore knowledge sharing boost knowledge retention within the organization (Buta, 2015).

Human process advantage involves forming highly evolved processes within the organisation which are difficult to be imitated by competitors. Such processes include knowledge management practices, cooperation within and across departments and management development through management development and mentorship programs. Knowledge creation process provides opportunities for employees to learn as they collaborate to solve complex work problems and such combination of knowledge, skills, experiences, insights which are unique and gives advantage to employees and the organization in terms of improved performance. The unique web of relationships also gives an organisation competitive advantage because such cooperation is difficult to be copied by competitors.

Human capital theory advocates that employees are assets. The study opposes this view and agrees with Davenport (1999) that employees should implement the acquired knowledge by choosing when and how to utilize the acquired knowledge, experience, talents, time and energy and should not be
treated just as passive assets. The theory has been further criticized for emphasizing so much on individual acquisition of knowledge, skill and competencies and ignoring the way in which such knowledge is embodied in a complex web of social interactions (Schuller, 2000). The knowledge creation construct explored by the study has a component of socialization and thus attempts to fill this gap that exists in literature.

MATERIAL AND METHODS

The study was carried out in Rift Valley region in Kenya. The study used cluster sampling to arrive at Rift valley region as the most representative region in terms of the number and types of TVET institutions in the region. The region was also viewed as a cosmopolitan environment with expansive geographical coverage bordering other six regions in Kenya. There were eight registered public TVET institutions in Rift valley at the time of the study comprising of one national polytechnic, five technical training institutes, one institute of technology, one industrial training center and one government training institute. A sample size of 343 out of a target population of 3,147 was arrived at using Cochran’s formula as adopted by MaCorr (2014). Random sampling technique was used to identify the respondents who filled the questionnaires and the questionnaire response rate was 95.04%. All items in the study were elicited on a five-point Likert scale. Questionnaires were validated through pretest. Cronbach alpha coefficients were computed to assess the reliability of the instrument and all the coefficients were above the accepted threshold of 0.7 (Hair et al., 2006).

Data were screened to assess whether the assumptions of regression were met. Normality of the distribution of data was tested graphically by inspection of histogram and p-p plots and numerically by Shapiro-Wilk test and the findings were within the accepted thresholds of 0.05 and above. Linearity of study variables was tested using Pearson moment correlation and the inspection of the correlation matrix which revealed values of below 1.0. Values below 1.0 are a good indicator of a linear relationship between the study variables (Tabachnick & Fidel, 2013) and findings revealed a linear relationship between employee engagement and knowledge creation. Independence of errors was checked using Durbin–Watson statistic and it was within the accepted threshold of 1.5 to 2.5 according to Hayes (2013). Variance Inflation Factors (VIF) and the tolerance levels were used to assess multicollinearity and the standard cut-off points suggested by Tabachnick & Fidell (2013) were observed.

RESULTS

Measures of Employee Engagement

Employee engagement was conceptualized to be measured by thirteen items. The Kaiser-Meyer-Olkin measure of sampling adequacy (0.838) and Bartlett’s Test of sphericity (p<0.001) indicated satisfactory levels for factor analysis to proceed. Principal component analysis extracted 3 factors labeled as cognitive, emotional and behavior dimensions. The three factors cumulatively explained 63.4% of the variance in employee engagement. Eleven items had factor loadings above 0.5 and however, two items which had factor loadings of below 0.5 were dropped as posited by Hair et al. (2006).
Measures of Knowledge Creation

Six items were developed to measure knowledge creation. The Kaiser-Meyer-Olkin measure of sampling adequacy (0.755) and Bartlett’s Test of sphericity (p<0.001) revealed that data was adequate for extraction of principal component analysis. Principal component analysis extracted one factor which explained 52.3% of variance in knowledge creation. One item which had a factor loading of below 0.5 was dropped.

Demographic Results

The respondents provided information regarding their age, gender, level of education and number of years with the current employer. The purpose of this information was to help the researcher to understand the demographic context within which the study was conducted.

Table 1: Demographic Profile of the Respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>151</td>
<td>47.8%</td>
</tr>
<tr>
<td>Female</td>
<td>165</td>
<td>52.2%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-24 years</td>
<td>24</td>
<td>7.6%</td>
</tr>
<tr>
<td>25-34 years</td>
<td>95</td>
<td>30.1%</td>
</tr>
<tr>
<td>35-44 years</td>
<td>128</td>
<td>40.5%</td>
</tr>
<tr>
<td>45-54 years</td>
<td>60</td>
<td>19.0%</td>
</tr>
<tr>
<td>Over 55 years</td>
<td>9</td>
<td>2.8%</td>
</tr>
<tr>
<td>Level of education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td>64</td>
<td>20.1%</td>
</tr>
<tr>
<td>Higher Diploma</td>
<td>63</td>
<td>20.1%</td>
</tr>
<tr>
<td>Degree</td>
<td>107</td>
<td>34.2%</td>
</tr>
<tr>
<td>Masters</td>
<td>70</td>
<td>21.9%</td>
</tr>
<tr>
<td>PhD</td>
<td>12</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

The results presented in Table 1 indicate that women were the majority comprising 52.2% of the respondents while men represented 47.8% of the respondents. Concerning age of the respondents, majority (40.5%) were aged between 35 and 44 years, followed by those between the age of 25 and 34 years (30.1%), those aged between 45 and 54 years were 19.0%, and those between 18-24 years were (7.6%). On level of education, majority of respondents (34.2%) had bachelor’s degrees, followed by those holding master’s degrees (21.9%), higher diploma (20.1%) and very few respondents held PhD (3.8 %). This finding is consistent with that of Koech (2015) who established that PhD holders were exiting TVET institutions to universities in search of greener pastures due to lack of recognition and appropriate rewards by the employer.
Table 2: Correlation Results

<table>
<thead>
<tr>
<th>Knowledge creation</th>
<th>Employee engagement</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge creation</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Employee engagement</td>
<td>.264**</td>
<td>1</td>
</tr>
</tbody>
</table>

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

Results in Table 2 show that employee engagement significantly and positively correlate with employee performance as shown by a correlation coefficient value of .264. The results signify that increased levels of employee engagement are associated with increased employee performance.

Hypothesis Testing

The hypothesis stated that employee engagement influences knowledge creation. This hypothesis failed to reject as shown by results in Table 3.

Table 3: Coefficients

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.680</td>
<td>.357</td>
<td>4.708</td>
</tr>
<tr>
<td></td>
<td>Engagement</td>
<td>.398</td>
<td>.082</td>
<td>.264</td>
</tr>
</tbody>
</table>

As shown in Table 3, the coefficients of estimate reveal a statistically significant (β=.264; t=4.837; p<.05) confirmation that employee engagement significantly influences knowledge creation. Consequently, the study confirmed the hypothesis.

As illustrated in Table 4, the results revealed that employee engagement contributes 7% of variation in knowledge creation as shown by R² value of .070. The F change statistic (11.713; P<.05) indicates that the regression model is statistically significant at 95% confidence level. The findings further reveal the model goodness of fit as shown by the coefficient of determination value of R² with a value of .070 and adjusted R² with a value of .064.

Table 4: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>.264a</td>
<td>.070</td>
<td>.064</td>
<td>.86756</td>
<td></td>
</tr>
</tbody>
</table>

The results shown in Table 5 indicate that the overall regression model is statistically significant as shown by the F change statistic (40.527; p<.05).
Table 5: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>17.632</td>
<td>2</td>
<td>8.816</td>
<td>11.713</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>234.832</td>
<td>312</td>
<td>.753</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>252.464</td>
<td>314</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DISCUSSION AND CONCLUSION

This research investigated and tested the influence of employee engagement on knowledge creation in TVET institutions in Rift Valley Region in Kenya. The findings revealed a positive and significant relationship between employee engagement and knowledge creation. The findings further revealed a significant influence of employee engagement on knowledge creation. The results signify that employee engagement contributes 7% of variation in knowledge creation in the selected TVET institutions.

Research shows that engaged employees put in extra effort to help get the job done, they show a strong level of commitment to the organization, and are more motivated and optimistic about their work goals and perform better (Saks, 2006). Employers with engaged employees tend to experience low employee turnover and more impressive business outcomes (Vance, 2006).

A number of studies show that an important way to enhance employee performance is to focus on fostering employee engagement (Christian et al., 2011; Fleming and Asplund, 2007; Rich et al., 2010; Macey and Schneider, 2008; Hewitt 2012; Anitha, 2014). Leiter and Bakker (2010) also suggests that the presence of high levels of employee engagement enhances both employee and organization performance. Becoming fully engaged at work is the pathway for igniting talents, skills and for making a real difference in performance. This is because employees who are fully engaged are positive, energetic, dedicated, and resilient and perform better (Loehr, 2005).

For TVET institutions to achieve the benefits of knowledge creation, managers should identify what engages employees and disengage them at work. A study by Saks and Rotman (2006) revealed that recognition and rewards are significant antecedents of employee engagement. This means that when employees receive rewards and recognition from the organization, they feel obliged to respond with higher levels of engagement and performance. Managers should identify high performers in knowledge creation and reward them to motivate them to do even better and also identify low performers and speak with them concerning their results and help them to improve on their performance as posited by Merry (2013) who argued that annual employee survey help organizations to get beyond thinking of engagement as just a survey but also as a tool to support organizational development in terms of employee career development. Hewitt (2012) contend that career opportunities remain one of the top drivers of employee engagement. Furthermore managers should clearly demarcate between employee engagement scores and employee performance scores and reward appropriately.

An important way to enhance knowledge creation in TVET institutions is to focus on interventions that foster employee engagement because employees who are engaged bring out their cognitive, emotional and physical energies as they perform their tasks at work (Khan 1990; Shuck and Wollard2009; Du Plessis 2014; Shuck et al. 2017).
RECOMMENDATIONS

Based on the results of the study and the associated literature, three categories of recommendations are made namely; theoretical implications, managerial implications and recommendations for future research.

Theoretical Implications

The study contributes to human capital theory by validating that engaged employees add value to the organization through their knowledge, skills, experiences, talents and intelligent quotient by creating new knowledge.

Managerial Implications

According to literature reviewed, studies by Shuck et al. (2014) and Shuck et al. (2017) brings conceptual clarity on employee engagement construct and promotes the application of the construct in theory building and practice and it also contributes to the maturity of the construct. This will help scholars and practitioners to have a clear perspective of employee engagement as an individual level construct because more often, it has been viewed as an organization level construct leading to poor approach to measurement, poor outcomes and poor interventions.

The study provides the much needed empirical data on employee engagement and knowledge creation in TVET context in Kenya. The findings indicated that employee engagement influence knowledge creation in TVET Institutions in Rift Valley Kenya. The results of this study supports research studies by Fredickson (2001), Ceptureanu and Ceptureanu (2010) and Mura et al. (2013) who observe that employee engagement and knowledge creation are positively associated, suggesting that managers and practitioners by understanding cognitive, emotional and behavioral dimensions of employee engagement will be in a position to clarify objectives for measuring employee engagement, expected outcomes and appropriate interventions in relation to knowledge creation.

Cognitive engagement is the mental energy expressed by employees towards positive organizational outcomes (Rich et al. 2010; Shuck et al. 2014; Shuck et al. 2017). Improving employee focus, attention and concentration on work related responsibilities, experiences and settings will improve knowledge creation because employees will yield their mental energy in knowledge creation activities.

Emotionally engaged employees yield their personal resources at work and such resources include believing in, having a sense of personal meaning and being emotionally connected with their organization and their tasks (Schuck, Adelson and Reio, 2017). This also suggests that emotionally engaged employees are connected with their colleagues and even customers. Knowledge creation thrives in work places where employees are emotionally connected and they feel free to interact. Tsoukas (2009) observe that new knowledge is created when employees engage in direct social interaction and Nonaka and Takeuchi (1995) argue that tacit and tacit knowledge is combined through socialization to generate new knowledge. Therefore, there is need for practitioners to consider interventions that allow employees to interact in the place of work and as a result, tacit knowledge held by individuals in form of ideas, personal experiences, insights and beliefs are passed from one employee to another through practice, observation, guidance, mentoring among others. Interventions that focus on documenting tacit knowledge in form of work manuals, procedures and processes will enhance easy access and use of information by other employees throughout the organization and consequently new knowledge is
generated and utilized. Interventions that consider combination of various codified knowledge sources such as various documented reports should be developed by practitioners. In addition, it is important for managers to focus on strategies that allow employees to acquire knowledge from internal and external explicit sources to facilitate internalization where employees internalize the acquired knowledge resulting to modification of employees’ tacit knowledge and the end result is new organizational knowledge flowing from employees in form of quality actions and decisions.

Fleming and Asplund (2007) argue that engaged employees are often emotionally connected with their work and they are more productive. This is because behaviorally engaged employees are willing to exert extra effort as they perform their tasks, they work harder for their organization and are willing to exceed the expectations of the organization leading to positive organizational outcomes. Knowledge creation is one of such positive organizational outcomes as confirmed by the study.

**Recommendations for Future Studies**

This study was confined on employee engagement and knowledge creation in TVET institutions in Rift Valley hence, limiting the generalizability of the findings. To augment the research findings of this study, it is recommended that a replica study should be carried out to explore these findings in other counties in Kenya. This study was cross sectional therefore, a longitudinal study is also recommended in order to establish causal relationship.

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Chapter #--- 6

Emotional Experience, Store Image, Social Value and Purchase Intention: A Moderated Mediation Analysis in a Retail Setting

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ABSTRACT

The main objective of the study was to determine the influence of Emotional experience on purchase intention, moderated by store image and mediated by social value within a retail context. The conceptual model used in the study depicts the hypothesized relationships among the study variables. A sample of 420 respondents was selected from three Nairobi city-based retail stores, each from the three leading tier one retail chains in Kenya. In selecting the respondents, the study used mixed sampling methods. This involved stratification of the respondents and thereafter selecting them proportionately and purposively. The theory that was used to anchor the study was the Stimulus-Response Model by Mehrabian and Russell. The study findings indicate that the predictor variable; emotional experience, has a significant and positive relationship with both the mediator variable; social value, and the outcome variable; purchase intention. Moreover, social value emerged as a significant mediator in the emotional value/purchase intention relationship. The moderating effect of store image on the indirect effect and the entire model is established. The study recommends that retailers continually strive to gain deeper understanding of their consumers so as to form a basis of providing avenues for consumers’ rich and memorable interactions within the shopping environment.

KEY WORDS: Emotional Experience, Social Value, Purchase Intention, Store Image
INTRODUCTION

“Commodities are fungible, goods tangible, services intangible, and experiences memorable”, (Pine & Gilmore 1998 p.98)

Gaining understanding of consumer behavior remains a key pillar of the marketing concept and therefore continues to attract increasing interest from both the marketing practitioners and scholars across the world. Of special interest is the need to gain understanding of the dynamics of consumer purchase intentions and which has been the focus of considerable recent attention (De Cannière et al., 2010: Khan & Rahman, 2014: Awan et al., 2015). Purchase intention is “a combination of consumers' interest in and possibility of buying a product” (Kim & Ko, 2012 P.1481). Notably, the traditional canonic marketing principles are fast losing relevance in this era of information, branding and communications revolution (Schmitt, 1999) reducing the receptiveness of audiences to the traditional communication which is targeted mostly to mass audiences. Pine & Gilmore, (1998) and Vila-Lo´pez & Rodrı´guez-Molina, (2013), opines that the solution to addressing this challenge is connecting with the customers at the individual and emotional level through experiential marketing. Through experiential marketing, marketers are able to engage their customers in a personalized way by arousing their senses, leading to the making of favorable consumer purchase decisions. (Gilmore & Pine, 2002). Furthermore, Yang & He, (2011), concluded that three experiential dimensions namely; Sensory, Emotional, and Social Experience, have a significant relationship with purchase intention. Emotional Experience encompasses both the moods and emotions generated during the shopping encounter. Notably also, according to (Sweeney & Soutar, 2001) : Sánchez-Fernández & Iniesta-Bonillo, (2007), the concept of customer value has been found to be conceptually multidimensional. Previously, Sheth et al., (1991) had established that value comprises of five major dimensions namely; social value, emotional value functional value, epistemic value, and conditional value. He regarded social value as the value derived by the consumers when they feel that the shopping encounter projects the image that is in conformance with the values and expectations of all those who they closely associates with, may they be friends, associates or family members. Furthermore, Store image is a “composition of attributes (both factual and imagined) that consumers attach to a particular retail entity” (Beneke & Zimmerman, 2014 p.3).

The linkage between emotional experience, purchase intention, store image and social value is implied by Andreassen & Linestad (1998 p.3) who, citing Oliver, (1980) argues that “customer loyalty (such as repurchase intentions and willingness to provide positive word-of-mouth) is a function of customer satisfaction, which again is a function of a cognitive comparison of expectations prior to consumption and actual experience”.

Important to note is that Kenya is second to South Africa and doubles Nigeria, Africa’s largest economy, in the development and growth of its modern retail system. A report by Euro monitor on “Retailing in Kenya,” (2016) projects continued growth in retailing and which may be attributed to a rise of the middle class with high disposable incomes, improved infrastructure, and the growth in property boom allowing retailers to take up prime locations near residential areas for customer convenience, as well as the devolution of services to rural areas, encouraging the footprint expansion of retail outlets nationwide.
The growth may be indicated by the continued expansion mostly in terms of new branches for the existing local supermarket chains, and the increasing interest being expressed by global supermarket chains. Notably, the Kenyan retail sector contributes 30% to the Kenyan GDP and is expected to maintain a growth momentum (Kiragu, 2016). With this increased competition and the projected growth, retailers to enhance their initiatives of attracting shoppers to their stores and thereafter lead them into buying. For this to be realized, retailers must be seen to offer value to the customers in an environment that is emotionally and aesthetically appealing, leading to pleasurable experiences that may enhance patronage.

Due to this increasing competition in the retail sector, and the consumer’s negative perceptions of the traditional communication approaches, the need for organizations to appeal to their target customers at the emotional level therefore becomes imperative. Important to realize is that consumers are always driven by the need to derive value from their shopping experiences and this should occur in a retail setting that presents a positive and compelling image. It is in view of this, that the study investigated the interactions of emotional experience, social value, and store image in influencing consumer’s purchase intentions within the Kenyan retail sector. It is good to emphasize that this present study embraces integrative models in response to the recommendations by Cronin, Brady and Hult (2000).

**THEORETICAL PERSPECTIVE.**

This study is underpinned by the theories of consumer behavior. However, the specific theory that underpins this study are is The Mehrabian & Russel Stimulus- Organism- Response (S-O-R) Model (1974), and which has been used extensively in previous consumer behavior related studies.

**Stimulus Organism Response (S-O-R) Model**

The stimulus-response model was authored by Mehrabian and Russell in 1974. This model outlines the influence of environment hence its useful in understanding the influence of surroundings such as light, temperature and scent on shoppers behavior (Hyunjoo & Sejin, 2011). The S-O-R model comprises of three components; stimulus (environmental stimuli), organism (relates to the emotional state) and response (relates to either approach behaviour or avoidance actions) as shown in figure 1.

![Stimulus- Organism- Response (S-O-R) Model](image)

**Figure 1 Stimulus- Organism- Response (S-O-R) Model**

*Source: Adapted from Mehrabian and Russell (1974)*
According to the model, the major factors that affect a person’s emotional state are; arousal, dominance and pleasure (Hyunjoo & Sejin, 2011). Furthermore, “when one is exposed to a retail environment, he/she feels different levels of pleasure, dominance, and arousal, which further influence how the person feels about a store, salespeople, service, or shopping experience” (Hyunjoo & Sejin, 2011 P.4). In the S-O-R model Stimulus represents the predictor variable, whereas organism is the mediator and response represents the outcome variable. According to Mehrabian & Russell, (1974) , a person’s behavior whether positive or negative, is the result of the influences of the external stimulus and what the individual feels and senses about the environment. Moreover, there is a concurrence among environmental psychologist that people are affected by the environmental cues and which consequently triggers emotional reactions to those cues and in turn determining how they behave (Hyunjoo & Sejin, 2011).

Additionally, Hyunjoo & Sejin, (2011) reckons that the S-O-R model was originally developed to interpret how the behavior of an individual is affected by one’s environment. However, Cui & Lai, (2013) points out that marketing researchers have widely adopted the model especially in studies on consumer behaviour. Citing the works of Bitner, (1992); Dube et al., (1995); Michon et al., (2005); Michon, Yu, Smith, & Chebat, (2008); and Stoel et al., (2004), and in line with the S-O-R paradigm, Hyunjoo & Sejin, (2011) argues that previous studies have indeed demonstrated that the evaluation of mall attributes elicits both cognitive (utilitarian) and affective (hedonic) as well as behavioral responses.

Within a retail scene for example, shoppers are exposed to a variety of store atmospheric attributes such as cleanliness, spaciousness, decoration and music; and a wide selection of store/merchandise, leisure/recreation and entertainment options which forms the perceptions of value derived from a shopping encounter (Hyunjoo & Sejin, 2011). Furthermore, according to Goi, Kalidas, & Zeeshan (2014), the contribution of this model in consumer behavior studies has never been doubted.

A study by Peng & Kim, (2014) used the S-O-R framework to examine the influence of website and shopping stimuli on consumers attitudes related to online shopping and ultimately intentions to repurchase. The study results indicated “that (1) the hedonic shopping value has a positive effect on consumers’ attitudes toward online shopping and emotional purchases, (2) the utilitarian shopping value has a significant effect on consumers’ attitudes toward online shopping, (3) environmental stimuli positively influence consumers’ attitudes toward online shopping and emotional purchases, and (4) consumers’ attitudes toward online shopping positively affect their repurchase intention” (Peng & Kim, 2014 p.1).

Similarly, Chang et al., (2011) used the S-O-R model to assess how hedonic factors influence impulsive buyer behavior in a retail context. The study results show that a significant relationship exists between the ambience of the shopping environment and the consumers’ positive emotional responses, and ultimately on impulsive shopping behavior. In addition, hedonic motivation was found to have a significant moderating effect on the relationship between the retail environment’s social characteristics and the positive emotional outcomes/responses of the consumer.

More recently, Prashar, Vijay, & Parsad, (2017) did a study seeking to determine the influence of on-line shopping values and website cues on purchase behavior using the S-O-R framework. The study established that both the external and internal factors have direct influence on website satisfaction. On
the other hand, website satisfaction was found to significantly mediate the relationship between online shopping values and web atmospheric cues, and consumers’ purchase intention.

The S-O-R model is thus suited for this study since the stimulus dimension of the model reflects the environmental stimulus which largely encompasses the store image attributes and the experiential dimensions. Notably, the organism variable of the model reflects the customer’s emotional states such as pleasure, arousal and excitement which indeed are key pillars in the experiential marketing spectrum. Above all, the response variable of the model captures the main focus of the study; purchase intention

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

3.1: Literature Review

The concept of purchase intention.

Purchase intention refers to those antecedents or factors that trigger and arouse the consumers to purchase products and services (Hawkins & Mothersbaugh, 2010 cited by Haque et al., 2015). According to Morwitz et al., (2006 p.4) citing Fishben and Ajzen (1975), “if one wants to know whether or not an individual will perform a given behavior, the simplest and probably most efficient thing one can do is to ask the individual whether he intends to perform that behavior”. Intentions constitute a “willful state of choice where one makes a self-implicated statement as to a future course of action. It is an intermediate state of abstraction between a concrete action (e.g., purchase) and an abstract idea (e.g., perceived cost) or feeling (e.g., liking) (Bagozzi, 1983). Moreover, Haque et al., (2015) observes that marketers are increasing using the analysis of consumer intentions as a basis of understanding the actual buyer behavior. Indeed, Purchase intention reflects the consumer’s judgment of what they would like to buy in future shopping encounters (Lin & Lu, 2010). Kim and Pysarchik, (2000) have demonstrated the existence of a significant and strong correlation between intention and actual purchase. Hence, they advance the argument that purchase intention may be regarded as reliable approach in measuring the consumers’ actual purchase behavior. The likelihood of performing a particular action is higher where the intentions are strong. This therefore explains why numerous marketing studies including this particular one, have used purchase intention instead of actual purchase.

Concept of value.

Value has been revisited and refined by marketing scholars and practitioners largely focused on trying to achieve a consistent theoretical and conceptual development of the concept driven by the increasing recognition of value as an imperative focus (Gallarza & Gil, 2008). Moreover, with the business world becoming increasingly competitive and characterized by highly rational consumers, firms are realizing that for them to remain relevant, there is a need for a paradigm shift from the traditional approaches to new concepts that offer greater value to customers relative to competition (Bajs, 2015). After all, the fundamental objective of customers is to maximize value (Chiu, Wang, Fang, & Huang, 2014 citing Holbrok, 1984) although the contextual nature of value implies that its meaning varies with customers and situations. It is this growing realization of the importance of value in marketing that has propelled it to become one of the most critical components of strategic thinking (Al-Sabbahy, Ekinci, & Riley, 2004).
Aulia, Sukati, & Sulaiman (2016) identified three dimensions of value related to; product, social and personal, and whose fulfillment may result to high levels of customer satisfaction. Value related to the Product concerns with the customers perception of a product as a source of value or a package of benefits as opposed to merely considering the attributes. In this connection, the benefits customers seek may be viewed from “two fundamental perspectives of customer needs which are the need for product function and the need for the pleasure of using the product” (pp.4). Social related benefits are premised on the customer’s view of the society as a source of value and therefore through the interactions with others, value will be realized. Accordingly, the benefits the customers seek largely relate to acceptance and the need to be complimented. The third dimension of value; personal related value, comprises the consumption beliefs touching on the consumer’s personal values and which consequently influences his/her perception of value as pertains to that particular product. What should be emphasized however is that “different value dimensions may be important depending on the decision level (e.g., buy/not buy or buy brand A/brand B), as well as on the type of product or service being considered” (Sweeney & Soutar, 2001 p.205). Undoubtedly, the branding concept is premised on value, informed by the realization that a brand largely reflects a promise made by the producer to the consumer and the greatest of which, is the promise of value (Pearson, 2006). It is on the basis of the understanding that brands reflects a bundle of value whether symbolic or otherwise, and as defined in the consumers mind, that has prompted marketing researchers to shift their focus to perceived value as opposed to merely focusing on value (Anker, Kappel, Eadie, & Sandøe, 2012).

Concept of experiential marketing

Experiential marketing is a means to create interactions and associations that are memorable and which engages the customer in a deeply personal manner (Gilmore & Pine, 2002). It engages the targeted audience in a personalized way by leveraging on emotions and directly involving them to bring credible and memorable experiences (Khan & Rahman, 2015). Heinonen, Strandvik, Mickelsson, and Edvardsson, (2010) holds the view that service providers should expand their perspectives in order to get to..... “Know their customers on a deeper level than before”.p.15 since the ultimate outcome of marketing should not be the service but the customer experience.

According to Srinivasan and Srivastava, (2010), experiential marketing leads to the creation of memorable experiences, and where each successive interaction results in the deepening of the experience. Equally important, in addition to meeting the stated needs of the consumer, experiential marketing addresses other needs such as social goals, self-image, emotions and the deeply held desires. As a matter of fact, the concept of experiential marketing lacks a common definition. However, the common denominator in all the definitions is the emphasis on senses, feelings and emotions (Same, 2014).

A review of extant literature reveals numerous approaches at operationalizing the concept of experiential marketing. For instance Schmitt, (1999) identifies five experiential dimensions that comprise of sensory, affective, creative, behavioural and lifestyle experiences, and lastly social-identity experiences. Furthermore, Verhoef et al., (2009), regards customer experience construct as one that is holistic in nature involving the consumers’ emotional, cognitive, social, physical and affective responses. It is on the basis of this definition and the experiential modules of sense, think, feel, relate and act (Schmitt, 1999), that Yang & He, (2011), identifies the three experiential dimensions of; Sensory, Social and Emotional experiences. Sensory Experience refers to the general ambience and
sensory perceptions of the consumer about the overall shopping environment including the products/service on offer. Emotional Experience on its part, comprise the emotions and moods generated during the shopping encounter. Lastly; Social Experience concerns with the interactions and relationships with significant others and the general society (Yang & He, 2011). This study adopted the emotional dimension of experiential marketing.

**Concept of store image**

The pioneer work of Martineau (1958) set the stage for research in store image. Accordingly, he referred to store image as the way the shoppers define the store in their mind based on the functional qualities and an array of psychological benefits and attributes. Moreover, image may be defined as a “sensory impression that is perceived through a personal experience and recognized through imprinted symbols or associations” (Park, Park, & Dubinsky, 2011 p.2). It is the customer’s perception and evaluation of the symbolic and functional meaning of a particular store (He & Mukherjee, 2007). Additionally, it is the “complex of a consumer’s perceptions of a store on different (salient) attributes” (Bloemer & de Ruyter, 1998 p.3) or the “symbolic, experiential expression of the manner in which consumers “see” or “visualize” a store” (Saraswat et al., 2010 p.4).

Image power springs from the human need to simplify buying decisions by creating symbolic representations to serve as decision heuristics in situations of uncertainty, characteristic of a dynamic environment driven by rapidly changing technology (Stern, Zinkhan, & Jaju, 2001). Despite the general agreement on the importance of image in marketing, “the term is used so inconsistently that no two researchers are necessarily talking about the same phenomenon” to an extent that one is left wondering whether or not the term means everything to everybody (Stern et al., 2001 p.201). Moreover, it’s meanings are so many to the extent that they are probably more than the number of people who use it (Grunig, 1993), and is also a complex construct open to many interpretations (Burt, Johansson, & Thelander, 2007). This debate aside however, researchers have been able to identify four different yet related types of images that are of great importance to consumer research and these are: product image, brand image, corporate image and store image (He & Mukherjee, 2007). Since this particular study was within the context of retail services, reference to the term image is interpreted to mean store image (Park et al., 2011). This is also affirmed by Saraswat, Mammen, Aagja, & Tewari, (2010 p.4) who states that “When applied to marketing and more specifically to retailing, the notion of image begins to get translated into store image”.

**3.2: Hypothesis Development.**

**Relationship between emotional experience and purchase intention**

Experiential marketing is premised on the realization that consumers are both rational and emotional beings. In view of this, consumption is viewed as involving “a steady flow of fantasies, feelings and fun”.... and one that occurs in a “subjective state of consciousness with a variety of symbolic meanings, hedonic responses and esthetic criteria” (Holbrook & Hirschman, 1982 p.1). Prayag, Hosany, Muskat, & Chiappa, (2015 p.9) citing (Cohen and Areni 1991) regards emotions as the “affective states characterized by episodes of intense feelings associated with a specific referent (such as a person, an object, or an event) and instigate specific response behaviors” These “emotions and feelings may be categorized as feel, sense, think, act and relate”, (Schmitt, 1999). Moreover, Same
asserts that “emotional attachment is central to the experiential paradigm”. Experiential marketing and specifically emotional experience aims at creating experiences that are memorable and personal in the interactions with customers. This according to Gilmore & Pine, (2002) may lead to the customer identifying positively with the company’s products or service.

A study by Srinivasan & Srivastava, (2010) was able to demonstrate that emotional experience has significant influence in attracting customers to a retailer due to its huge ability to create memorable experiences through the various points of interaction. Based on these findings, the study concluded that “retailers should work on the environmental elements to increase satisfaction and encourage the return of shoppers” (Srinivasan & Srivastava, 2010 p.6).

Furthermore, the study by Yang & He (2011) on Goal and customer experience, and their effect on purchase intention among shoppers in selected retail stores in China, established that two of the experiential marketing dimensions namely; social experience and emotional experience significantly influences purchase intention. Additionally, the third dimension namely; sensory experience was found to be indirectly influencing purchase intention. The study advises organizations that want to survive in this fiercely competitive business environment that they “should not only provide favorable sensory experience but also provide excellent emotional experience and social experience to create long-lasting competitive advantages and increase re-patronage” (p.8). The influence and importance of customer experiences on purchase intentions and particularly in retail context is emphasized in this study. Notably, these results concur with the findings by Anggie & Haryanto (2011), who established that there exists a significant experience/intention relationship since the urge for shoppers to desire to come back can only happen where the shopper has received the anticipated level of satisfaction from their initial shopping experience. Their study concluded that when retailers create environments that lead to customers having unforgettable experiences, it will further arouse favorable responses that will ultimately encourage the intentions to purchase.

Considering the arguments presented above, we propose the following hypotheses.

Hypothesis 1. Emotional experience and purchase intention are significantly and positively related.

The effect of Emotional Experience on Purchase Intention via Social Value.

Srivastava, (2008) investigated on how experiential marketing could be used to build brands where he compared stores using experiential marketing and those not using experiential marketing. The study results indicate that “repeat visit for customers in the experiential marketing stores was thirty times higher than in the stores not using experiential marketing. Moreover, the reasons that were given for repeat visits were; “ambience (34%), feel good (37%), friendly people (29%)” (p.5) and this confirms that the power of experiential marketing to generate stimuli and emotions is a major determinant of purchase intention.

On the other hand, Rintamäki et al., (2006 p.3) established that “Creating and delivering customer value is a precondition for retailers to survive in today’s competitive marketplace”. The study concluded that those firms that become aware of richness of the total customer value concept, and identify the key dimensions of this value namely; social, utilitarian, and hedonic value dimensions, and the immense benefits that shoppers attribute to these three dimensions, they will then embrace customer
value in the crafting of appropriate integrated marketing segmentation and communication strategies, leading to the staging of memorable and pleasant shopping experiences.

A study on how to sustain the customer experience (Gentile et al., 2007) established that there are five dimensions of experiential marketing that contribute significantly to value perceptions. These are; sensorial component that provides sensorial value, emotional component that creates affective value, cognitive experience that relates to a customer’s thinking or conscious mental processes, lifestyle component that relates to a consumer’s values and beliefs, and lastly, relational component that encompasses the value that is derived from the social dimensions of the consumers’ shopping experience. The study was able to prove that a significant portion of value proposed and indeed recognized by the customers, is related to the experiential attributes.

Guided by the arguments advanced in these studies, the following hypotheses may be proposed;
Hypothesis 2. There exists a significant and positive relationship between Emotional experience and social value
Hypothesis 3. There exists a significant positive relationship between Social value and Purchase intention
Hypothesis 4. The influence of emotional experience on customer purchase intention is significantly mediated by social value.

The moderating effect of Store Image

Previous studies have been conducted proving the existence of a significant link between store image, customer experience and the dimensions of perceived value. The results of a study on how destination image, perceived value, and service quality affect destination loyalty (Kim et al., 2013) showed that overall satisfaction was affected by perceptions of service quality and perceived value, which were also directly influenced by perceived destination image. Perceived value quite often stands out as an antecedent and one of the major determinants of satisfaction and customers’ future behavioral intentions (Cronin et al., 2000; Parasuraman & Grewal 2000). Image and perceived value are outcome variables of service quality. Moreover, service quality and customer satisfaction are at the core of marketing strategic priorities since they are antecedents of consumer loyalty reflected in repeat sales and also most importantly; positive word of mouth (Ryu et al., 2012). Citing the findings of the study by Lai et al., (2009), Ryu et al., (2012 P.6) posits that “service quality directly affected both customer perceived value and image perceptions”. One of the objectives in the study by Ryu et al., (2012), was to establish how restaurant image influences customers’ perceived value and also satisfaction. The major outcome of the study was that customer perceived value emerged as a perfect mediator of an image-satisfaction path. Certainly, this supports the notion that customers highly rely on customer perceived value to evaluate their satisfaction, while customer perceived value is significantly influenced by image.

Based on these arguments, we propose the following hypotheses:
Hypothesis 5. Store image moderates the relationship between Emotional experience and social value such that the positive effect of social value varies at different levels of store image.
Hypothesis 6. Store image moderates the indirect effect of emotional experience on purchase intention via social value such that the indirect effect is weaker for shoppers with higher levels of store image perceptions.
Figure 2 shows the conceptual model that explains the hypotheses about the relationships among all variables involved in this study.

**Figure 2: Conceptual model. Key: H represents Hypothesis, whereas H1, H2, H3 is the direct effects. H4 represents mediated effects, H5 represents moderated effects, H6 represents moderated mediation.**

**METHODOLOGY**

4.1. Study procedure

The study respondents were the shoppers of the three leading retail stores in Nairobi City; Kenya, namely Tuskys, Naivas and Nakumat. Using store intercept approach as was applied in Michon, et al. (2008) and Madahi & Sukati, (2016), 420 respondents were selected using stratified, proportionate and purposive sampling methods. These respondents were selected based on the proportionate branch networks of the three retail chains. Since according to Diallo et al., (2015 p.6), “shopping motives vary by time of day and day of the week”, data for the study was gathered through a structured questionnaire over a three day period starting from Thursday through to Saturday.

4.2. Measurements

All the items used in measuring the constructs were adapted from previous studies with relevant modifications to fit the uniqueness of this study. Five items adapted and modified from Anggie & Haryanto, (2011) were used to measure purchase intentions. The six items used to measure Social value were adapted from (Rintamäki et al., 2006). The store image was measured using five item measures adapted from Chang and Wang, (2014) and as previously used by Grewal, Baker, and Borin (1998). However, to measure emotional experience we used six items adapted from Brengman & Geuens, (2004).

4.3 Data Analysis and Presentation

Notably, numerous items were used in the research tool to measure the four constructs. To get an index for these constructs we computed an average score for numerous items of each construct. Moreover, subsequent correlation and regression analysis was based on these indexes. The entire process used SPSS version 21. This software was also employed for descriptive statistics for socio-demographics and test of assumption including normality checks in which values of skewness and kurtosis were evaluated multi-collinearity, homoscedasticity and outliers. The relationship between the
four variables was measured using Pearson correlations. To establish the validity of the measurement scales and also the structural relationships, the study conducted Confirmatory factor analysis using Varimax rotation. Convergent validity was checked using AVE’s, whereas discriminant validity was checked using the squared roots of the AVE’s and later comparing this with the correlations for each variable. Besides, composite reliability and alpha were used check for internal consistency.

By using SPSS with process macro- model seven (7), the relationships in the various models were then tested so as to determine their level of significance. Process macro has been recommended for analysis in the studies that involve multiple mediator models as is the case in this study (Preacher & Hayes, 2008). The significance of the models was tested using the p-values and bootstrap confidence intervals. Bootstrapping was regarded as being appropriate for this kind of study since it is recommended for multiple interaction models and is far much superior to methods that assume “normality of the sampling distribution of the indirect effects” (Preacher & Hayes, 2008 p.6). The criteria to determine the level of significance of the hypothesised relationship was P –value (<0.05) and a bootstrap interval that does not contain zero. In addition, moderation graph was generated to give a graphical view of the moderation effect.

RESULTS

5.1 Measurement model
Confirmatory factor analysis

To gain understanding of the underlying constructs in the variables, factor analysis was conducted for all the study items. Besides that, to determine the configurations of the constructs the study used principal component analysis (PCA) while ensuring that the requirements for Kaiser–Meyer–Olkin (KMO > 0.6) and the Bartlett test of sphericity were met. The Factor loadings for all the study items were assessed to ensure that only those items with factor loadings above 0.5 were retained consistent with the recommendations of previous studies (Shaharudin, Mansor, Hassan, Omar, & Harun, 2011; Hair, Black, Babin, & Anderson, 2010). Furthermore, all the extracted components had to meet the requirements for Eigen values of greater than one (Costello & Osborne, 2005; Plucker, 2003).

The loadings were as follows; five items on store image, five items on purchase intention, six items on emotional experience and six items on social value. The results of the factor loadings showed that all were >0.5, KMO>0.6 and Eigen values> 1, all confirming acceptable levels of construct validity and amenability for factor analysis.

Reliability

To assess whether the data collection tool was internally consistent , Cronbach’s alpha and Composite Reliability was used, guided by the Composite reliability and alpha’s minimum scores of 0.8 (Malhotra, 2010). The results on table 1 indicate that both the composite reliability and Cronbach’s alpha indices met this requirement.

Convergent validity

To determine whether the variables meets the requirements for convergent validity, the study used the AVE consistent with Beneke, Cumming, & Jolly, (2013) and Yuan & Wu, (2008).
Additionally, to determine the AVE’s for the constructs, the study was guided by the Fornell Larcker criterion (Fornell & Larcker, 1981). An AVE score of ≥0.5 is recommended indicating that the items do explain more than 50% of all the variance in the constructs (Beneke, Flynn, et al., 2013). As shown in table 1, all the four variables met this requirement.

**Table 1. Internal Consistency Reliability**

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Number of questions</th>
<th>Composite Reliability (CR)</th>
<th>Cronbachs alpha</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Intention.</td>
<td>5</td>
<td>0.94</td>
<td>0.919</td>
<td>0.76</td>
</tr>
<tr>
<td>Store Image</td>
<td>5</td>
<td>0.94</td>
<td>0.915</td>
<td>0.75</td>
</tr>
<tr>
<td>Social value</td>
<td>6</td>
<td>0.88</td>
<td>0.918</td>
<td>0.55</td>
</tr>
<tr>
<td>Emotional experience</td>
<td>6</td>
<td>0.94</td>
<td>0.941</td>
<td>0.71</td>
</tr>
</tbody>
</table>

**Discriminant Validity**

To determine whether the model contained acceptable levels of discriminant validity, the study was guided by the arguments of Beneke, Flynn et al., (2013 p.5), who asserts that discriminant validity is deemed to exist in a construct “if the loading of a particular construct on its allocated construct is higher than its cross loadings on all other constructs. Moreover, Matzler et al., (2006 p.4) citing Fornel & Lacker (1981) also argue that “the average variance shared between a construct and its measures should be greater than the variance shared between the constructs and other constructs in the model”. In this regard, Matzler et al., (2006 p.4) contends that discriminant validity is deemed present “when the diagonal elements (square root AVE) are greater than the off-diagonal elements in the corresponding rows and columns”.

**Table 2. Constructs Cross loadings**

<table>
<thead>
<tr>
<th>Variable</th>
<th>PI</th>
<th>EE</th>
<th>SV</th>
<th>SI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Intention(PI)</td>
<td>0.87</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emotional Experience. (EE)</td>
<td>0.468**</td>
<td>0.84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Value (SV)</td>
<td>0.581**</td>
<td>0.594**</td>
<td>0.74</td>
<td></td>
</tr>
<tr>
<td>Store image (SI)</td>
<td>0.584**</td>
<td>0.541**</td>
<td>0.613**</td>
<td>0.86</td>
</tr>
</tbody>
</table>

Nb/. Square roots of AVE is in diagonal (italicized).

Furthermore, according to Son et al., (2013) high discriminant validity is a proof that a construct is unique and measures a unique phenomenon that others do not measure. The results on table 2 indicate that, the squared roots of AVE’s (in diagonal and italicized) are much higher than all the pair-wise correlations implying that the requirements for discriminant validity have not been violated.

**5.3 Results of Hypothesis Testing.**

The study used process macro model 7 to test the hypothesized relationships and all the results are shown on table 3.
Table 3 Results of Regression Analysis with Social Value as the Mediator and Emotional Experience as the Predictor.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Social Value</th>
<th>Purchase Intention</th>
<th>Indirect Effect</th>
<th>Moderating Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>3.8714***</td>
<td>2.7511***</td>
<td>0.4102<em>0.3938=0.16</em>**</td>
<td>0.1594***</td>
</tr>
<tr>
<td>Emotional Experience</td>
<td>0.4102***</td>
<td>0.1873</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store Image</td>
<td>0.5965***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emotional Experience*Store Image</td>
<td>0.1594***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.5470***</td>
<td>0.3609***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bootstrapping results</td>
<td>0.0628***</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Hypothesis 1:** The results indicates that emotional experience has a significant beta value ($\beta=0.1873, p=0.0000$). Since the $p$-value associated with emotional experience is less than 0.01, hypothesis 1 is supported.

**Hypothesis 2:** The results indicates that emotional experience has a beta value ($\beta=0.4102, p<0.000$). Since the $p$-value associated with emotional experience is less than 0.01, hypothesis 2 is equally supported.

**Hypothesis 3:** The results for hypothesis 3 indicates that social value has a beta value ($\beta=0.3938, p=0.0000$). Since the $p$-value associated with social value is less than 0.01, hypothesis 3 is also supported.

**Hypothesis 4:** The mediating effect of Social value on the emotional experience/purchase intention relationship was arrived at by multiplying the beta values of the emotional experience/social value path, with that of the social value/purchase intention path ($0.4102*0.3938=0.16***$). The outcome as indicated on table 3, is a significant beta value ($\beta=0.16, p=0.0000$) and hence hypothesis 4 is supported consequently concluding that social value positively and significantly mediates the emotional experience/purchase intention relationship.

**Hypothesis 5:** The outcome of the interaction effect of store image on the emotional experience/social value relationship as shown in table 3 is significant beta value ($\beta=0.1594, p=0.0007$). This confirms presence of significant moderating effect of store image hence supporting hypothesis 5. Furthermore, as shown on figure 3, at the lower level of emotional experience, the average effect on social value for the customers with low store image perceptions is 3.0; while for those with high store image perceptions is 3.8. Additionally, when the level of emotional experience increases, the effect on social value increases for both the customers with low, and, those with high store image perceptions. However the increase for those customers with high store image perceptions is significantly greater than the increase for those with low store image perceptions whose change is marginal, hence confirming interaction.
Hypothesis 6: The conditional indirect effects of emotional experience on purchase intention via social value, moderated by store image were computed using bootstrapping and its result as indicated in table 3 is a beta value ($\beta=0.0628; B_{ll}=0.0282, B_{ul}=0.1099$). The moderated mediation effect is deemed to be significant if zero does not lie in between the bootstrapping bias corrected interval (Preacher, Rucker & Hayes, 2007). The absence of zero in the interval in the bootstrap interval suggests presence of significant moderated mediation effect hence supporting hypothesis 6.

![Figure 3: A graph on the moderating effect of store image](image)

DISCUSSIONS AND CONCLUSIONS.

This purpose of the study was to examine the moderating effect of store image on the emotional experience/purchase intention relationship via social value.

The study results confirm the presence of a strong relationship between the predictor variable; emotional experience and outcome variable; purchase intention. Notably, this outcome gives weight to the recommendations by Pine & Gilmore (1998), who challenges firms to embrace experiential marketing if they are to build strong bonds with their customers. More so, this agrees with results by Yang & He (2011), who demonstrated the existence of a significant and positive link between emotional experience and purchase intention. The challenge therefore to retailers is to endeavor to appeal to the customer’s emotions so as to attract and retain them.

Equally important, the study established that a significant relationship exists between emotional experience and social value. This is pretty much in line with Gentile et al., (2007) who determined that there is a significant link between the experiential dimensions and perceived value dimensions. In view of this, retailers would enhance their competitiveness by incorporating value perceptions in the customer experiences. Further, the study established that the relationship between social value and the outcome variable; purchase intention, is positively significant. This concurs with the results of numerous prior studies such as Lin et al., (2005) and Parasuraman & Grewal, (2000) that have singled out perceived...
value dimensions as playing a significant mediating role in purchase intention directed decisions. It is therefore incumbent upon retailers to package their offerings with relevant value perceptions as defined by their customers.

Indeed, the study results explicitly showed that store image significantly moderates the emotional experience - social value relationship. This is consistent with prior studies such as Žemgulienė, (2013), and Chang & Wang, (2014). In those studies, store image was shown to be positively related to value perceptions, purchase intentions and overall customer experiences. In view of this, it would be advisable for retailers to identify relevant positive image builders in line with customer expectations so as to win over and retain shoppers. Above all, the contextual nature of the emotional experience-purchase intention relationship via social value was supported, affirming the complex and contextual nature of consumer decision making process. This certainly concurs with the results of a study by Chang & Wang (2014) who identified store image as a significant contextual factor in the consumer decision making processes. Retailers would therefore stand to reap immense benefits if they design integrative strategies to capture all the factors that wield significant influence on consumer’s decision making and selection processes.

MANAGERIAL IMPLICATIONS

This study makes some important insights that may be of interest to decision makers particularly in the retail sector. First, because the effect of emotional experience was strongly related to purchase intention, it challenges managers to ensure that their strategies take cognizance of the unique requirements of each client. This is because emotions are highly personal. Secondly, by confirming the existence of a significant and direct influence of social value on purchase intention, and also as a significant mediator on the emotional experience and purchase intention relationship, there is a need for retailers to strive and ensure that shopping environments are designed in a manner that facilitates rich customer interactions both with other customers, and also the store personnel. These interactions may be made possible through various platforms such as social media platforms, entertainments and also leisure parks within the outlets. These interactions will enhance bonding and most importantly lead to customer loyalty and attachment to the outlet. Thirdly, store image emerged as playing a major regulating role in the customer decision making process. This therefore calls for managers to invest in initiatives that build and project positive images of the outlets. Such initiatives may include enhancing store ambience and service levels of the outlet.

LIMITATIONS AND FUTURE RESEARCH

This study was conducted in three branches based in Nairobi of the leading retail chains in Kenya namely Tuskys, Nakumat and Naivas. Any attempts to generalize these findings should be approached with caution. This is because the branches from which respondents were drawn are all urban based and from tier one category retail chains. A study using lower tier chains and probably from a non-urban setting may give varying results and therefore may be worthy of pursuing.

Furthermore, experiential marketing and perceived value are multi-dimensional constructs but the study was restricted to only a single dimension of these rich constructs namely; emotional experience for experiential marketing and social value for perceived value. The interactions of the dimensions not used in this study may be worth considering in future studies. Important to realize, is that
this present study was conducted within the service sector context and yet studies have shown that different sectors tend to have their unique dynamics. Finally, since on-line shopping behavior differs from shopping in physical stores, there may be a need to test these relationships in a non-physical store.

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Chapter #--- 7

Effect of User Perception on the Relationship between Organizational Context and Adoption of Cloud Computing: Evidence from SMEs in Nairobi County, Kenya

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ABSTRACT

Often, SMEs’ top management, technology readiness and firm size affect their adoption of cloud computing. This paper argues that despite an increased awareness on the benefits accruing from adopting cloud computing, SMEs seems to lag behind in manipulating the prospects of new information technology uses. In addition, research results on the link between organizational context and cloud computing adoption has been inconsistent. To address this inconsistency, this paper introduces the mediating role of user perception as a pertinent agent in cloud computing adoption. This paper is anchored on study sampled of 398 respondents from Nairobi County, Kenya. Questionnaires used to collect data and analysed using a multiple regression model. The perceived ease of use had a significance influence on cloud computing. Stakeholders need to note that cloud computing adoption goes hand-in-hand with user perception.
Key Words: Organisational, Management, Technology, Firm Size, Cloud, Computing, Adoption, Perceived, Ease of Use, Usefulness

INTRODUCTION

The aspects of work and life are always inclined toward the concepts of accessibility in the all online. The improvement in technology or up-to-date technology has brought several changes to humanities’ existences. It has permeated every feature of human life either in health, education, economic, governance and fun (Suvarna and Godavari 2012). Wireless electronic communication has paved way for a new electronic era bringing some encouraging alteration to work in a way that raises efficiency. Today, each country endeavours to obtain a cutting-edge technology advantage to its populations. Therefore, technology is perceived as a medium or agent to spread information (Oye, Iahad and Ab.Rahim 2012).

Taking advantage of this tendency, giant web based firms such as Google, Amazon, and Salesforce.com are moving towards cloud computing - the sharing of web infrastructure comprising of internet information storage, versatility and computation (Kambil, 2009). Cloud computing incorporates figuring asset services, delicate uses of circulated frameworks and information storage. Cloud computing has been rendered as another outlook change in which the computing section is rapidly shifting toward preparation of inferring virtual applications for lots to expanse out as a service instead of utilizing personal computers. IT capabilities are real time over the internet services requested, provisioned, delivered, and consumed on demand (Sultan, 2010). Cloud computing is an advancing innovation enveloping different ideas. In this manner, David (2010) asserts that comprehension of cloud computing by SMEs is helpful in their approach for distributed computing administrations use.

Qureshi and Kamal (2011) note that cloud-computing adoption is classified into three type cloud services such as Platform as a Service (PaaS), Infrastructure as a Service (IaaS), and Software as a Service (SaaS) models. Besides this, cloud computing is enclosed business model about innovative tools, such as SaaS, PaaS, and IaaS virtualization applications (Goscinski and Brock, 2010). Boniface et al. (2010) notes that PaaS model provide a foundation and phase in the category of designers appliance to devise, direct and run on the Web and the clients are delightful per-use. Cases of PaaS incorporate Google App appliances. IaaS is the carrier of equipment basis (servers, storage) as a service, available over the web and facilitated by the cloud contractor (Bhardwaj, Jain et al., 2010). Cases of IaaS contributions incorporate (EC2) and Secure Storage Service (S3). Carroll et al. (2010) and Dai (2009) point out that SaaS is the conveyance of encoding, for example, ERP, Customer Relationship Management (CRM) and e-mail as well as application software using the internet. Cases of SaaS always integrate Microsoft Office application, Google Appliance, with Hosted Exchange Server available, with affiliation grounded on pricing approach, therefore compensating whatever being utilize.

Mell and Grance (2011) noted that cloud deployment is characterized into private, as well as community and public clouds. Public clouds encompass assets that are pooled among cloud users and the common assets are obtained over the web (Carroll et al., 2010). Some of the known public cloud is Google applications, Amazon Web administrations (AWS) and Sales force. Ramgovind, Ellof and Smith (2010) noted that private clouds are generally outlined and conveyed inside the venture to be utilized by
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inner clients only. Conway and Curry (2012) and Chowhan and Saxena (2011) noted that hybrid cloud comprises of components of public as well as private cloud.

NIST characterize hybrid cloud have been synthesized of at least two unique frameworks which includes public, as well as private and community, which continue to be unique yet are destined together with institutionalized or restraining invention that empowers data and request portability (cloud stuffed for load complementary between them). Conway and Curry (2012) and Carroll et al., (2010) observe that community cloud is shaped by organizations and institutions that regularly have a similar arrangement of qualities. The shared mission and objective safety dictates styles and compliance. Low, Chen, and Wu (2011) noted that in Taiwan's innovative industry, the basic determinants for receiving cloud computing innovation are relative preferred standpoint, best administration support and firm size.

For the purpose of this discussion organizational setting catches association's commercial scope, top administration bolster, administrative culture, intricacy of administrative structure estimated regarding centralism, formalized, and vertical departure, environment of human asset and size associated issues such as innermost assets and specialization (Oliveira and Martins, 2010; Jeyaraj, Rottman, & Lacity, 2006;Tornatzky and Fleischer, 1990). This paper deemed it necessary to carry out a study that sought to address the research gap by analysing the effect of organizational context mediated by user perception (PEOU and PU) as major determinants of cloud computing adoption.

LITERATURE REVIEW AND HYPOTHESES

Cloud Computing Adoption

Mell and Grance (2011) noted the National Institute of Standards and Technology (NIST) has given an extensively and broad logic of cloud computing model that is helpful, on-request consolidate admission to a mutual pool of form computing assets that is swiftly and effortlessly open with limited cooperation and administration exertion from the service provider. Computing is characterized as a hugely adaptable IT-related capacity, gives administration to outer clients utilizing web advances (Gartner, 2009). Cloud computing is considered a pool of profoundly versatile, abstracted framework fit for facilitating end-client application charged by utilization.

According to Sultan (2010), IT capabilities are real time over the internet services requested, provisioned, delivered, and consumed on demand. Cloud computing is an advancing innovation enveloping different ideas. In this manner, David (2010) asserts that comprehension of cloud computing by SMEs can be helpful in their approach for distributed computing administrations use. Cloud computing depends on an arrangement of numerous prior and all around explored ideas, for example, distributed and framework computing, and virtualization. Cloud computing has been viewed differently by various scholars, organizations and technologist.

Albeit, large portions of the ideas are not novel, the genuine development of cloud computing contains computing services made accessible to clients (Leimeister et al., 2010). Succinctly, cloud computing is another processing model whereby computing services, for example, information storage, programming applications, are retrieved from internet. A Computing model services have been
customized and carried in a way like accustomed services, such as water, power, gas and communication.

This computing model documents clientele value in their prerequisites in any case to obtain services expeditiously. Cloud business and clients can get to applications from any place on the planet on request. Subsequently, the computing scene is rapidly shifting to creating computer programs for masses to utilize as a package as opposed to retain consecutively on their specific personal computers.

This review utilizes two noteworthy hypothetical ideal models: Technology Adoption Model (TAM) (Gefen, 2004; Taylor and Tedd, 1995; Davis et al., 1989) and TOE context (Tornatzky and Fleischer, 1990). The TAM clarifies the acknowledgment of IS/IT yet it is questionable whether the model can be connected in each occurrence of IS/IT appropriation and execution. Cater and Be'langer (2005) and Legris, Ingham and Colerette (2003) note that numerous observational reviews prescribe coordinating TAM with different hypotheses such as IDT and IS models that adapt to fast modifications in IS/IT and enhance speciality and illustrative authority. TOE and TAM have a few builds similarity with IDT theories. They supplement each other to inspect the reception of IS/IT.

The TOE structure distinguishes three group setting, technology, business and environment as important. Tornatzky and Fleischer (1990) point out that these three settings exhibit both limitations and chances for technical advancement. These components influence a company's level of technological advancement. The TOE structure is predictable as Rogers' (1983) hypothesis of development dissemination (Pan and Jang, 2008; Shirish and Teo, 2010; Wang et al., 2010). The concepts utilized in TAM are in a general sense a subdivision of professed invention qualities; subsequently, Wu and Wang (2005) and Chen, Gillenson and Sherrell (2002) note that the mix of these hypotheses could give a significantly more grounded mod-el than either remaining solitary.

In their past reviews, Tornatzky and Fleischer (1990) found that TOE systems are valuable in comprehension basic components of new IT appropriation in a given association. A past review in Taiwan healthcare, TOE with HOT fit model have been coordinated and centred around on the selection of medical services data frame-works inside the health facility setting. The basic sympathy toward receiving cloud computing innovation in Taiwan with product organization included; similarity with organizations' approach, IS setting and corporate needs and virtual points of interest as the most vital (Lin and Chen, 2012).

For British Small and Medium Enterprises (SMEs), Sultan (2011) notes that the significant attentiveness toward embracing cloud computing innovation are such variables as control, vendor lock in, execution, latency, security, protection and dependability. Low, Chen, and Wu (2011) noted that in Taiwan's innovative industry, the basic determinants for receiving cloud computing innovation are relative preferred standpoint, best administration backing and firm competitiveness.

Despite the great advantage of cloud computing many research discoveries are in the developed countries (Osterman, 2012; Sharif, 2009; Gartner, 2009; Chan and Chen, 2010). In view of the experimental reviews, it is noticed that distinctive ventures have their own worries towards cloud computing selection. In the greater part of the experimental reviews, the work is constrained to the TOE structure, which may not expressly call attention to the real constructs in the model and the factors in every unique circumstance.
The SME segment in Kenya was chosen because they form the major breadwinners of direct and indirect occupation and plays a critical part in the economic development of a nation. However, in Kenya, despite government efforts to increase competitiveness of SMEs through enhancement of internet infrastructure, lowering of costs, among others. The rate of implementation, cloud computing is slow amongst the SMEs (Makena, 2013). There are numerous doubts from the SMEs around adoption of cloud amenities, which add to the slow acceptance in Kenya.

There are scanty researches on application of expertise for commercial benefit among the SMEs in Kenya, since directors voiced fears of security as a main inadequacy to the cloud service area embracing its functional (Kiiru, 2011). The CEOs of SMEs acknowledge the role of technology in their firms in Kenya. However, few managers knew about the paybacks derived from cloud computing. Many firms have embraced wait and see concept on cloud computing. Ellison (2010), states that cloud computing always stirs enterprise decision on whether to adopt or not.

In Kenya a study in listed firms (NSE), Kituku (2012) observes that cloud computing is considered new to both academia and commerce. Examined determinants of adoption of cloud computing indicated that perception of managers towards adoption played a big role. It was evident, that companies had moved messaging, collaboration, human resources, payroll and CRM/sales management to a moderate extent.

Consequently, the researcher attempted to fill the gap by using hybrid hypothetical model superior in its comprehension of IT selection occurrence and to further strengthen the study, where a relationship through mediator is examined. Observational reviews demonstrate that almost none has been explored on developing nations along these lines the review tries to discover SMEs reception of cloud computing innovation by concentrating on selected enterprises, for example, manufacturing, hospitality, communication and consultancy in Nairobi, Kenya.

Prior research reveal that limited studies have taken into account the possibility that important intervening variables may mediate the association between factors of cloud computing and its implementation. This study incorporated the use of Organizational context, one of the variable of (TOE) hypothetical model (Tornatzky and Fleischer, 1990), integrated with Technological Acceptance Model-TAM.The study focused on the association between managerial context and implementation of cloud computing mediated by user perception PU and PEOU salient features derived from TAM.

Therefore, this study sought to address the research gap by using a mediating variable user insight to identify the association of organisational context and adoption during cloud computing as recommended by (Chinyao and Chen, 2011). In light of these the following hypothesized relationship was developed;

**Hypotheses**

**Ho1**: Perceived ease of use does not mediate on relation between organizational context and cloud computing.
Ho$_2$: Perceived usefulness does not mediate the relation between organizational context and cloud computing.

PU characterizes future client's subjective likelihood that utilizing a particular application enhances activities (Lu, Yu, Liu and Yao, 2003). It gives symptomatic focal points into how real utilize and expectation to utilize is impacted. PU habitations in Vroom's hope hypothesis since the choice to embrace a development is determined using a short and long term anticipated outcomes (Triandis, 1980). The close range comes with proposed PU and the long term outcomes allude to considerable outcomes in a single's vocation or social figure, which mirrors Rogers' (2003) most imperative inspiration for embracing innovation.

The fulfillment of saw close term convenience clears path towards long term effectiveness. Chau (1996) argues that behavioral expectations are needy upon the over two factors and saw convenience. Deteriorating PU as Triandis and Chau expressly gave extra particular focal points into considerate client view of IT convenience. Jiang, Hsu, Klein, and Lin (2000) additionally extended PU in creating a use of the web innovation model that investigate client acknowledgment of web and recommended that web is emphatically identified with seen close term and saw long haul helpfulness.

PEOU procedures gave the forthcoming client's evaluation of the mental actions expected in the utilization of the vision appliances. Mental ease requests by an IT pulls in more reception conduct; along these lines, developments with saw complexities of UI and soak expectation to absorb information are assumed unsafe in order to embrace (Opia, 2008). The PEOU is a distinctive yet connected build to PU that impacts on short-term rate because changing it contributes definitely to results and eventually characterizes PU. Studies incorporated by scholars to review examined value and usability exchange off and to decide on the influence of outside factors on these two mental factors that always demonstrate unified findings (Chau, 1996). By and by, exact discoveries affirm the positive connections between convenience and disposition towards utilize (Venkatesh and Davis, 2000) and demonstrate PEOU is demonstrated crucial element clients' goals towards acknowledging of IT (Venkatesh, 2000).

Top management support, firm size, technological status is essential determinant in any firm. Top administration support is basic for making a strong atmosphere and for giving satisfactory assets to the embracing of innovations (Lin and Lee, 2005; Wang et al., 2010). Top managers' support alludes to regardless of whether the administrators comprehend the nature and elements of cloud computing innovation and subsequently completely support the advancement. Top management assumes an imperative part since cloud computing usage may include reconciliation of assets and reengineering of procedures. Some experimental reviews have shown a positive association existed amongst top administration backing and implementation of new innovation (Pan and Jang, 2008; Zhu et al., 2004).

Through top management support verbalized vision for the firm and critical signs of the new innovation are passed on to different individuals from the firm (Low et al., 2011). Inside an organizational background, personalities are by and large supported for good performance by rising in advancements, rewards, and diverse rewards (Pfeffer, 1982; Schein, 1980).
THEORIES AND MODELS UNDERPINNING THE STUDY

This paper is grounded on the Innovation Diffusion Theory (IDT) advocated by Rogers (2003). Diffusion is the procedure by which a development is embraced by individuals from a specific group. It is noteworthy that diffusion is not a solitary, general hypothesis, yet rather a few hypothetical points of view that identify with the general idea of diffusion, that is, it is a meta-hypothesis. The IDT proposition states that possible clients settle on selections to have or discharge an innovation in view of opinions that they outline the invention (Agarwal, Sambamurthy & Stair, 2000).

Diffusion is the procedure by which a development is embraced by individuals from a specific group. Research into on diffusion of innovation has been generally connected in all economy sectors such as education, communication, business and data innovation (Rogers, 1995; Karahanna et al., 1999; Agarwal, Sambamurthy and Stair, 2000). Rogers (1995) noted that improvement as a thought practice, seen as innovative by a single component of adoption. Rogers (1995) also notes that diffusion is not a solitary, general hypothesis, yet rather a few hypothetical points of view that identify with the general idea of diffusion, that is, it is a meta-hypothesis. However, diffusion is the practice where an invention is taught through specific frequencies among the personalities from a social context (Rogers, 1995).

Agarwal (2000) pointed out that the IDT hypothesis states that probable clients settle on assumptions to receive or terminate an innovation in view of persuasions that they form the innovation. According to Rogers (1995), four variables impact the reception of an innovation by individuals from an association: (1) the invention itself, (2) the correspondence frequencies used to range data around the innovation, (3) period and (4) the environment of the cluster to which it is presented.

As indicated by Rogers (1995), two noteworthy hypothesizes dealing with the dissemination of innovation particularly for reasons for embracing ICT for organizations like SMEs. These are: (1) the individual innovativeness proposition, (2) the hypothesis of perceived properties. The theory depends on who embraces the invention and when. With an innovator who is daring and pioneers driving the way, they can receive regardless of high level vulnerability from the invention at the season of embracing, and acknowledge an incidental difficulty when another thought demonstrates unsuccessful.

The second group is recognized early adopters who always come on board first and aid blowout the news about the innovation. The third category is the early majority induced by innovators and early adopters to embrace innovation. Their development choice was generally longer than that of the innovators and initial adopters. The fourth group is the later majority who tactically involve in innovation mindfully and hold up and ensure that reception was to their greatest advantage. Thus, they always do not embrace innovation until when others ought to have adopted.

The fifth cluster is laggards who doubtfully oppose embracing an innovation until when it’s needed. The hypothesis of perceived characteristics/attributes depends on the idea that people will embrace an innovation on the off chance that they see that it has the accompanying traits. To begin with, the innovation need have certain relative preferred standpoint over a current innovation or business as usual. Secondly, the innovation requisite remains good with the current qualities, past knowledge, and practices of the possible adopter. Thirdly, innovation should not be excessively perplexing or seen as troublesome, making it impossible to comprehend. Fourth, the innovation duty requires trialability; tried temporarily without reception. Fifth, innovation should have discernible outcomes (Rogers, 1995).
Technology Acceptance Model is the principal conventional reception proposition in its field (Awa, Eze, Urieto, and Inyang, 2011) and gives a premise to disclosing the effects of outer factors on appropriation choices with its fundamental hypothesizes laying immovably on monetary, serviceable and perceptual grounds. PU and PEOU are central determinants reception. A person's always utilize an application that is clarified and anticipated by viewing technology handiness and straightforwardness.

Roger's (2003) gave the strengths of dispersion development and Ajzen's (1991) on Theory of Planned Behavior (TPB) investigated to improve TAM by including utilization and putting perks on particular situations and outside factors impacting a know-how selection procedure. TAM and TPB are steered to the TRA. In spite the TAM and TPB dismiss the mental, social and personal factors controls on IT choice (Ukoha, Awa, Nwuche, and Asiegbu, 2011), TPB supplements TAM's that builds on subjective standards and saw behavioral control to clarify view of straightforwardness or trouble of playing out a demonstration given asset imperatives. Taylor and Todd (1995) trust that TPB informative and discerning efficacies are well upgraded by broadening and incorporating with TAM. Different scientists (Venkatesh and Davis, 2000) approved, adjusted, expanded, and enhanced TAM under various circumstances to make for more extensive appropriateness in the novel information economy.

Business visionaries and managers of SMEs constitute the adopters who at their own particular volition and relying upon the apparent expenses and benefits decide to adopt information and communication technology. Diffusion hypothesis gives a structure that comprehends why ICT is received by a few people and not by others. This hypothesis can clarify, anticipate, and represent elements that expand or obstruct the dispersion of innovations.

**CONCEPTUAL FRAMEWORK**

Tornatzky and Fleischer (1990) TOE framework shoulders a broad feature that envisage the possibility of implementation of cloud computing. This theory advocates implementation affect technology expansion (Kauffman and Walden, 2001). This occurs through managerial situations, commercial and administrative structure (Chatterjee, Grewal, and Sambamurthy, 2002), and production setting (Kowath and Choon, 2001).

This paper incorporates the use of organisational context – a variable in the TOE theoretical model. Organizational context analyses the following three sub-constructs: top administration, company size and technology inclination. Top administration support is basic for making a strong atmosphere and for giving satisfactory assets to the adoption of innovations (Lin and Lee, 2005; Wang et al., 2010). When quality and modernity of proficiencies intensification, top organization give a visualization and duty to a confident situation for invention (Lee and Kim, 2007; Pyke, 2009). Thong (1999) notes that the change specialists for innovation selection at organizational level may incorporate the support and attitude of key decision makers, for example, owner managers and CEOs (Gibbs et al., 2007). Firm size is among the factors that have an influence on technical innovation (Jeyaraj et al., 2006) and marks for flexibility towards eco-friendly shockwaves. Compared to larger firms, SMEs, because of their size, are more innovative and elastic sufficient to acclimatize their activities to the rapid variations in their setting associated to large firms (Damanpour, 1992). The approval of internet and its structures in trade is gentler in slighter than in more firms (Damanpour, 1992). Adoption is slower among smaller organisations perhaps since the confrontation to change, absence of training on IT potential, deficiency
of faith in the security, that tolerate the related risks and to inspire business partners to approve know-how with system externalities (Zhu et al., 2004). Accordingly, firms that need technical preparation are more arranged towards implementation of cloud computing. However, review shows that top administration, firm size and know-how preparedness of the firm assumes a pivotal part in affecting the view of cloud computing adoption. In past reviews, when workers perceive frameworks as being less demanding to utilize they had a tendency to be more valuable and simpler to utilize (Huang, 2004).

Consequently, innovation availability positively affects PU and PEOU to adopt cloud computing. The TOE structure is predictable with Rogers’ (2003) hypothesis of development dissemination (Pan and Jang, 2008 and Wang et al., 2010). The concepts utilized in TAM are in a general sense a subgroup of apparent invention qualities; subsequently, Chen, Gillenson and Sherrell (2002) note that the mix of these hypotheses could give a significantly more grounded model than either remaining solitory. Apparently, the prevailing theories perceptive in accepting the IT implementation context of SMEs, nonetheless specific appear a bit narrow-minded in concepts and hardly inferred to contract through SMEs in emerging nations. This study sought to cover a theoretical gap by using concepts of TAM and TOE which affect the application of cloud computing among SMEs.

The major weaknesses of TOE concepts in the implementation of predictors are presumed applicable only in large establishments, where customers are sure of continuity and less objections, than that of SMEs. To address the research gap analysed the effect of organisational context mediated by user perception (PEOU and PU) as a determinant of cloud computing adoption. However, incorporating TOE and TAM, together with each adoption determinant offer a higher number of paradigms than the original view offers better-off hypothetical understanding of adoption conduct. As shown below in Figure 1.

![Figure 1](image-url)

**Figure 1: Mediating effect of Perceived Ease of Use and Usefulness of Organisational Context on Cloud Computing Adoption**

**RESEARCH METHODOLOGY**

The study employed a positivism methodology. The study utilized an explanatory research design and cross-sectional survey as it sought to describe and establish associations among key study variables. Cluster and simple random sampling technique was used to select a study sample comprised of 398 respondents drawn from estimated 102,963 registered SMEs within Nairobi County, Kenya (Nairobi County, Ministry of Trade, 2015). Data that was collected through pre-tested structured questionnaires collected from IT managers, managers or entrepreneurs and analysed using multiple regression model.
Regression analysis tests ability of independent predictors to predict the dependent factor. The independent variables comprised of support, size and technology readiness. User perception is the mediating variable, while dependent variable is the adoption of cloud computing. Top administration instrument was adapted from Wang et al. (2010), Pan and Jang (2008) and Zhu et al. (2004). Firm size was adapted from Damanpour (1992). Technology readiness was adapted from Yang (2010).

Further, to accomplish construct validity, convergent and discriminant validity were set up. Information gathered on demographic variables was handled and detailed in percentage through descriptive analysis.

**RESULTS AND DISCUSSION**

**Firm Characteristics**

Based on the findings, the targeted firms had a minimum of 10 employees and a maximum of 100. On average, there were 73 employees (mean = 73.36, SD = 147.794). On average, the firms had been in existence for the past 16 years (mean = 16.42, SD = 15.296). Generally, the firms had applied ICT for the past 9 years (mean = 9.61). Besides, the entrepreneurs had a tenure of 5 years (mean = 5.45, SD = 3.953) as presented in Table 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm size</td>
<td>322</td>
<td>10</td>
<td>100</td>
<td>73.36</td>
<td>147.794</td>
</tr>
<tr>
<td>Firm age</td>
<td>322</td>
<td>1</td>
<td>70</td>
<td>16.42</td>
<td>15.296</td>
</tr>
<tr>
<td>Years in ICT application</td>
<td>322</td>
<td>1</td>
<td>40</td>
<td>9.61</td>
<td>6.209</td>
</tr>
<tr>
<td>Job tenure</td>
<td>322</td>
<td>1</td>
<td>19</td>
<td>5.45</td>
<td>3.953</td>
</tr>
</tbody>
</table>

The firms were in the manufacturing (28.6%), consulting (20.8%), hospitality (18.3%), information technology (17.7%), computer retail (8.4%) and tour and travel (6.2%) sector.

**Organisational Context**

The top management support mean were 3.9153, standard deviation of 0.48656, Skewness 0.297 and kurtosis -0.206. Top management exhibited an enterprise with a wider information distribution. This meant that the SMEs’ top management sent positive signals on the significance of cloud computing to all organizational members thus encouraging high adoption rates of cloud computing. On the same note, the companies’ top management had strong leadership that were engaged in the information systems process. It was also established that the administration considered implementation of cloud computing to be important strategically.

The organization support is a vital ingredient in the maintenance of the significance of potential change through a pronounced strategy for the business. As such, the respondents stated that cloud computing adoption depended on the top management support. Furthermore, the respondents indicated that the top management was prepared to absorb risks during the implementation of cloud computing.
This implied that there was adequate backing from the topmost administration essential in embracing of cloud computing. The implementation of computing was found to be useful to the organization.

Acceptance of computing was supported when perceived easy to use within the organization. It was therefore deduced that the SMEs’ top management support was considered crucial in the successful integration of cloud application in the selected SMEs. The results on the firm size summed up to a mean of 3.73, SD of 0.897, Skewness -0.643 and Kurtosis -0.136. The study findings revealed that the number of the employees among the studied SMEs had been increasing over time. Moreover, the firms had established branches across other parts of the country. To sum up, the firms had diverse asset accumulation from the start.

The research sought to establish the technology willingness of the SMEs with regard to cloud computing. In a nutshell, results on technological readiness summed up to a mean of 3.589, SD of 0.652, Skewness of -0.15 and Kurtosis of 0.197. It emerged that SMEs employed highly trained expert that are knowledgeable on cloud computing. This indicated that the organizations had knowledgeable personnel with the ability to flexibly interact with cloud computing, making it possible for the organizations to fully exploit the gains of such technology. There were adequate technical resources to use cloud computing due to unlimited access to computer.

Nevertheless, there was doubt expressed on whether there were necessary technical resources to use cloud computing because of high bandwidth connectivity to the internet. On the same note, it has not been fully established if the entrepreneurs allocated a percentage of total revenue to cloud computing application in their companies. Furthermore, the entrepreneurs perceived the adoption of cloud computing as useful because they were ready for the technology in their work environment. Consequently, adoption of cloud computing was found useful since the respondents were already competent Therefore, generally agreeable on the items.

**User Perception - Perceived Ease of Use and Perceived Usefulness**

Results on ease of use perception and cloud computing had a mean of 3.96, SD of 0.657, Skewness -0.281 and kurtosis -0.136. The skewness and kurtosis values range from -1.96 to +1.96, indicating a normal distribution. Regarding perceived ease of use of cloud computing, the procedure is understandable, easy to learn and utilized. Further, the use of computing is adoptable if perceived to be easy to use. Additionally, Respondents, agreed that cloud computing is an easy technology for one to become skilled and its flexible to interact with. As far as perceived usefulness was concerned, entrepreneurs ascertained that cloud computing allowed firms to manage their commercial procedure in a proficient way.

The results on perceived usefulness and cloud computing had a mean of 4.1589 indicating that the respondents were agreeable. The SD was 0.673, Skewness -0.596 and the kurtosis 0.115. As such, it has increased their business productivity and the quality of business operation and has advanced their competitiveness. Furthermore, cloud computing has enabled the entrepreneurs to achieve organizational tasks faster and on the whole, cloud computing is perceived useful to the organization.
Cloud Computing Adoption

The SMEs always used computing to a high extent in their businesses. On the other hand, the standard deviation of 1.085 showed high variation in results. The study indicated that the respondents applied email services in their business. Further, there was an indication that the email application was accessible from anywhere anytime. This meant that the entrepreneurs could conveniently and effectively interact with their customers. From the foregoing, it was concluded that CRM users could access applications on demand and CRM services were effective. The study indicated a composite mean of 3.696, standard deviation of 0.7314, Skewness -0.768 and Kurtosis 0.397. This implied that most of the respondents were agreeable and besides, the standard deviation was indicative of fewer variations in the responses.

These findings agree with Mell & Grance, (2011) that cloud sources give the customer advanced applications in form of program languages and tools. The study deemed it important to establish the extent of use of the features of Platform as a Service in the selected SMEs. In regards to the extent of utilization of cloud data storage service, the results implied that the SMEs utilized cloud data storage services. Respondents indicated cloud data storage service as effective. On the extent to which their firms enjoyed server and network service maintenance offered by their service providers. The results showed a significant number of the SMEs were enjoying server and network service maintenance. Besides, the standard deviation indicated less variation in the responses.

On the amount of data they stored in the I-cloud, the results items on Platform as a Service realized a composite mean of 3.58, standard deviation of 0.79549, Skewness -0.697 and Kurtosis 0.384. This implied that most of the respondents were agreeable and there was less variation in the responses. Additionally, the skewness and kurtosis values -1.96 to +1.96, indicated a normal distribution of the responses.

The respondents indicated cloud infrastructure was reliable implying that it can be used by SMEs to meet their goals. In regards to server upgrades, study results inferred that the respondents enjoyed server upgrades. The standard deviation indicated less variation in the responses. In response to the extent to which they felt infrastructure was the responsibility of the cloud service provider, inferred that SMEs do not have to worry much as the infrastructure is owned by the service provider. The results items on Infrastructure as a Service realized a composite mean of 3.64 standard deviation of 0.806, Skewness 1.958 and Kurtosis 2.409

Factor Analysis for Study Variables

The researchers ran a principal component analysis to identify distinguish designs in data, and to express the data so as to feature their similarities and contrasts. Other than having data set reduced to reasonable level, while retaining the original information in various components. By utilization of varimax rotation, the researcher held all factors with Eigen values greater than 1. The criterion depended on the possibility that the Eigen values measure the variation in a factor. Sampling adequacy was tested using Kaiser-Meyer-Olkin Measure (KMO) as summarized in Table 2. KMO was greater than 0.5.
Table 2: Factor Analysis

<table>
<thead>
<tr>
<th>Total Variance Explained</th>
<th>Total</th>
<th>% of Variance</th>
<th>Cumulative %</th>
<th>KMO</th>
<th>Bartlett's Test</th>
<th>Chi-Square</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top mgt support</td>
<td>2.125</td>
<td>30.356</td>
<td>30.356</td>
<td>0.588</td>
<td>558.767</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.697</td>
<td>24.249</td>
<td>54.605</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.184</td>
<td>16.907</td>
<td>71.512</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>1.957</td>
<td>65.241</td>
<td>65.241</td>
<td>0.595</td>
<td>252.642</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Technology Readiness</td>
<td>2.133</td>
<td>35.552</td>
<td>35.552</td>
<td>0.672</td>
<td>699.835</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.041</td>
<td>34.001</td>
<td>69.562</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Ease Of Use</td>
<td>2.303</td>
<td>38.38</td>
<td>38.38</td>
<td>0.635</td>
<td>689.362</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.831</td>
<td>30.521</td>
<td>68.901</td>
<td></td>
<td></td>
<td>.775</td>
<td></td>
</tr>
<tr>
<td>Perceived Usefulness</td>
<td>2.594</td>
<td>43.23</td>
<td>43.23</td>
<td>0.787</td>
<td>10056.6</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.052</td>
<td>34.19</td>
<td>77.423</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SaaS</td>
<td>2.958</td>
<td>49.31</td>
<td>49.31</td>
<td>0.798</td>
<td>968.9</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.443</td>
<td>24.04</td>
<td>73.35</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PaaS</td>
<td>2.058</td>
<td>51.46</td>
<td>51.46</td>
<td>0.813</td>
<td>605.8</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.301</td>
<td>32.52</td>
<td>83.98</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IaaS</td>
<td>1.795</td>
<td>44.87</td>
<td>44.87</td>
<td>0.461</td>
<td>242.3</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.055</td>
<td>26.38</td>
<td>71.24</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Regression Analysis

The study predicted the ease of use as well as usefulness does not mediate the relation between organisational as well as cloud computing usage. In order to test the hypotheses, regression models were run as indicated in Table 3. The explanation of the models are as follows; Model 1 is the regression of mediating variable; (PEOU and PU) on organisational context, model 2 is the regression of the criterion variable; level of implementation of cloud computing on both administrative context (predictor variable), perceived ease and usefulness (mediator) respectively, when both are included as simultaneous predictors of Y. From the findings in PATH 1 denoted as (a) organisational context accounts for a substantial proportion of discrepancy in the mediating variable PEOU (β=0.5350, p<0.01) and PU (β= (0.6174, p<0.01).

In path 2 denoted as (c') and (b) it was revealed that administrative context and user perception (PEOU and PU) respectively accounts for a proportion that is significant in adoption of cloud computing (β=0.5697, p<0.01); (β=0.1663, p<0.01) (β=0.398, p>0.01).The correlation of organisational context (IV) to PEOU and PU (MV) is denoted as path a (0.5350); (0.6174) respectively. The correlation of PEOU and PU (MV) to cloud computing adoption (DV) is denoted as path b (0.1663); (-0.398) respectively. To establish the mediation effect and it’s significant there was need to get a product of (a) and (b) (Mackinnon, 2000). Path a(0.5350) * b(0.1663) = (0.0890) for PEOU and Path a(0.6174) * b(-0.398)=(-0.0246) for PU. However, perceived usefulness (PU) effect on level of adoption showed a negative beta coefficient (-0.398) and an insignificant p-value.
Table 3: Regression Coefficients of the Different Paths for Organisational Context

<table>
<thead>
<tr>
<th>PATH 1 (a); PEOU; PU</th>
<th>PATH 2(b;c'); LoA</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>B(S.E)</td>
<td>B (S.E)</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.9658 (0.2436)*</td>
<td>8.0709</td>
</tr>
<tr>
<td></td>
<td>1.8526 (.2424)*</td>
<td>7.6414</td>
</tr>
<tr>
<td>Organisational Context</td>
<td>0.5350 (0.0646)*</td>
<td>8.2825</td>
</tr>
<tr>
<td></td>
<td>0.6174 (0.0643)*</td>
<td>9.6030</td>
</tr>
<tr>
<td>PEOU</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.5350 (0.0646)*</td>
<td>8.2825</td>
</tr>
<tr>
<td>PU</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-0.398  (0.0511 )</td>
<td>-0.7721</td>
</tr>
<tr>
<td>R</td>
<td>0.4202 ; 0.4730</td>
<td>0.5720</td>
</tr>
<tr>
<td>R Square</td>
<td>0.1765 ; 0.2237</td>
<td>0.3272</td>
</tr>
<tr>
<td>F</td>
<td>68.600 ; 92.217</td>
<td>51.5434</td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

Furthermore, to test significance of mediation effect, Normal theory tests (sobel) for indirect effect was generated using PROCESS macro (Hayes, 2013). The Z-value of PEOU 3.0229 yielded a p-value of 0.0025 and the Z-value of PU,-.7721 yielded a p-value of 0.4401. Due to the low p related with Z for PEOU it can further be concluded that a significant mediation occurred. As for PU the p associated with the Z was insignificant hence implying mediation of perceived usefulness (PU) not significant. It was further noted that the association between organisational context (IV) and cloud computing adoption (DV) significantly increased by the inclusion of the mediating variables PEOU and PU. The direct effect c' (0.5697) is the size of the correlation between organisational context (IV) on cloud computing adoption (DV) inclusive of PEOU and PU (MV) in the regression. The total effect c (0.6341) is the total sum of Indirect effect a*b (0.0644) added to direct effect c' (0.5697).

Therefore, a partial mediation is evident with an increasing effect, hence a complimentary relationship. The total ratio was computed by dividing the indirect effect (0.0644) by the total effect (.6341) giving a total percent of 10.16%. This implies that 10.16% total effect in organisational context on implementation of cloud computing occurs through mediation by perceived ease of use and its usefulness. About 89.84% total effect was directly or mediated by factors not in the model. The bootstrapping using 95 percent bias corrected confidence intervals convincingly showed that there was a significant mediation. The confidence interval for a*b does not include zero hence a clear indication of mediation. Confidence interval of the lower limit is .00036 and upper limit is .1268 as shown below in Table 4.
Table 4: Results for Mediation Effect of Perceived Ease of Use and Usefulness on the Relation between Organisational Context and Adoption of Cloud Computing

<table>
<thead>
<tr>
<th>Significance of Mediation</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z-value PEOU</td>
<td>3.0229</td>
</tr>
<tr>
<td>Z-value PU</td>
<td>-0.7721</td>
</tr>
<tr>
<td>p = 0.0025</td>
<td>=0.4401</td>
</tr>
</tbody>
</table>

95% Symmetrical Confidence Interval

<table>
<thead>
<tr>
<th></th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z-value PEOU</td>
<td>0.0036</td>
<td>0.1268</td>
</tr>
<tr>
<td>Z-value PU</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Standardized indirect effect

| a*b                 | 0.0644|
| Se                  | 0.0310|

Effect size Measures

<table>
<thead>
<tr>
<th>Standardized Coefficients</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total:</td>
<td>0.6341</td>
</tr>
<tr>
<td>Direct:</td>
<td>0.5697</td>
</tr>
<tr>
<td>Indirect:</td>
<td>0.0644</td>
</tr>
<tr>
<td>Indirect to Total Ratio:</td>
<td>0.1016</td>
</tr>
</tbody>
</table>

Basing on the explanation above, it is conclusive enough to state that PEOU and PU combined increases the strength of the relationship between organisational context and implementation of cloud computing amongst SMEs in Nairobi Kenya as shown in Figure 2.

**CONCLUSION, MANAGERIAL IMPLICATION AND RECOMMENDATIONS**

Based on the above observations, the findings validate the conceptual framework developed. There was a partial mediation with an increasing effect, hence a complimentary relationship.
The perceived ease and usefulness have strong correlation with adoption of information technology. A system should be easier to use to facilitate more adoption and is further probable to be recognised by users. The study, concludes that SMEs are more inclined to adopt a technology perceived to be useful and easy to use. The new knowledge that emerged from this study is the mediating effect of user perception on the determinant of cloud computing adoption.

Additionally, this study suggests a series of implications that need to be considered. These are theoretical, practical, policy and social implications. The study, advances existing literature on adoption of cloud computing. Organizational factors derived from the IDT and TOE theories and user perceptions of top management are significant predictors of cloud computing adoption among SMEs in Nairobi Kenya. Hence the study contributes to theory by developing a model that relates the user perception of organisational context and cloud computing adoption.

Further implication to industry, service providers will be able to create effective public awareness and enhance insight for training and support. The cloud service providers can allocate the right level of resources and set proper priority to enhance their cloud service capacities hence cultivating and accelerating adoption level services through improved values and reducing adoption barriers.

Business managers and entrepreneurs can improve their approaches and placement of roadmaps for cloud implementation with higher assurance on the main determinants and anticipated value.

Socially, due to scalable pay-as-you-go cost structure, reducing IT investment will enable reliable service accessible from anywhere anytime through remote servers enhancing quality and lower cost services to customers. SMEs are not restricted on a brick and mortar business model but can do their businesses from the comfort of their houses, vehicle and from anywhere using their mobile phones.

The study, recommends that small medium enterprises should undertake a deliberate policy to adopt innovations perceived to be useful and easy to use and are cost effective to enhance them to compete at a level playing field with the large organisations. This study was primarily limited to SMEs in Nairobi County. Therefore, it may not be appropriate to generalize to the whole population of the SMEs in Kenya or any other country. For this reason, further empirical investigations in different regions and countries are essential.

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ABSTRACT

In Kenya the manufacturing firms experience a major challenge of enhancing environmental sustainability. Therefore, there was need to determine the association of green consumer behaviour and manufacturing firm’s sustainability and moderated by culture in Kenya. The explanatory research design was adopted. A target population of 1066 managers and a sample size of 291 respondents were used. Data collection instruments were standardized by use of reliability and factor analysis. Multiple hierarchical regressions were used to test null hypotheses. The green products ($\beta = 0.737$), green prices ($\beta = 0.736$), purchase decision ($\beta = -0.687$) and culture ($\beta = 0.411$) were significant. Their interaction with culture indicated green prices ($\beta = -0.448$) and purchase decision ($\beta = -0.553$) were significant except green products ($\beta = -0.077$) which was insignificant. R2 results indicated that green consumer behaviour explained 74% of the sustainability, with culture being moderator and explained 75.6% and on interaction, it improved to 77.3%. Policy makers of firms must ensure sustainability through green production with minimal cost. Green consumer behaviour and culture in the African context plays a vital role in firms’ sustainability.

Key words: Culture, green, consumption, behaviour, sustainability, manufacturing firms

INTRODUCTION

Sustainability is defined in diverse traditions in varied perspectives and disciplines. The definition is based on economic, environment, social aspect as well as in terms of returns, sphere and people sustainability (Gopalakrishnan, Yusuf, Musa, Abubakar & Ambursa, 2012). The encouragements to consume and purchase environmentally friendly products and services emanated from the idea of sustainability. Efforts of either the green attributes or green initiatives of products and services with
every opportunity have been the trend of almost all the firms in the manufacturing industry, both in developed and developing countries (Polonsky, 2011). Subsequently, Danciu (2012) concluded that if a fair quality life is achieved and focus of preservation of the nature is maintained, then the 21st century’s business philosophy shall be sustainability.

Sustainability requires an increase in the green consumerism of the consumer as well as increased eco-efficiency in the technological development of a firm, which strives to incorporate the biotic and ethical disquiets of long-term sustainability and concerned with worth of relations with customers (Belz & Peattie, 2012). Proactivity in sustainable procedures will expand firm’s competitiveness due to their initiatives that will be challenging to imitate (Gopalakrishnan et al., 2012). Recently, consumers have indicated their eco-friendly concerns by buying environmentally responsive goods and services to support sustainability (Fisher, Bashyal & Bachman, 2012). However, for a number of years, some researchers have doubted whether sustainability features can fetch financial profits to the committed organizations (Gopalakrishnan et al., 2012).

Interestingly, the previous studies indicate that consumers face problematic task in having reliable green consumption conduct (Shaw & Riach, 2011). Barber, Kuo, Bishop & Goodman (2012) establish a discrepancy between buyers’ perception of their obligation towards environmental concerns and their real consumption behaviours. The customers may not realize the significance of acting environmentally and delightful actions directly associated to redeemable of atmosphere. In addition, when buying products the customers chose consistent products over environmentally friendly ones in utmost occasions (Barber et al., 2012).

Furthermore, commercial vendors’ positive perception toward green practices is not clear, there is frequently an approach to behavior difference that is compelled by resource restrictions, which makes manufacturers, flop to keep their promise (Sampaio, Thomas & Font, 2012). There is likelihood amongst purchaser’s perceived intent and green consumption behaviour (Cowan & Kinley, 2014). Nonetheless, other studies focus on inconsistent proof, underscoring the level of costs linked with the application of green creativities (Sampaio et al., 2012). Sustainability in industrialized setups has been regarded as an expensive venture (Gopalakrishnan et al., 2012).

Enactment of sustainability in organizations needs enormous spending for invention and for variations of operating arrangements and practices (Yusuf et al., 2012). The deterioration procedure of handling natural resources in developing countries calls for responsible roles to be assumed by all involved like the consumers, governments, institutions, organizations and the media, so as to meet the environmental crisis (Carrete, Castaño, Felix, Centeno & González, 2012). The usage of sustainable energy, consuming green products, and focus on green consumer behaviour is not yielding any success.

Although, widespread research on consumer’s environmental activities, attitudes and anxiety in the perspective of developed countries, such studies are extraordinarily lacking in the framework of the emerging economies such as Kenya (Boztepe, 2012). Previous studies were done about the environmental and marketing factors but none on value factors were examined concerning consumption values with regards to green purchase behaviour. Researchers (Singh & Bansal, 2012) found that customers had cognizance, concern and positive leaning to green products nevertheless were uncertain to buying it owing to the higher costs involved. This positive attitude yet hesitant purchase behaviour is puzzling stakeholders on sustainability as the findings may be culturally in particular.
De Mooij and Hofstede (2011) argues that firms always consider communication as a constant branding throughout the world as consumers characteristic traits and varieties that forms a discrete social ideals, but not the tenets of the manufacturer of that brand. There is likelihood that consumers who resort to surveys offering socially precise behaviour towards society on the process generating errors in data to be analyzed and the outcome was incorrect results. This trend of true behaviour is termed as social interest affecting the individuals to hold themselves back and look good with existing social rules (Sârbescu, Costea & Rusu, 2012; Rahimof, 2011).

Culture is an important and distinctive factor of consumer behaviour. Consumers’ expectations and perceptions of sustainability practices may vary based on cultural differences. For example, in Kenya the manufacturing sector contributed 8.9% of GDP and provided 12.4% of employment in the formal segment in 2013 (Kenya Economic Report, 2014). Although this seems to be a good performance, it is below the 10% contribution target per annum anticipated in the Kenya’s vision 2030. The major problem attributed to this is unfair competition emanating from unsustainable practices (Kenya manufacturing survey, 2012).

Given that culture varies in relations of the values they underscore, manufacturing firms must recognize multicultural disparity in ethics to decide on the suitability of green consumer behaviour in different nations. Current works on evaluation of global advertising study demonstrates that the greatest leading research area considered is social messages in traditional values, social themes and cultural appeals (Zhang, 2014) which were not related to green consumers. In wide-ranging, cross racial studies consider self-referenced beliefs to be core features that drive extra cultural aspirations such as green purchase practices. However, De Mooij (2013) has underscored the distinction between anticipated and desired cultural values, every society have their contrasting value that is distinctive. Social value impacts are considered the main predictor of green purchase behavior than individualist cultures (Wahid, Rahbar & Shyan, 2011).

Nevertheless, there is few or no academic inquiry investigating the association between these predictors and sustainability of manufacturing firms in Kenya. It is challenging to assume that green consumer behaviour might be equated in both developed and underdeveloped countries like Kenya (Sheth, Sethia & Srinivas, 2011). Yet, this remains a very crucial issue in as far as the green consumer behaviour of manufacturing firms in Kenya is concerned. This study sought to determine the effect of culture on the consumer behaviour and sustainability of manufacturing firms.

**LITERATURE REVIEW**

Sustainability is the equilibrium amongst economic growth, ecological development and ethical justice (Delai & Takahashi, 2011). Sustainability matters are pertinent to managers, since their stakeholders are gradually demanding that manufacturing firms must always manage the surroundings in an eco-friendly manner (Carter & Easton, 2011; Walker & Jones, 2012). Sustainability as explained by triple bottom line is giving equivalent considerations to financial, ecological and social primary concern of supporting organization’s operations. Financial, natural and social main concerns are related however, they are connected in a mind boggling arrangement of circumstances and end results. It is imagined that economical firms displaying the three pillars are less risky than the unsustainable.
In any case, a few specialists have featured the drawbacks for organizations that practice environmental safety investment. For instance, the underlying expense of executing green operations is costly, and the cost funds procured from actualizing green characteristics are not generally adequate to make up for the underlying green transformation venture (Joseph, 2012). Organizations are neglecting the business case for supporting sustainability since they expect that expenses related with green practices might exceed the expected benefits (Dodds & Holmes, 2011). This is not unique in Kenya as most of the manufacturing firms are destroying nature. Thus the outcome of change of weather pattern will prompt shortage of resources and generally reduction in wealth. This challenge has heightened the sort of consideration given to sustainability of nature (Yusuf et al., 2012).

In spite of sustainability being important to human being survival, nature is under constant destruction since creation (Walker & Jones, 2012). It is from this basis that utmost extractive ventures are seen as unsustainable overtime (Schweitzer, Salmeen, & Low, 2011). Also, it has been researched that when financial conditions are not favorable, sustainability related activities are frequently subjected to reduction, for example, taking care of nature and social responsibility programs (Lee, 2013).

Regardless of these potential hindrances, majority of manufacturing firms trust that sustainability hones are helpful and, in this manner, reliably pursue ecologically beneficial practices. According to Namkung and Jang (2013) green activities affects clients' impression of a brand's image and behavioral goals towards sustainability. In fact, developing research on green consumer behaviour recommends that in numerous segments shoppers are vital, in respect to acquiring as well as utilization of green products to support sustainability (Testa et al., 2016). Green consumption is buying and using items that impact or affect the environment in a minimal way (Suki, 2013; Chekima, Wafa, Igau & Chekima., 2015) and it is viewed as taking care of the environment (Moser, 2015). Green behaviour is the ecologically agreeable purchasing behaviour concerning the utilization of items that conserve nature and healthy to the individual.

In light of this, the green consumer considers whether the item or service utilization ends in a positive or negative effect to nature (Kim, 2011). The green consumer has the inclinations for naturally well disposed items and inspiration in line with safeguarding environment (Noonan & Coleman, 2013). Green buyers’ perceptions have an effect on the green idea, so long as environmentally friendly remains vital. The green behaviour impacts consumers to look for products and services that assist to spare the nature which result in sustainability (Chen & Chang, 2012).

In addition, the green consumer behaviour may be enhanced through manufacturing firms endeavoring to increase customer mindfulness and receptiveness on the benefits of the green conception and attain the importance of becoming environmentally viable (Rezai, Teng, Mohamed & Shamsudin, 2013). It’s hard to envisage consumer's intentions to be green among the scholars. The majority of customers are not always ready to pay further for green products in spite of their positive position on sustainability issues and giving impression of the adequacy of green products (Kim et al., 2012), and positive attitude on well-being of others.

Green consumers inspirations go past addressing individual needs and are additionally centered on the requirements of the group, and this component of impact makes the green shopper consider culture to be exceptional (Noonan & Coleman, 2013). Study has additionally discovered that customers confront a troublesome and unsure test of having steady green purchasing behaviour. They can buy
brown products and repay with a post-environmental friendly behaviour yet they have the knowledge on green environment (Luzio & Lemke, 2013) and the implication of cost (Hedland, 2011).

Green consumer behaviour is probably not going to convey individual satisfaction rather it demonstrates a future-arranged cleaner conditions that regularly benefits society in general (Deshwal, 2012). Understanding consumer's behaviour for ecologically economical products is of significance to the management of manufacturing firms inspired by the interest for green products. While settling on sustainability customers frequently exaggerate their ability to buy environmentally friendly products (Tsarenko, Ferraro, Sands & McLeod, 2013). Consumers communicated strong support for environmentally friendly products, although researchers demonstrated that the level of their environmental concern was too low to convert into successful sustainability (Sheth et al., 2011). As per Liu, Wang, Shishime and Fujitsuka (2012), almost 50% of the respondents involved in research did not purchase organic products, affirming a low level of organic products being purchased.

In perspective of this, what has been perceived in the research debate proposes that regardless of environmental friendly and an inclination for organic products, consumers are not generally ready to buying green products. The buying of environmentally friendly goods has drastically changed because of irresponsiveness towards environment (Barber et al., 2012). Globally advertisers are confronting challenges in creating satisfactory and powerful showcasing systems in relation to green consumer behaviour (Aman, Harun & Hussein, 2012). This can be very much clarified under green products, green price, purchase decision and culture.

Green Products: According to Kawitka (2013), green products are the products that are amicable to the earth or environment. He additional clarified that green manufactured goods is the item that might not convey any unsafe effect to consumers and that they won't contaminate the earth or exhaust resources. Organic products attributes and configuration, fundamentally impact purchaser behaviour (Lin & Huang, 2012). Chen and Chang (2012) stated that organic products must have superior characteristics against those of non-environmental friendly products. In any case, the greenness of organic products can't ensure positive purchase by environmentally concern consumers. Moreover, manufacture firms find it rough to inspire their green buyers to procure their green products, deprived of sufficiently giving data on sustainability to win their trust and reduce skepticism (Chen & Chang, 2012).

There have been debates about belligerence that the states of consumers towards eco-friendly products are somewhat suspicious (Joy, Sherry, Venekatesh, Wang & Chan, 2012). Unique purpose behind this distrust is that customers are addressing how large scale manufacturing firms are environmental sustainability. This makes buyers to request the products and consequently generates de-link amongst green intents to purchase and acquire the green products (Joy et al., 2012). The previous studies showed that green and traditional goods are not alleged as alternatives because of their apparent poor green attachment (Chen & Chang, 2012).

However, some consumers may doubt buying green products on suspicion that green products are lesser in terms of value (Namkung & Jang, 2013). It can thus be assumed that consumers contemplate both amount and quality while making decision to purchase green products (Hessami & Yousefi, 2013). Product quality and cost are different indicators that diverse consumers all over the world consider (Woo, Magnusen, & Yu Kyoum, 2014). The green product and quality are sustainability drivers of manufacturing firms are not yet fully understood. Hence, it is hypothesized that:
H01: Green Product has no Significant Effect on Sustainability of Manufacturing Firms.

Green prices: As per Wang (2014), cost can be the most striking utilitarian esteem factor of value. Consumers consider quality and price which greatly impacts their acquisition choice of eco-friendly products (Suki, 2013). The cost of products generally covers the fixed and variable expenses in addition to profit of manufacturing firms. It is thought that customers will pay premium price for ecological friendly products (Kim, Njite & Hancer, 2013). Price is a factor that may clarify justification of purchase decision of organic products. As indicated by Evans (2011), anything that conveys green characteristics is probably going to be related with premium price, but in contrast with brown products, they are less appealing (Evans, 2011; Dekhili & Achabou, 2013; Moser, 2015; Lee-Weisstein et al., 2014), in this manner numerous consumers who might want to be green will probably be affected by price. There is a probability that consumers proceed with the purchase of brown products because of high levels of costs associated with eco-products (Gleim, Smith, Andrews & Cronin, 2013).

In the greater part of 21st century, researchers have accorded price as a sign of high quality (Dekhili & Achabou, 2013). Price would not be the main determinant in the showcasing blend and it is now obscure how eco-friendly products would influence buyer behaviour (Gordon, 2012; Atkinson, 2013). Consumers are trusted in viability of sustainable products stood ready to compensate more (Lee, 2011). Correspondingly, Braimah and Tweneboah-Koduah (2011) exhibits price is rated highly in green consumers concern as remarkable influence in their purchase choice. Though, a few scientists proposed utilizing a price built method to set up the cost of green products (Alvarez & Lippi, 2012; Ferson & Lin, 2011), while some endorse the production cost as the vital factor in estimating the price of the products (Gordon, 2012).

As green products seemed to remain extensively more costly than brown goods (Dekhili & Achabou, 2013; Evans, 2011; Moser, 2015; Lee-Weisstein et al., 2014), it is possible that the price concept inhibit numerous customers who might want to go green. In this way worth sensitivity combined by means of apparent high price of green products is expected to be driving numerous users to keep buying conventional products (Gleim et al., 2013). In view of these arguments from scholars the article hypothesized that:

H02: Green Price has no Significant Effect on Sustainability of Manufacturing Firms.

Purchase Decision: Purchase decision of green consumers is observed to be the focal subject in the current situation which looks into behaviour of environmentally friendly consumer. The purchase decision of environmental concerned consumers are portrayed in green organizations and their organic products (Albayrak, Aksoy & Caber, 2013), which embrace sustainability consumption behaviour (Gadenne, Sharma, Kerr & Smith, 2011). The decisions of the consumers to buy organic products that are friendly to nature may straightforwardly reduce ecological decay (Luchs & Swan, 2011). As indicated by Guerci Longoni and Luzzini (2015) consumers’ choices are influenced by the manufacturing firms’ knowledge on environmental sustainability. The organizations might be deciphered by consumers of green products as an effective impetus to enhance their sustainability objectives (Liu et al., 2012).
Personal feelings displayed towards ecological sustainability will trigger green purchase decisions as supported by Kanchanapibul, Lacka, Wang & Chan, (2014). Green consumers are naturally concerned and they settle on more green choices with regards to acquiring than the individuals who are not worried about sustainability. A recent report by Kumar and Ghodeswar (2015) substantiated a large number of discoveries and recognized components influencing purchase of eco-friendly products. The connection between real purchase decision and intentions of consumers to buy the green products is lacking (Rosenbaum & Wong, 2015). Further, Liu et al. (2012) clarified the confirmation of the ability and worries of the buyers who are environmentally friendly through purchase of green products; however, their buying of green products is low.

The consumer who doesn’t or decidedly support ecologically green purchase will make no impact to nature in their everyday lives (Albayrak et al., 2012). All things being constant, consumers have demonstrated that ecological concern does not imply buying of green products connected with sustainability (Braga Junior et al., 2014). This discovery expands on the green consumer research presumption that it is hard to foresee purchaser’s expectation to exercise green concern behaviour (Cowan & Kinley, 2014; Han & Kim, 2011). Accordingly, it is hypothesized that:

H03: Purchase Decision has no Significant Effect on Sustainability of Manufacturing Firms.

Culture: is aggregate programming of psyches that recognizes the individual from others. Culture has been demonstrated to affect singular esteems and states of minds. It is believed to standout amongst the most critical factors influencing customer purchase behaviour. Kumar and Ghodeswar (2015) contended that purchasers would be spurred if their ecological commitments are recognized or respected by others. Social incentive for green products which is the apparent net utility obtained from green product utilization adds weight to social glory through engagement in natural sustainability (Biswas & Roy, 2015).

Furthermore, they have discovered the impact of social gatherings and need of social acknowledgment on the utilization behaviour of green purchaser displaying a particular approach for products with the green qualification. Kanchanapibul et al. (2014) asserted that social enthusiastic esteems assume a critical part in uncovering person’s corresponded behaviour in every circumstance and it appears that social behaviour commands contribution towards sustainability. Past research results additionally demonstrate that different feelings, particularly sentiments of social security and blame, affected their purchase of organic products (Azoury & Salloum, 2013) and generosity (Paco, Alves & Shiel, 2013).

Culture and singular reactions to societal standards impact consumer choice to purchase a specific product (Barber, Kuo, Bishop & Goodman, 2012). At the point when consumers see the utilization of green products as firmly applicable to their culture (their ways of life, qualities, self-identity, or potentially mental self portrait), they have a tendency to have social uplifting states of mind and expectations identified with purchase of organic products (Kang et al., 2013). Moreover, consumers might be more disposed to accept green products because of the association of their social group, like family, companions or relatives (Rezai et al., 2013). Such association includes mental recognition of the person as well as social, individual relationship and personal esteems towards acceptance of green products (Ladhari, Souiden & Ladhari, 2011).
Defining the Frontiers of Global Business Research Across Emerging Countries

Social cooperation is emphatically identified with consumers’ inclination to maintain sustainability practices through purchase of green products (Parboteeah, Addae, & Cullen, 2012). Already, analysts have discovered that person's purchase choice is affected by their associates, family, self-character and other societal components (Ohman, 2011). This social enthusiastic esteem impacts the green purchaser's intention toward green products (Lin & Huang, 2012).

Albeit, social contrasts among countries like individual versus society in relation towards sustainability might be viable in one culture while insufficient or even hostile in another (Cui, Yang, Wang & Liu, 2012). Based on the above arguments there is direct influence of culture on the purchase activities of green consumers. Few researches around the world have explored the connection between social influence of consumers and purchasing of organic products (Thogersen, 2011). It was demonstrated that social positive disposition of consumers is viewed as reliable in relation to organic products in developing nations (Thogersen, 2011; Thogersen, Barcellos, Perin & Zhou, 2015). It’s vital to remind that numerous customers in developing marketplaces base their purchases on developed countries which are unique behaviour of developing markets (Dias, Schuster, Talamini & Revillion, 2016). This applies to Kenyan setting and for this situation culture was considered as moderator between green consumer behaviour and sustainability of manufacturing firms and forms the gap that this paper attempted to fill.

Therefore, this study recommends the following hypotheses:

H04: Culture has no Significant Effect on Sustainability of Manufacturing Firms.

H05: Culture do not moderate the relationship between Green Consumer Behaviour and Sustainability of Manufacturing Firms.

THEORETICAL FRAMEWORK

The study applied three theories: consumer culture theory, theory of consumption values and sustain centrisms theory.

3.1 Consumer Culture Theory

The proponent of the theory was Arnould and Thompson (2005). This theory has revitalized the representative, personified and empirical facets of gaining behaviours (Joy & Sherry, 2003) and the socio cultural complications of argument with behaviours and relations (Penaloza & Gilly, 1999). It manifests in their individual and social situations and advance their distinctiveness and regime objectives (Grayson & Martinec, 2004). The open market offers customers with an extensive and diverse palette of resources from which to build single and shared characteristics (Schau & Gilly, 2003).

3.2 Theory of Consumption Values

Theory of consumption standards was advanced by Sheth, Newman and Gross (1991). It identifies five scopes of value that affect consumers’ collective choices. The values denote functional societal, emotive, epistemic and restrictive values. They derive after a product’s capability to provide
provisional functional or social worth in a specific condition or setting and subsequently are dependent on the particular situations facing a customer at the fact of choice.

3.3 Sustain centrism theory

Sustain centrism theory which was coined by Gladwin, Kennelly and Krause, (1995) and Seventeen years later, validated by Valente (2012) realistic examining the aspects that may describe its adoption. Further, Gladwin et al. (1995) explained the word sustain centrism theory as the procedure of attaining growth in an all-encompassing, linked, justifiable, sensible and secure routine.

CONCEPTUAL FRAMEWORK

The conceptual framework showed the relation between independent and the dependent variables that are moderated by culture. The independent variable included; green product, green price and purchase decision which influences the dependent variable, firm’s sustainability. Consumer culture being one of the aspects moderated the relationship between green consumer behaviour and sustainability of manufacturing firms in Kenya.

\[
\begin{array}{ccc}
\text{Independent variable} & \text{Moderating Variable} & \text{Dependent variable} \\
\hline
\text{Green Product} & 0.737 & -0.077 \\
\text{Green Price} & 0.736 & -0.448 \\
\text{Purchase decision} & -0.687 & -0.553 \\
\text{Consumer Culture} & & 0.411 \\
\text{Firm Sustainability} & & \\
\end{array}
\]

Figure1.Conceptual framework: Effect of culture on the relation between green consumer behaviour and sustainability of manufacturing firms in Kenya.

RESEARCH METHODOLOGY

An explanatory research design was employed to determine the effect of green consumer behaviour on sustainability of manufacturing firm in Kenya as moderated by culture. Researches that employ causal and effect relationships between variables adopt explanatory research design (Saunders, Lewis & Thornhill, 2011). Explanatory research design adopts mixed design which utilizes both qualitative and quantitative approaches (Creswell, 2009) and hypotheses tested by measuring the relationships between variables, while data is analyzed using inferential statistics. The design was
deemed appropriate for the study as it allowed to be carried out in natural settings where researcher employed random probability samples.

Survey was conducted in all registered manufacturing firms in Kenya. According to Kenya association of manufacturers (K.A.M), there are approximately 1066 registered manufacturing firms. Target population of 1066 managers, out of which a sample of 291 managers was obtained using Yamane’s, (1972) formula. The target population comprised companies in Kenya’s manufacturing sector which is categorized into 14 key industrial sub sectors and services (K.A.M, 2014). The sample was identified using simple random sampling technique to determine the sample size of managers. This allowed equal representation of all individuals in the defined population to be selected as a part of the sample (Kombo & Tromp, 2006). This is important as it helps reduce biases that may arise. This technique was appropriate for the study since it gave each component in the populace an identical probability of being selected.

Reliability was determined by Cronbach’s Alpha. In the study green product (0.804), green price (0.853), purchase behaviour (0.745), culture (0.870) and sustainability (0.891) met the threshold. Fraenkel and Wallen (2000) identified a Cronbach’s Alpha Coefficient of above 0.7 to reflect a good reliability of the research instruments. After data collection is completed, the researcher performed data cleaning and correct them to increase quality of data. Data was coded SPSS program version 23 for analysis. Pearson product moment and multiple regression as inferential statistics used to establish relationship among variables.

The multiple hierarchical regressions were used to describe the degree to which green consumer behaviours; green product, green price and purchase decision (independent variables) explained the sustainability of manufacturing firms (dependent variable). Moderated multiple regression was used to establish moderating effect of culture on green consumer behaviours and sustainability of manufacturing firms in Kenya. Multiple regression was used to test null Hypotheses.

**ANALYSIS**

6.1 Factor analysis

The factor analysis findings of green product, the KMO of 0.823 and a Bartlett’s Test (p= 0.000). The rotated six items using Varimax rotation resulted into two component loadings of green product that explained 70.89% of the total variance with Eigen values greater than one. It was therefore concluded that green price was measured by six items that were used in subsequent analysis. Green price had KMO of 0.689 and a significant Bartlett’s Test (p= 0.000). Varimax rotation revealed that five items were loaded on two components and explained 61.86% of the total variance. It was therefore concluded that green price was measured by five items that were used in subsequent analysis.

Purchase decision with Eigen values greater than one, and two components were extracted. The KMO of 0.768 and Bartlett’s Test (p= 0.000). Varimax rotation revealed that six items were loaded into two components that explained 67.98% of the total variance. Culture with Eigen values greater than one and two components were extracted. This indicated that culture had KMO of 0.764 and the Bartlett’s Test (p= 0.000). Varimax rotation revealed that four items were loaded into two components that explained 48.93% of the total variance. Culture was measured by four items and used in subsequent
analysis. On firm sustainability with Eigen values greater than one component was extracted. Firm sustainability KMO was 0.828 and Bartlett’s Test (p= 0.000). Rotation was done using Varimax and six items were loaded into one component that explained 55.30% of the total variance as summarized in Table 1.

<table>
<thead>
<tr>
<th>Rotated Component Matrixa</th>
<th>Component</th>
<th>Kaiser-Meyer-Olkin</th>
<th>Bartlett's Test of Sphericity</th>
<th>Total Variance Explained</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Green Product</strong></td>
<td></td>
<td>.823</td>
<td>.000</td>
<td>70.89</td>
</tr>
<tr>
<td>Organic agricultural products</td>
<td>.865</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived health</td>
<td>.878</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recycling technology</td>
<td>.806</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green building construction</td>
<td>.735</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy efficient appliances</td>
<td>.679</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternative fuel vehicles and hybrids</td>
<td>.977</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Green Price</strong></td>
<td></td>
<td>.689</td>
<td>.000</td>
<td>61.86</td>
</tr>
<tr>
<td>Willingness to pay</td>
<td>.863</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value sought</td>
<td>.783</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility</td>
<td>.792</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium price</td>
<td>.614</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comparative pricing</td>
<td>.856</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Purchase Decision</strong></td>
<td></td>
<td>.768</td>
<td>.000</td>
<td>67.98</td>
</tr>
<tr>
<td>Perceptual of the product</td>
<td>.838</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contextual benefits</td>
<td>.719</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Past experience</td>
<td>.689</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green packaging</td>
<td>.828</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green Ingredients</td>
<td>.828</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social inclination</td>
<td>.799</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Culture</strong></td>
<td></td>
<td>.764</td>
<td>.000</td>
<td>48.93</td>
</tr>
<tr>
<td>Collectivism</td>
<td>.780</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individualism</td>
<td>.770</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seek approval from society</td>
<td>.749</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avoid being guilty</td>
<td>.697</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Firm Sustainability</strong></td>
<td></td>
<td>.828</td>
<td>.000</td>
<td>55.30</td>
</tr>
<tr>
<td>Attain profits</td>
<td>.635</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market expansion</td>
<td>.788</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morally accepted standards</td>
<td>.680</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder value</td>
<td>.851</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community development</td>
<td>.808</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer loyalty</td>
<td>.674</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 2 iterations.
6.2 Correlation

There was positive relation between sustainability and green product \( (r = 0.783, P = 0.000) \). The relationship between green price and sustainability was significant \( (r = 0.840, P = 0.000) \). The relation of sustainability and purchasing decision was positively significant \( (r = 0.662, P = 0.000) \). The relation of sustainability and culture was significantly positive \( (r = 0.630, P = 0.000) \) as show in Table 2.

<table>
<thead>
<tr>
<th>Table 2: Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustain-</td>
</tr>
<tr>
<td>Ability</td>
</tr>
<tr>
<td>Sustain-</td>
</tr>
<tr>
<td>Ability</td>
</tr>
<tr>
<td>GPT</td>
</tr>
<tr>
<td>GPR</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>PD</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>CT</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
</tbody>
</table>

GPT=Green Products, GPR=Green Prices, PD= Purchase Decision and CT= Culture

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

6.3 Multiple Hierarchical Regressions

Multiple Regression analysis was carried out when the following assumptions were met: linearity, normality heteroscedasticity and multi-collinearity. Regression model summary results between green consumer behaviour and sustainability, indicate that the three variables explained 74% \( (R^2 = 0.740) \) of the variation in sustainability and significant as shown in model 1. Culture explained 75.6 % \( (R^2 = 0.756) \) of the variance on sustainability thus contributing an additional R2 of 0.016 (1.6%) which was significant as shown in model 2. Model 3 summary interaction results show that Z score of culture *Z score of green product explained 76% \( (R^2 = 0.760) \) variance on sustainability resulting in R2 change of 0.004 (0.4%) which was not significant as shown in model 3.

Further, interaction of Z score of culture * Z score of green price indicated 76.5% \( (R^2 = 0.765) \) variance on sustainability. The additional R2 of 0.005 (0.5%) which was significant as indicated in model 4. Interaction of Z score of culture * Z score of purchasing decision explained 77.3 % \( (R^2 = 0.773) \) variance on sustainability which resulted in additional R2 of 0.008 (0.8%) which was significance as indicated in model 5. Results indicated by model 1, 2, 3, 4 and 5 illustrated overall test of good model fit with F-test values of 229.363, 186.895, 151.779, 130.009 and 115.720 with p value equals 0.000 were highly significant statistically. In summary green product, green prices, purchase decision as well as their interactions with culture were highly significant indicators of sustainability of manufacturing firms as shown in Table 3.
**Table 3: Multiple Hierarchical Regression results on culture effect on relation between Green Consumer Behaviour and Sustainability**

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZGPT</td>
<td>.737*</td>
<td>.190</td>
<td>.210</td>
<td>.289</td>
<td>.450</td>
</tr>
<tr>
<td>ZGPR</td>
<td>.736*</td>
<td>1.082*</td>
<td>1.130*</td>
<td>1.102*</td>
<td>1.041*</td>
</tr>
<tr>
<td>ZPD</td>
<td>-.687*</td>
<td>-.845*</td>
<td>-.883*</td>
<td>-.912*</td>
<td>-.996*</td>
</tr>
<tr>
<td>ZCT</td>
<td></td>
<td>.411*</td>
<td>.428*</td>
<td>.449*</td>
<td>.436*</td>
</tr>
<tr>
<td>ZCTGPT</td>
<td></td>
<td>-.077</td>
<td>.339</td>
<td>1.216*</td>
<td></td>
</tr>
<tr>
<td>ZCTGPR</td>
<td></td>
<td></td>
<td>-.448*</td>
<td>-.797*</td>
<td></td>
</tr>
<tr>
<td>ZCTPD</td>
<td></td>
<td></td>
<td></td>
<td>-.553*</td>
<td></td>
</tr>
<tr>
<td>R Square</td>
<td>.740</td>
<td>.756</td>
<td>.760</td>
<td>.765</td>
<td>.773</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>.737</td>
<td>.752</td>
<td>.755</td>
<td>.760</td>
<td>.766</td>
</tr>
<tr>
<td>R Square Change</td>
<td>.740</td>
<td>.016</td>
<td>.004</td>
<td>.006</td>
<td>.007</td>
</tr>
<tr>
<td>F</td>
<td>229.363***</td>
<td>186.895***</td>
<td>151.779***</td>
<td>130.009***</td>
<td>115.720***</td>
</tr>
</tbody>
</table>

Key: * P < 0.05; ** P < 0.01; *** P < 0.001

GPT=Green Products, GPR=Green Prices, PD= Purchase Decision and CT= Culture

**DISCUSSION**

**H01: Green Product has no Significant Effect on Sustainability of Manufacturing Firms.**

The hypothesis test results indicated that green product is a significant predictor of sustainability of manufacturing firms (β= 0.737, P = 0.001). The results did not support the first hypothesis which was rejected. This concurs with Kim, Palakurthi and Hancer (2013) who asserted that environmentally responsive products influence and transform inactive customers to purchase eco-friendly products and services to greener consumption. In addition, Chang (2011) argues that consumers would like to buy green products because of philanthropic intentions to protect their surroundings and might appreciate the emotive paybacks of green purchasing.

**H02: Green Price has no Significant Effect on Sustainability of Manufacturing Firms.**

The hypothesis test results indicated that green price is a significant predictor of sustainability of manufacturing firms (β= 0.736, P = 0.000). The results did not support the second hypothesis which was rejected. This was consistent with Gleim et al., (2013) that extraordinary high prices attached to green products, deter many consumers and opt to buying cheap products. Price discourages many customers who would like purchase green products.

**H03: Purchase Decision has no Significant Effect on Sustainability of Manufacturing Firms.**

The hypothesis test results indicated that purchase decision is inversely significant predictor of sustainability of manufacturing firms (β= - 0.687, P = 0.000). The results did not support the third hypothesis which was rejected. This was in line with findings of Luchs and Swan (2011) that consumer’s choice to buy ecologically responsive products may openly lead to reversal of conservational deterioration. Meanwhile, the buying choices are pronounced in forms of being supportive to firms and buying green products (Albayrak et al., 2013).
H04: Culture has no Significant Effect on Sustainability of Manufacturing Firms.

The hypothesis test results indicated that culture is a significant predictor of sustainability of manufacturing firms ($\beta = 0.411$, $P = 0.000$). The results did not support the fourth hypothesis which was rejected. This concurs with (Sârbeșcu et al., 2012; Rahimof, 2011), that tendency of accurate behavior is social attraction making someone hold to existing cultural norms. Singh and Bansal, (2012) emphasized that knowledge on environmental issues make consumers responsible towards the environment. Also concurs with Saxena and Khandelwal (2012) that people’s high concern for environmental protection and willingness to consume environmentally friendly products should induce marketers to go for green marketing that can enhance sustainable development.

HO5a: Culture does not moderate the relationship between Green Product and Sustainability of Manufacturing Firms.

Hypothesis (H05a) stated that culture does not moderate the effect of green product on sustainability of manufacturing firms ($\beta = -0.077$, $P = 0.062$) which was supported. The results showed negative insignificant value of green product and sustainability of manufacturing firms as moderated by culture. This shows that cultured buffered green products. The results did support the hypothesis and was thus accepted. This was consistent with Chen and Chang (2012) that opting for green products does not guarantee customers positive buying behaviour. Green products should have traits different from non-green products in order to be attractive in the Kenyan context.

HO5b: Culture does not moderate the relationship between Green Price and Sustainability of Manufacturing Firms.

Hypothesis (H05b) stated that culture does not moderate the effect of green price on sustainability of manufacturing firms ($\beta = -0.448$, $P = 0.016$) which was not supported. The results of culture interaction indicated negative significant value when moderated with green price and sustainability of manufacturing firms. This shows that culture antagonized green price. The results did not support the hypothesis and was thus rejected. This was in line with findings of Suki (2013) that more customers are eager to pay extra to support green products. This concurred with findings of Bennett (2011) that price always had the most outstanding influence for consumers purchase decision.

HO5c: Culture does not moderate the relationship between Purchase Decision and Sustainability of Manufacturing Firms.

Hypothesis (H05c) stated that culture does not moderate the effect of purchase decision on sustainability of manufacturing firms ($\beta = -0.553$, $P = 0.006$) which was not supported. The results indicated that culture was negatively significant when moderating with purchase decision and sustainability of manufacturing firms. This shows that culture enhanced purchase decision. The results did not support the hypothesis and was thus rejected. This was consistent with the findings of Rust and Huang (2011) that consumption decisions are affected by the consumers’ environmentally sustainable knowledge of firms. The firms may be translated by consumers’ choice of green products and services as a powerful incentive to improve their performance environmentally (Liu et al., 2012).
CONCLUSION

The green product explained a significant variation in sustainability of manufacturing firms. This is an indication that green product affects sustainability of manufacturing firms. The green price accounted for significant variance in sustainability of manufacturing firms. This means that green price affects sustainability of manufacturing firms. Purchase decision affects sustainability of manufacturing firms. Culture accounted for significant variation in sustainability of manufacturing firms. The conclusion drawn from this result was that culture does affect sustainability of manufacturing firms. Culture had significant effect on the relationship between green price as well as purchase decision and sustainability of manufacturing firms in Kenya.

IMPLICATIONS TO PRACTICE AND THEORY

The findings may assist manufacturing firms’ policy makers in developing suitable actions or interventions that certainly impact their firm sustainability. Managers should have an understanding of discrepancy between willingness of green consumers and real purchase of green products. Green products alone do not mean sustainability of manufacturing firms but there is a lot to do with proper understanding and handling of green consumers. Managers should clearly portray the benefits of green products to consumers’ health and their impact to the environment. The managers are encouraged to do this by frequent market surveys to collect and collate views on green consumer needs and address them.

There is also need for managers to understand inconsistencies in cultural values to help in identifying the needs of green consumers and green products transversely among various cultures in Kenya. Price of green products has been of major concern to green consumers. Managers should encourage consumption through lower pricing and creating awareness of the availability of green products and educating the public through market campaigns. In addition, managers should source for cheaper materials to process green products. Given that labour as one of the factors of production is still relatively cheap in Africa the cost of green products should be cheap to enhance sustainability of manufacturing firms. Managers should ensure efficient system of production to reduce operation costs which translates into cheaper green products.

Consequently, this study supports the theoretical foundation among earlier scholars on the role of green consumer behaviour, culture and sustainability practices. There is need for combination of consumer culture theory, theory of consumption values and sustain centrism theory. The study will give a more understanding of theories for exploring the moderating effect of culture on the green consumer behaviour relation with sustainability of manufacturing firms in Kenyan towards future advances of knowledge.

RECOMMENDATIONS FOR FUTURE RESEARCH

Future researchers could repeat the study in different contexts/sectors within Kenya with different modes of handling green products. Future studies should look into purchase of green products which was found inconsistent by considering numerous customarily distinctive markets. Further, the scope of the investigation must be done in other countries to ease more generality of the findings.
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Chapter #--- 9

Financial Literacy, Financial Attitude and Saving Behaviour of Youth in Uganda: A Case of Mbarara District

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ABSTRACT

This study investigated the relationship between financial literacy, financial attitudes and saving behaviour among the youth in Uganda using Mbarara district as a case study. The study used a cross-sectional survey and a quantitative method research design. The sample consisted of 310 youths, determined using Krejcie & Morgan (1970,) sample size selection table. Demographic statistics, correlations and Structural Equation Model (SEM) were employed to analyse data. The findings indicated that there is a positive relationship between financial literacy and saving behaviour through self-control, financial attitudes as well as saving behaviour. The findings also show that financial attitudes are a mediator in the relationship between financial literacy and saving behaviour. This research provided policy implications for the district officials and the government and other policymakers to particularly put in place a good networking system where the youth that needs help as far as financial information go. Industry officials to give the financial decision making process priority and encouraging the youth to participate. Policymakers to promote financial literacy through arranging many financial literacy
trainings and seminars to enable the youth get in touch attain financial skills as this will enable them to improve their attitudes towards saving.

**Keywords:** Uganda, Mbarara District, Youth, saving behaviour, financial attitudes, financial literacy.

**INTRODUCTION**

Uganda has a fast-growing young population with over 60 percent of the overall population below the age 30 (World Bank, 2016). There is enormous potential to boost the areas of economic and social development with this young and vibrant population through encouraging the saving behaviour, an area Uganda is lagging behind (Bank of Uganda, 2013). The theory of planned behaviour (TPB) was used to understand the relationship among the study variables. The model was adopted because it is allows for the inclusion of an extra predictor (s) and has the ability to predict behaviour achievement from one's attitude and belief in oneself to achieve a certain behaviour (perceived behavioural control) (Sommer, 2011). Saving behaviour refers to an option to save rather than spend earlier in life. It is a significant determinant of variation in wealth accumulation (Brown & Taylor, 2016; Cobb-clark, Kassenboehmer, & Sinning, 2015; Silva, Magro, Gorla, & Nakamura, 2017). Individuals save money because it can be used for emergencies, or it can be helpful in the future or it can be used when retired (Babiarz & Robb, 2014; Ismail, Kamis, Hashim, Harun, & Khairuddin, 2013).

Hastings, Madrian, & Skimmyhorn (2013) and Mitchell & Lusardi (2015) emphasize that persons with a greater capacity to save for retirement, for the future, for unforeseen circumstances and emergencies are financial literate persons. They further argue that lower long-term savings such as for retirement or superannuation are linked with low financial literacy levels. Financial literacy has been studied by different scholars (Mitchell & Lusardi, 2015). Vyvyan, Blue, & Brimble, (2014) explains that financial literacy to be understood, a link from knowledge to skill to attitude should exist for behaviour to change.

According to Atkinson & Messy (2010) and Vyvyan et al. (2014), financial attitudes are the sentiments of the individual about the belief in planning, their tendency to save and consume. Changes in saving attitudes could lead to changes in savings behaviour and eventually result into the act of saving(Stinson et al., 2015; Supanantaroek, Lensink, & Hansen, 2017).

The Ugandan government through Bank of Uganda, commercial banks and other institutions like the Uganda Bankers Association and the Private Sector Foundation Uganda (PSFU) have made efforts to increase financial awareness and literacy through efforts like the cross country financial literacy campaign in July 2014, Commercial banks have introduced innovative ways of mobilising saving the save, spin and win promotion of Development Finance Company Uganda Bank, Big wig by Kenya Commercial Bank, Vimba reloaded by Bank of Africa and Beera Muloodi by Centenary Bank though these have had just a slight growth from about 12.30% in 2010 to about 15.08% in 2014 (ADB, 2014)

Mbarara has about 82.3% of its population either self-employed or paid employees or about 67% of these being youth (Bank of Uganda, 2013). The commercial banks within the district have introduced a number of savings products like the Cente-savings account, bonus savings account, safari savings account and instant saving which has yielded a slight improvement in formal saving of about 5% to 7% of residents in the district but this is not yet to the desired levels of saving of 15% to 20%. Although
there have been many interventions by the Bank of Uganda, development partners and many other initiatives by commercial banks to promote savings in the country, the saving behaviour in all the regions has registered a marginal change. In Mbarara district the savings rate is low and according to the Mbarara district bank managers association, about 200 bank accounts are opened by all commercial banks in the district daily but only about 7% of these are savings accounts, while this is saving behavioural change, the monthly saving volume on these accounts range between shillings 50,000 to 100,000. This demonstrates that the financial literacy initiative expected to change people’s attitudes towards savings could have accounted for low levels of savings in the district negligible. The extent to which saving behaviour among the youth in Mbarara district is affected by financial literacy and financial attitudes was the cause for our study. The remaining sections of this paper are arranged as follows; theoretical contribution, literature review, conceptual framework, method, data analysis, results, discussion, conclusion and policy implications.

LITERATURE REVIEW AND HYPOTHESIS

Financial literacy

Financial literacy remains a central area of study in developed and developing economies (Grohmann, 2017). It attracted a lot of attention since the rapid change in the finance landscape (Alex & Amos, 2014). A number of descriptions have been used to explain the financial literacy concept. According to Silva et al. (2017), it refers to having the knowledge and skills to make informed decisions regarding financial matters and manage money effectively. While, to Opletalová (2015) it involves knowledge regarding budgeting, financial products offerings as well as the ability to make responsible investments (decisions). This paper describes financial literacy as the ability to make knowledgeable judgment and choices regarding the use of and management of money (Huston, 2010).

Financial attitude

Theory of Planned Behaviour (TPB) suggests that attitudes symbolise how one feels about favourableness / unfavourableness of a certain stimulus object (Ajzen, 2015). TPB measures financial attitudes using cognitive content and affective content. Cognitive content describes a person’s thoughts, that is, perpetual responses and verbal statement of belief. Affective / emotional content on the other hand describes one’s feelings, that is; the compassionate nervous responses as well as verbal statements of belief (Kurland, 2014). Financial attitudes therefore refer to one’s beliefs and values towards personal finance (Umberto, Caterina, & Francesca, 2015).

Previous studies on savings behaviour have concentrated on unrealistic optimism, level of financial knowledge, debt tolerance, and money specific attitudes (Mustapha & Jeyaram, 2015; Kamdron, 2015, Berti et al., 2017). These scholars agree that with the positive attitude towards saving, the savings level will increase.

Savings Behaviour

According to Dupas & Robinson (2013), savings is the money which is kept in an account in a bank or similar financial organization. A number of economic theories about consumption agree that disposable income is a direct measure of one’s ability to save. For example, according to the life-cycle theory, saving behaviour is greatly influenced by the age composition of the population (Zhao, Li, &
Chen, 2016). Dolphin, (2012) found that majority of the young people and elderly compared to persons of working age are associated with lower savings rates. Attaining a saving behaviour requires collection and making of forecasts about variables in the future, from acquiring financial knowledge about for example interest rates, expected inflation and cheaper source of finance. Moreover, this requires applying calculations that require, at the minimum, an understanding of compound interest and the time value of money. More so, they might not possess the required skills and ability to perform the calculations inherent in devising a saving plan.

Further, most studies on savings behaviour have focused on modelling lifetime resources with individual preferences rather than recognizing the importance of saving behaviour in influencing actual saving (Lusardi, 2008). The Youth may have to spend their considerable time and effort searching information required to make saving decisions. This paper focuses on the unanswered questions on saving behaviour (Petkoska & Earl, 2009).

Financial Literacy and Savings Behaviour

Mak & Braspennin (2012) found that people with lower levels of financial literacy pay more for less. As a result, they may not be able to save effectively for long-term goals such as homeownership, higher education, and retirement. While there is a growing recognition that being financially literate requires more than a knowledge base, the mechanisms by which increased knowledge and skills translate into behavioral change may not be well understood (Tennant et al., 2016). Numerous studies have identified a positive relationship between financial awareness of the poor and their saving behaviour (Arun & Kamath, 2015; Karlan, Ratan, & Zinman, 2014; Rooij, Lusardi, & Alessie, 2011). They suggest that financial awareness indeed has a great impact on the saving behavior of individuals. Basing on these empirical studies, we hypothesized as;

H1: Financial literacy positively influences saving behaviour

Financial attitude and saving behaviour

Most research on saving behaviour narrowly focuses on specific areas such as risk attitudes. For instance, Strömbäck et al., (2017) contend that looking at a few financial issues doesn’t entirely indicate an individual's behaviour and attitude toward finance. Focus should be put on having certain habits related to managing one's financial means. This may indeed lead to learning about behaviour and needs. Additionally, defined questions on one’s attitudes can have predictive power on behaviour. Higher correlation of attitude towards behaviour has been found in comprehensive meta-analysis studies (Ii, Forehand, Puntoni, & Warlop, 2012; Mata, Monteiro, & Peixoto, 2012). Whereas behaviour changes over time, there is a popular assertion that "past behavior is the best predictor of future behaviour" (Sommer, 2011). This paper thus hypothesizes that;

H2: Financial attitudes is positively related to saving behaviour

Financial Literacy and Financial Attitude

Empirical studies indicating a link between financial literacy and financial attitude among adolescents in the developing world scarce (Stolper & Walter, 2017). However, existing literature has
looked on the relationship between the two focusing on children and adults in developed countries. In fact, Mitchell & Lusardi (2015) assert that individuals who took a personal management course at school are not more financially literate and do not consider themselves to save more than those who did not. Conversely, Tremblay, Lalancette, & Roseveare (2013) suggest that knowledge gained from financial awareness may be unutilized until a certain stage of life has been reached. Financial awareness directly affects financial attitude towards spending and saving and some specific financial behaviour may be realized in the short-term.

H3: Financial literacy and financial attitudes are positively related

THEORETICAL CONTRIBUTION

This study is based on the theory of planned behaviour (TPB) to extensively explain the variables under study. The model explains the relationship between financial attitudes and behaviour. The main area of focus of TPB is on behavioural control as a measure of the actual behaviour that TRA missed since it focused on behavioural intentions and subjective norms (Coleman et al., 2011). A number of empirical studies have looked at different factors to explain the attitudes towards appropriate savings behaviour. For instance, Gobezie et al. (2017) noted that when people have a negative attitude towards a behaviour, they will be less inclined to undertake such a behaviour. Therefore, changes in attitudes and beliefs lead to changes in the savings behaviour (Stinson et al., 2015).

Financial literacy is included in the TPB as an external factor that affects the savings behaviour (Vyvyan et al., 2014). Financial literacy is an appropriate external predictor to be included to the variables in this study because lack of financial literacy leads to low savings (Roberts, Struwig, & Gordon, 2014). This suggests that financial literacy is a causal factor in determining attitudes towards saving and actual savings behaviour. As a result of meeting these criteria, the study added financial literacy as a predictor to the original TPB model in this study.

CONCEPTUAL FRAMEWORK

![Conceptual Model](Figure 1: a conceptual model of the study variable)

Source: Adapted from literature
METHODOLOGY

Research design: The study used a cross-sectional and descriptive research design to examine a saving behaviour model of the youth in Mbarara District. The researchers chose this method because it is effective when gathering data of a sample population at a point in time (Gambashidze et al., 2017). It was an analytical survey that involved demographic statistics, correlation analysis, and structural equation modelling.

Population, sample size, and sampling procedure: A population of 1,600 youth in business and employment in Mbarara district (Youth Map Uganada, 2011) was used. The youth were chosen for the study because they make over 70% of the district’s population (Burke, 2016). The sample size of 310 was used (Krejcie & Morgan, 1970). The respondents were selected using stratified sampling where strata of youth in employment and those in business were created. This method of sampling was used because two different homogeneous subgroups of the youth were studied (youth in employment and in business). From the strata, a simple random sample was determined by including every 10th youth on the employee list and youth list. A structured questionnaire with a series of questions on Financial Literacy (FL), Financial Attitudes (FA) and Savings Behaviour (SB) initiatives used for data collection. The questionnaire instrument was based on a five-point Likert ranging from strongly disagree (1) to disagree (2) to not sure (3) to agree (4) and to strongly agree (5).

Financial Literacy: Financial literacy was conceptualized as knowledge of financial concepts, actions that one takes as regards financial concepts, skills in making appropriate financial decisions and the respondents showed agreement or disagreement using a Likert scale as used by Taft, Hosein, & Mehrizi (2013). Some of the items used included: I am aware of the financial opportunities; I have practical knowledge to make informed financial decisions; I regularly attend seminars or workshops relating to savings; I have basic numeracy skills on how to calculate my savings; I have the ability to assess the risks of savings products before making a final decision; I have realistic income aspirations and wise financial habits; I prepare budgets and plan for my finances accordingly.

Financial Attitudes: Financial attitudes were operationalized as Propensity to save and consume, Belief in financial planning by seeking the response in terms of agreement or disagreement with questions related to the above measures as used Rooij et al., (2011) and Vyvyan et al., (2014). Some of the items used in the study included: savings guarantees my standards of living in times of scarcity of resources; savings help me in making a long-term reward; saving serves as a basis for investment; savings helps me in cases of emergencies; I am in control of my current financial situation; I am confident about the saving decisions I make and I am secure about my future financial position.

Savings Behaviour: Saving behaviour was measured using questions relating to self-control on spending, values on saving and financial self-efficacy as used by Lim, Heckman, Letkiewicz, & Montalto, (2014). Some of the questionnaire items used included: I am clear about my need to save for future; I am concise about what I can afford when buying; I am always less likely to save regularly; I would rather spend money than save it; I believe my income is too little to consider saving; I always target savings which are for a specific purpose; I always stick to my financial plan; and I have created a financial budget for this year.
DATA ANALYSIS

The collected data was coded, edited and analysed using a blend of both manual and computer data analysis packages. The data was tabulated and input in the Statistical Package for Social Sciences research (SPSS) and Analysis of Moment Structures (AMOS) as applied by Liuzhan (2014). The principal component analysis was performed to identify patterns in data and reduce data to a manageable level (Ji, Li, Wang, & Ning, 2013) and varimax rotation was applied. Both descriptive and inferential statistics were generated. Data was further tested for normality, linearity and homogeneity of variance was tested to determine its distribution. (Stata Press, 2015).

Component factor analysis

The study employed a rotated component analysis to clean the scales and test the dimensionality of the constructs as applied by Dakung et al. (2017). The study used Kaiser’s Eigenvalues to measure the sampling adequacy and relevant axes (David & Jacobs, 2014). It further employed a reliability test for each measurement scale. The Eigenvalues for financial literacy constructs; skills, knowledge, and actions were 3.917, 1.338 and 1.153 respectively. Eigen values for financial attitudes constructs; cognitive content and affective content were 3.963 and 1.157 respectively. Finally, Eigen values for saving behaviour constructs; self-control, value attached to saving and beliefs were 4.459, 1.892 and 1.137 respectively. To complement rotated components analysis, the study further examined the commonalities; that is cancellation below 0.40 and all the values left were found to be in acceptable limits as seen in tables; 1, 2 and 3 below.

Table No. 1: Rotated Component Matrixa for Financial Literacy

<table>
<thead>
<tr>
<th></th>
<th>Component</th>
<th>Skills</th>
<th>Knowledge</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sk6</td>
<td>I have basic numeracy skills to assess what to my save</td>
<td>.729</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sk8</td>
<td>I usually make good saving decisions</td>
<td>.651</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sk7</td>
<td>I have the ability to assess the risks of savings products before making a final decision.</td>
<td>.631</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sk9</td>
<td>I have been mentored in saving skills</td>
<td>.601</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kn1</td>
<td>Am aware of the financial opportunities</td>
<td>.782</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kn2</td>
<td>I have practical knowledge to make informed financial decisions.</td>
<td>.777</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ac11</td>
<td>I regularly prepare budgets and plan for my finances</td>
<td></td>
<td>.717</td>
<td></td>
</tr>
<tr>
<td>Ac10</td>
<td>I am confident in making financial decisions</td>
<td></td>
<td>.677</td>
<td></td>
</tr>
<tr>
<td>Eigen Values</td>
<td></td>
<td>3.971</td>
<td>1.338</td>
<td>1.153</td>
</tr>
<tr>
<td>% of variance</td>
<td></td>
<td>28.362</td>
<td>9.558</td>
<td>8.239</td>
</tr>
<tr>
<td>Cumulative %</td>
<td></td>
<td>28.362</td>
<td>37.921</td>
<td>46.159</td>
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</tbody>
</table>
Table No.2: Rotated Component Matrixa for Financial Attitudes

<table>
<thead>
<tr>
<th>Component</th>
<th>Cognitive Content</th>
<th>Affective Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Af12</td>
<td>I feel secure about my future financial position</td>
<td>.771</td>
</tr>
<tr>
<td>Af11</td>
<td>I am capable of handling my financial future</td>
<td>.632</td>
</tr>
<tr>
<td>Af10</td>
<td>I am in control of my current financial situation</td>
<td>.603</td>
</tr>
<tr>
<td>Co5</td>
<td>Savings helps me in cases of emergencies.</td>
<td></td>
</tr>
<tr>
<td>Co3</td>
<td>Saving serves as a basis for my investment</td>
<td></td>
</tr>
<tr>
<td>Co6</td>
<td>Saving gives me an appropriate return</td>
<td></td>
</tr>
<tr>
<td>Co4</td>
<td>Saving introduces security into my personal situations</td>
<td>.791</td>
</tr>
<tr>
<td>Co1</td>
<td>Saving guarantees my standards of living in times of scarcity of resources</td>
<td>.681</td>
</tr>
<tr>
<td><strong>Eigen Values</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.963</td>
<td>1.157</td>
<td></td>
</tr>
<tr>
<td><strong>% of variance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39.632</td>
<td>11.566</td>
<td></td>
</tr>
<tr>
<td><strong>Cumulative %</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39.632</td>
<td>51.198</td>
<td></td>
</tr>
</tbody>
</table>

Table No.3: Rotated Component Matrixa for Saving Behaviour

<table>
<thead>
<tr>
<th>Component</th>
<th>Self-Control</th>
<th>Value Attached</th>
<th>Belief</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sc2</td>
<td>I have strong saving beliefs</td>
<td>.707</td>
<td></td>
</tr>
<tr>
<td>Sc3</td>
<td>I am concise about what I can afford when buying</td>
<td>.654</td>
<td></td>
</tr>
<tr>
<td>Sc4</td>
<td>I possess good spending habits</td>
<td>.629</td>
<td></td>
</tr>
<tr>
<td>Sc6</td>
<td>I am able to manage my finances</td>
<td>.644</td>
<td></td>
</tr>
<tr>
<td>V3</td>
<td>I believe my income is little to consider saving</td>
<td>.762</td>
<td></td>
</tr>
<tr>
<td>V2</td>
<td>I prefer to spend money than to save it</td>
<td>.726</td>
<td>.761</td>
</tr>
<tr>
<td>Be5</td>
<td>I have created a financial budget for this year</td>
<td>.687</td>
<td></td>
</tr>
<tr>
<td>Be4</td>
<td>I always to live for today and let tomorrow take care of itself</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Be6</td>
<td>I hardly get solutions when faced with financial challenges</td>
<td>.606</td>
<td></td>
</tr>
<tr>
<td><strong>Eigen Values</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.459</td>
<td>1.892</td>
<td>1.137</td>
<td></td>
</tr>
<tr>
<td><strong>% of variance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29.727</td>
<td>12.610</td>
<td>7.578</td>
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</tr>
<tr>
<td><strong>Cumulative %</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>29.727</td>
<td>42.337</td>
<td>49.915</td>
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</tbody>
</table>

Validity and Reliability: The validity of the questionnaire was established using Content Validity Index (CVI) to determine the relevance of the questions in measuring the variables (Sangoseni, Hellman, & Hill, 2013; Shirali, Shekari, & Angali, 2017) and face validity was tested by asking views from people in the field and have to experience. Similarly, the Reliability of the questionnaire was tested using Cronbach's alpha test since its one of the widely used measure of internal reliability (Sharma, 2016). All the variables had a Cronbach's alpha above 0.7 (Financial literacy = 0.804, financial attitudes...
= 0.827 and saving behaviour = 0.821). Cronbach’s alpha coefficient above 0.7 is accepted implying that the instrument was valid (Peterson, 2013) which is greater than the recommended. Composite reliability was ascertained after measurement models. The results showed financial literacy as 0.88, financial attitudes as 0.85 and saving behaviour as 0.94 meaning that the data used was reliable.

We further used a two-step analysis to validate the model. In the first step, we used a confirmatory factor analysis (CFA) to define and improve the convergent validity and the discriminatory validity of the constructs (Shirali et al., 2017). Squared correlations among the constructs used were compared with the respective average variance explained (AVE) as used by Samreen, Zaidi, & Sarwar (2013). AVE results showed financial literacy = 0.56, financial attitudes = 0.53, saving behaviour = 0.60). Additionally, the AVE results were above 0.50 which indicated convergent validity, that is to say, all items were coming together to explain a given variable.

In the second step, we tested the relationships among the constructs. The study employed factor loadings and structural covariance analysis by running a confirmatory factor analysis. We also used SEM to assess 1) the relationship between financial literacy and saving behaviour; 2) to examine the relationship between financial attitudes and savings behaviour 3) and to examine the combine the combined effect of financial literacy and financial attitudes on saving behaviour.

RESULTS

Confirmatory Factor Analysis (CFA): we performed a construct validity test using confirmatory factor analysis, using AMOS version 22 in order to assess the extent to which operationalization of a construct does essentially measure what the theory implies (Dakung et al., 2017). CFA was used because it is considered a more flexible statistical tool as it allows for simultaneous multiple dependent relationships between the variables under study (Stata Press, 2015).

CFA for Financial Literacy (FL): The scale for FL after EFA included fourteen questions. The initial CFA results indicated that although the standardized parameter estimates were all significant (p < 0.001), the fit-indices were below the acceptable level, signifying a poor measurement model fit. The study further deleted items that did not meet the acceptance criteria. Three out of fourteen items in total were deleted (‘kn3’ ‘ac10′ and ‘ac14′) in the final model. The retained items were found to be significant with standardized factor loadings higher than 0.50 (the recommended level). The results of the initial estimation of the proposed model were acceptable for a well-fitting model as shown in the measurement model as seen below.

CFA for Financial Attitudes (FA): The scale for measuring FA after the EFA comprised of 10 items. Three out of ten items, that is, ‘co1′, ‘co2’ as well as ‘af10′ were deleted from the model because they demonstrated poor measurement fit. The Goodness of Fit Index (GFI), Turker-Lewis Index (TLI) and the Comparative Fit Index (CFI) were all above 0.95 in line with Gambashidze et al., (2017) as seen in the measurement model below.

CFA for Saving Behaviour (SB): fifteen items were used as a measurement scale for SB after the EFA. Items; ‘isc2’, ‘v9’, ‘v7’, ‘v8’, ‘be11’ were deleted because they signified poor measurement of the model fit. The remaining items were retained because they had standardized factor loadings higher
than the recommended level of 0.50 and they preserved the meanings of the factors. The results were acceptable as indicated in the saving behaviour measurement model below.

**MEASUREMENT MODEL FOR FINANCIAL LITERACY**

![Diagram of MEASUREMENT MODEL FOR FINANCIAL LITERACY]

$\text{CMIN} = 46.898; \text{DF} = 32; P = .043; \text{CMIN/DF} = 1.466$

$\text{GFI} = .964; \text{AGFI} = .938; \text{TLI} = .958; \text{IFI} = .971$

$\text{CFI} = .970; \text{RMSEA} = .044$

**MEASUREMENT MODEL FOR FINANCIAL ATTITUDE**

![Diagram of MEASUREMENT MODEL FOR FINANCIAL ATTITUDE]

$\text{CMIN} = 14.639; \text{DF} = 8; P = .067; \text{CMIN/DF} = 1.830$

$\text{GFI} = .981; \text{AGFI} = .950; \text{NFI} = .957; \text{IFI} = .980$

$\text{CFI} = .979; \text{RMSEA} = .058$
Correlation

Results indicated a significant positive ($r = .578, p < .05$) correlations between financial literacy and financial attitudes, is a significant positive ($r = .412, p < .05$) correlations between financial literacy and saving behaviour, and a significant positive ($r = .477, p < .05$) correlations between financial attitude and saving behaviour. See table 4 below.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
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<tbody>
<tr>
<td>Financial Literacy (1)</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Knowledge (2)</td>
<td>.781**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skills (3)</td>
<td>.807**</td>
<td>.440**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Action (4)</td>
<td>.814**</td>
<td>.439**</td>
<td>.504**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Attitudes (5)</td>
<td>.578**</td>
<td>.470**</td>
<td>.457**</td>
<td>.464**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cognitive Content (6)</td>
<td>.569**</td>
<td>.452**</td>
<td>.460**</td>
<td>.457**</td>
<td>.894**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Affective Content (7)</td>
<td>.471**</td>
<td>.394**</td>
<td>.362**</td>
<td>.379**</td>
<td>.902**</td>
<td>.613**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saving Behaviour (8)</td>
<td>.412**</td>
<td>.346**</td>
<td>.313**</td>
<td>.330**</td>
<td>.477**</td>
<td>.392**</td>
<td>.463**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-Control (9)</td>
<td>.474**</td>
<td>.441**</td>
<td>.349**</td>
<td>.349**</td>
<td>.577**</td>
<td>.479**</td>
<td>.556**</td>
<td>.828**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Values Attached (10)</td>
<td>.122</td>
<td>.108</td>
<td>.117</td>
<td>.070</td>
<td>.149</td>
<td>.108</td>
<td>.158</td>
<td>.771</td>
<td>.429**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Belief (11)</td>
<td>.404**</td>
<td>.291**</td>
<td>.295**</td>
<td>.381**</td>
<td>.432**</td>
<td>.364**</td>
<td>.411**</td>
<td>.834**</td>
<td>.581**</td>
<td>.451**</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
Evaluation of the hypothesized model: the study tested for three hypothesis; to examine the influence of financial literacy (FL) on financial attitudes (FA), financial literacy (FL) on savings behaviour (SB) and financial attitudes (FA) on savings behaviour (SB). The results showed that all the three hypothesized paths were statistically significant as shown in table 5 below.

### Table 5: regression results on direct paths

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th>B</th>
<th>S.E.</th>
<th>t-Value</th>
<th>P</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>FA</td>
<td>&lt;---</td>
<td>FL</td>
<td>.489</td>
<td>.188</td>
<td>2.607</td>
<td>***</td>
</tr>
<tr>
<td>H1(a)</td>
<td>SB</td>
<td>&lt;---</td>
<td>FL</td>
<td>.310</td>
<td>.155</td>
<td>2.002</td>
<td>***</td>
</tr>
<tr>
<td>H1(b)</td>
<td>SB</td>
<td>&lt;---</td>
<td>FA</td>
<td>.198</td>
<td>.087</td>
<td>2.261</td>
<td>***</td>
</tr>
</tbody>
</table>

**H1: financial literacy is positively related to financial attitudes.** The results indicated a significantly positive relationship between the two variables with $\beta = 0.489$, t-value = 2.607 and $p < 0.05$), thus supporting the hypothesis. This proposes that positive changes in financial literacy are connected to positive changes in financial attitudes of the youth in Mbarara district.

**H2: financial literacy is positively related to saving behaviour.** The results indicated a positively and significant connection between financial literacy and savings behaviour with a $\beta = 0.310$, t-value = 2.002 and $p < 0.05$. The hypothesis was supported. This confirmed that positive changes in financial literacy are linked with positive changes in saving behaviour.

**H3: financial attitudes are positively related to saving behaviour.** The results demonstrate a significant and positive relationship the two variables with $\beta = 0.198$, t-value = 2.261 and $p < 0.05$. This hypothesis was supported. This submits that positive changes in financial attitude are closely associated with saving behaviour of the youth.

### Competing models

Given the conceptual model of saving behaviour, the hypothesized model implied testing direct and indirect (mediation) relationships financial literacy, financial attitudes and saving behaviour. Testing for mediation was done with the help of Structural Equation Modelling (SME) guidelines as recommended by Fairchild, Mcquillin, & States (2010) which involved specifying two models. Model 1 (alternate model) comprised of financial literacy, financial attitude and saving behaviour treated as direct paths, without considering the mediating role of financial attitudes. While, Model 2 included financial attitudes as a mediating variable. The accept/reject criteria indicated that Model 2 presented a better fit. This was based on the model fit statistics that included; $\chi^2$, df, p-value, RMSEA, GFI, AGFI, CFI, NFI and predictive power (see table no.6). Hence, the study assumptions are tested using Model 2 results.
The results in table no. 6 above show that in path financial literacy → saving behaviour declined from β=.280 to β=.214. However, it remained significant when financial attitudes was introduced in Model 2. Also the financial literacy → saving behaviour path that was originally insignificant in Model 1, became significant at the introduction of the mediating variable in Model 2. The two paths were significant and remained in the hypothesized direction.

Hypothesis 4: the Mediating role of financial attitudes

The study established that financial attitudes plays a mediating role in the relationship between financial literacy and saving behaviour. Findings further reveal that it was partial mediation because of the difference between the standardized direct effect of 0.280 and standardized indirect effect of 0.214 indicating partial mediation (Vanderweele, 2014). See table 7 below.

Table no. 6: Structural model results (competing models)

<table>
<thead>
<tr>
<th>Model Elements</th>
<th>Model 1 (Without a mediating variable)</th>
<th>Model 2 (With mediating variable)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model fit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CMIN(χ2)</td>
<td>121.629</td>
<td>52.661</td>
</tr>
<tr>
<td>Df</td>
<td>43</td>
<td>41</td>
</tr>
<tr>
<td>P value</td>
<td>.000</td>
<td>.105</td>
</tr>
<tr>
<td>CMIN/df</td>
<td>2.829</td>
<td>1.284</td>
</tr>
<tr>
<td>GFI</td>
<td>.908</td>
<td>.963</td>
</tr>
<tr>
<td>AGFI</td>
<td>.859</td>
<td>.941</td>
</tr>
<tr>
<td>NFI</td>
<td>.646</td>
<td>.9</td>
</tr>
<tr>
<td>TLI</td>
<td>.652</td>
<td>.950</td>
</tr>
<tr>
<td>CFI</td>
<td>.728</td>
<td>.960</td>
</tr>
<tr>
<td>RMSEA</td>
<td>.086</td>
<td>.034</td>
</tr>
</tbody>
</table>

*Standardized parameter estimates*

| FA <--- FL                  | .489**                                 |
| SB <--- EE                  | .679**                                 |
| SB <--- INC                 | 2.014**                                |
| % of significant path       | 40%                                    |

The study established that financial attitudes plays a mediating role in the relationship between financial literacy and saving behaviour. Findings further reveal that it was partial mediation because of the difference between the standardized direct effect of 0.280 and standardized indirect effect of 0.214 indicating partial mediation (Vanderweele, 2014). See table 7 below.

Table no. 7: the total direct and indirect effects (Beta coefficients)

<table>
<thead>
<tr>
<th>Standardized total effects</th>
<th>Financial Literacy</th>
<th>Financial Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Attitude</td>
<td>.309**</td>
<td>.000</td>
</tr>
<tr>
<td>Saving Behaviour</td>
<td>.280**</td>
<td>.215*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Standardized Direct Effects</th>
<th>Financial Literacy</th>
<th>Financial Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Attitude</td>
<td>.309**</td>
<td>.000</td>
</tr>
<tr>
<td>Saving Behaviour</td>
<td>.214**</td>
<td>.215*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Standardized Indirect Effects</th>
<th>Financial Literacy</th>
<th>Financial Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Attitude</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Saving Behaviour</td>
<td>.067*</td>
<td>.000</td>
</tr>
</tbody>
</table>
Table no. 8: Bootstrap Mediation Results

<table>
<thead>
<tr>
<th>Path</th>
<th>Point estimate</th>
<th>S.E</th>
<th>Lower Bounds</th>
<th>Upper Bounds</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving Behaviour ← Financial Attitude</td>
<td>.067</td>
<td>.309</td>
<td>.087</td>
<td>.524</td>
<td>.011</td>
</tr>
</tbody>
</table>

The results from bootstrap indicate a significant mediation effect of financial attitudes in the relationship between financial literacy and saving behaviour. Further, the standardized indirect effect known as the index of mediation for the indirect effect of financial attitude was 0.067. This implies that saving behaviour receives 67% of the indirect effect from resourcefulness is through financial attitude. On the other hand, the remaining 33% is a direct effect. This shows that financial literacy is able to directly cause changes in saving behaviour without the indirect effect through financial attitude.

DISCUSSION

The finding indicated a correlation relationship between Financial Literacy and savings behaviour. This means that individuals who possess numerical skills, have been mentored and are aware of financial opportunities, will make are likely to make an informed financial decision to save. Further, individuals who prepare financial budgets and make plans regards their money will be confident in taking saving decisions in order to effectively manage their finances. This is in line with the findings of Mak & Braspenning (2012) who suggest that people who are financially illiterate and pay more for credit. They may thus be less able to save effectively for their long-term goals such as homeownership, higher education, and retirement.

The findings also revealed correlational association between financial literacy and financial attitudes. This is in line with the findings of Mitchell & Lusardi (2015) who conclude individuals who took a personal management course at school may not more financially literate. Their research also confirms that knowledge gained from financial awareness could be utilised late and not immediately.

The study revealed that the relationship between financial attitudes and savings behaviour and financial literacy was significantly positive. Youth who fill secure and are capable of predicting their future financial position will save more than those who don’t. Additionally, youth who have emergencies but also want to invest with high expectations of appropriate future returns will avoid poor spending habits. This is in agreement with Jagongo & Mutswenje (2014) who contends that looking at specific financial situations does not necessarily indicate an individual's behaviour and attitude toward finance. Therefore, the focus should be on the interest in developing having certain habits related to managing one's financial resources. The Theory of Planned Behaviour (TPB) also confirms that when people have a negative attitude towards a certain behaviour, they become less receptive in undertaking such a behaviour and the vice versa is true (Supanantaroek et al., 2017).

The findings indicated that Financial Attitudes and Financial Literacy have a significant effect on Saving Behaviour. Financial Attitudes was found to be the most influential variable in explaining Saving Behavior with a $\beta = .320$ and $p < 0.05$ followed by Financial Literacy with a $\beta = .208$ and $p < 0.05$. The regression model was statistically significant ($p < 0.01$). Mitchell & Lusardi (2015) agrees that its only attitudes that can be measured since actual changes in saving behaviour are affected by delays in implementation delays and it’s difficult to realize in a short-term. From the mediation results, the
findings showed that though individuals who possess the financial knowledge, skills and actions will save, this will depend partly on their attitudes towards saving.

**MANAGERIAL IMPLICATION**

Findings indicate that financial knowledge, skills, and actions had a significant effect on saving behaviour. Therefore the Mbarara district official as well other financial institutions in the district should promote financial literacy through arranging financial literacy trainings and seminars to enable the youth to attain financial skills as this will enable them to improve their attitudes towards saving hence a better future for them. The findings on the relationship between financial literacy and financial attitudes revealed that involving the youth in the financial decision-making process improve financial attitudes. This could be done through information sharing, learning basic financial skills like reading and ability to assess the different risks that are associated with different financial products. Therefore, in order to realize improved financial attitudes in Mbarara district, the youth participation in the financial decision-making process should be given priority since it will enhance acquiring financial knowledge and basic financial skills.

The district officials, as well as other concerned parties in the district, should also put in place a good networking system where the youth that needs help as far as financial information and financial products and services are concerned can easily get help. This will help improve their attitudes towards saving with time.

**CONCLUSION**

Basing on the study findings, we conclude that knowledge, skills, and actions promote self-control in spending, values attached to saving and belief in financial planning among the youth in Mbarara district. This justifies that financial literacy is paramount in improving the savings behaviour of the youth in the district. Additionally, it can be concluded that financial attitude is related to savings behaviour as justified that in order to attain belief in savings and better financial planning, there is need to have cognitive and affective content among the youth in Mbarara district. From the findings, we can also conclude that financial literacy through financial knowledge has a positive impact on financial attitudes. The youth in Mbarara district who attain education about the importance and the use of financial knowledge develop cognitive content and affective content.

This study concentrated on financial literacy, financial attitudes and saving behaviour among the youth in Uganda a case study of Mbarara. Other researchers should widen the scope of the study to cover more districts. The study used a cross-sectional research design. To study the true nature and quality of the effect of financial literacy and financial attitudes on savings behaviour, a longitudinal study could be appropriate. From the findings, the regression analysis revealed that the model could only explain 26.7% in the variance of saving behaviour. Therefore, future researchers should study other factors which were not part of the model used in this study.

**REFERENCES**


The Entry Mode Contract Negotiation and Formation Process in Emerging Market Environments

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ABSTRACT

Entry mode contract negotiations and formation have not been widely studied in international business and management literature. We provide a theoretical model, drawn from entry mode, international business negotiation, culture, and contract research to explain the entry mode contract negotiation and formation process. We suggest that interest alignment, uncertainty avoidance, and cultural distance between parties will affect the amount of term specificity and contingency adaptability built into an entry mode contract. Implications of the model for research and suggestions for future inquiry are presented.

Keywords: entry modes; contract negotiations; contract formation; interest alignment; uncertainty avoidance; cultural distance

INTRODUCTION

Numerous articles have been published on the effects of culture and firm factors on entry mode decisions (e.g., Brouthers & Brouthers, 2000, 2001; Harzing, 2004; Kogut & Singh, 1988; Madhok, 1997). Culture is in fact a primary factor in determining entry mode choice (Makino & Neupert, 2000; Shenkar, 2001). Firm factors such as interest alignment also have a significant influence on a firm’s entry mode strategy when entering a particular market (Brouthers, Brouthers, & Werner, 2003; Harzing, 2002; Hitt, Dacin, Levitas, Arregle, & Borza, 2000; Madhok, 1997; Zahra, Ireland, & Hitt, 2000). But we ask the question what happens between entry mode choice and a firm’s actual entry into a foreign market of interest?

As a natural extension of entry into a foreign market, entry mode contract negotiations and formation play an important role in the success or failure of a foreign venture. Culture and interest alignment will affect this process (e.g., Brouthers et al., 2003; Fisher, 1980; Hoskisson, Eden, Lau, & Wright, 2000; Leung, Bhagat, Buchan, Erez, & Gibson, 2005). Thus, significant differences exist in most markets with regard to contract negotiation style and contract format (i.e., the size of the contract, what terms and provisions will be integrated into the contract, what is left out of the contract) (Folsom, Gordon, & Spanogle, 2002; Lumineau & Malhotra, 2011). With this in mind, it has been suggested that a blending of offensive (relational contracts/social networking) and defensive strategies (formal
contracts) is the most optimal way of creating success in the entry mode contract negotiation stage and, once formed, in mitigating entry mode contract liabilities (Argyres & Liebeskind, 1999; Harrison, 2004; Luo, 1999; Poppo & Zenger, 2002; Yu, 2002). However, formal entry mode contracts are the primary binding framework for foreign investment (Kogut, 1986; Li, Poppo, & Zhou, 2010; Tao & Wang, 1998; Zhou & Poppo, 2010). The amount and sophistication of governance mechanisms, such as term specificity and contingency adaptability, built into an entry mode contract are often crucial to the success of a venture by reducing the transaction costs of entering a foreign market (Luo, 2002, 2005; Luo & Shenkar, 2002; Noorderhaven, 1995; Reuer & Arino, 2002; Williamson, 1985). Furthermore, the importance of entry mode contract negotiations and formation in both the initial establishment and subsequent survival of a venture entering a foreign market needs to be better understood within the framework of international business research.

Toward that end, we begin by advancing a new research agenda—which centers on the black box we call the entry mode contract negotiation and contract formation process—by explaining the rationale of how entry mode contractual negotiations and formation play a pivotal role in both the establishment and survival of foreign entry. We discuss the importance of term specificity and contingency adaptability as adaptable governance mechanisms in entry mode contracts. Finally, we extend research in this area by establishing a series of propositions related to the influence of interest alignment, uncertainty avoidance, and cultural distance on contract term specificity and contract contingency adaptability as they relate to the success or failure of entry into a foreign market. We conclude with a discussion of the benefits of such an approach to scholars, practitioners, and public policy makers.

THEORETICAL BACKGROUND

Entry Mode Negotiations

Negotiation can be loosely termed as an exchange activity which creates the possibility of mutually beneficial outcomes (Fisher & Ury, 1981; Nierenberg, 1968; Strauss, 1978). More specifically, entry mode negotiations can be defined as the deliberate interaction of two or more business entities (i.e., parties) originating from different nations that are attempting to define or redefine the parameters of their interdependence in a foreign venture (Weiss, 1993). However, when negotiating internationally, ideas, expectations, and behavior can be culturally determined (Graham, 1985; Graham, Mintu, & Rodgers, 1994; Tung, 1982). Each party will have a number of objectives and a desired outcome (DeMattos, Sanderson, & Ghauri, 2002; Ghauri, 1986). Entry mode negotiation activity is an interesting encounter because of the simultaneous presence of elements of cooperation and conflict within a global context (Weiss, 1987). This process is purely voluntary, meaning that any party involved can, at any time, exit the negotiation (Ghauri, 2003). Ultimately, entry mode negotiation is a process in which the parties involved modifying offers and expectations in order to come to a mutually acceptable venture agreement (e.g., Ghauri, 1986; Ghauri & Fang, 2001).

Therefore, in an entry mode negotiation setting, culture and firm factors create a framework for negotiation norms and activities (Fagre & Wells, 1982; Heiba, 1984; Mintu-Wimsatt, 2002). Attitudes, values, traditions, and laws embedded in the culture of negotiators representing the parties can impact the various stages of the entry mode negotiation process (Brett & Okumura, 1998; Luo, 1999; Mintu-Wimsatt, 2002; Standifird & Marshall, 2000). Also, cultural norms and differences between the parties
have a significant influence over their behavior throughout the process and how an agreement is formed and concluded (Adler & Graham, 1989; Heiba, 1984; Weiss, 1993).

For example, the building of trust and social relationships is vitally important in Chinese (Standifird & Marshall, 2000) and Mexican cultures (Weiss, 1990). In contrast, American firms are known for their impatience to get down to business after only a few pleasantries (Morris et al., 1998). As a result, many entry mode negotiations may never fulfill their potential expectations because of a lack of cultural understanding on one side or the other in the negotiation process (Phatak & Habib, 1996). This is a significant problem, particularly when a firm is negotiating entry in an emerging market economy because there is often a small number of local firm and/or host government (key stakeholder) decision-makers with sufficient comprehension and knowledge of business, economic, and legal issues, largely because their career orientation will have been in areas such as politics, foreign relations, military science, and civil administration (Meyer, 2001; Peng, 2000). On the other hand, top management executives and inexperienced negotiators from a western industrialized country will often have a difficult time understanding the mindset and interests of the local firm, key stakeholder representatives, and negotiators (Ghauri & Fang, 2001).

The methods of entry into markets, such as emerging market economies, are often decided by key stakeholder privatization policies (Beamish, 1985; Brouthers & Bamossy, 1997; Doh, 2000). Because of this process, a series of complex negotiations with host government authorities and local firm managers will usually take place (Boddewyn & Brewer, 1994; Brouthers & Bamossy, 1997; De La Torre, 1981; Stoever, 1979). The bargaining relationship between a multinational enterprise (MNE) and local firm and/or key stakeholder is based on their relative power and resources (Beamish, 1985; Boddewyn & Brewer, 1994; Doh, 2000; Fagre & Wells, 1982; Ramamurti, 2001). Their respective bargaining capabilities have a direct impact on the terms of negotiation (Ghauri, 1986; Luo, 2001; Peng, 2000; Weiss, 1990). MNE bargaining power is often derived from its resources, such as access to foreign markets, capital, and technology (Inkpen & Beamish, 1997; Kim, 1988; Lecraw, 1984; Luo, 2001; Yan & Gray, 1994). On the other hand, local firm/key stakeholder bargaining power is often determined by the quality of state owned enterprise (SOE) being privatized, workforce capabilities, environmental factors (e.g., legal, financial, political), and willingness to cooperate with potential MNE investors (Beamish, 1985; Kim, 1988; Luo, 1999; Yan & Gray, 1994). Due to this courtship process, MNEs entering emerging market economies (which are typically highly imperfect) face high transaction costs (Brouthers et al., 2003; Buckley & Casson, 1998; Hennart, 1989). They lack information about local partners; again, they must negotiate with agents inexperienced in business negotiations; and they face unclear regulatory frameworks, inexperienced bureaucracies, underdeveloped court systems, and corruption (e.g., Meyer, 2001; Peng, 2003).

With this in mind, several scholars have discussed the fact that the MNE-local firm/key stakeholder relationships evolve over time (e.g., Ramamurti, 2001; Brouthers & Bamossy, 1997; Weiss, 1990). For example, in initial negotiations over a particular form of market entry, the MNE will generally obtain favorable conditions from the local firm/key stakeholder (Moon & Lado, 2000; Weiss, 1987; Stoever, 1979). But, often, soon after the MNE makes a fixed investment in the host country, its bargaining power slowly starts to wane (Inkpen & Beamish, 1997; Stoever, 1979; Yan & Gray, 1994). As a result of this phenomenon, the local firm/key stakeholder gains relatively more power (over time) to use in future negotiations, and can perhaps re-negotiate the terms of the initial deal, thereby
improving its relative position in the venture relationship (Brouthers & Bamossy, 1997; Doz & Prahalad, 1980; Inkpen & Beamish, 1997; De La Torre, 1981).

**Entry Mode Contract Formation**

Contracts are the primary instruments of entry mode negotiations (e.g., Luo, 1999, 2002; Weiss, 1987). Yet, while the choice of entry mode and subsequent success or failure of a venture after an entry has been extensively researched, the process between entry mode choice and actual entry of a firm into a particular market—what we call the entry mode contract negotiation and formation process—has not been widely explored. The dearth of research on this important topic is possibly due to a lack of understanding about the process by which formal entry mode contracts work in the field of international business and management.

A few scholars have examined this research topic. For example, Luo (1999, 2002, 2005) and Luo and Shenkar (2002) found that term specificity and contingency adaptability in formal contracts will create greater cooperation and efficiency in international joint venture (IJV) performance/operations. Yu (2002) pointed out that formal contracts are classic defensive mechanisms, but cultural differences may cause problems in interpreting the terms of the contract. This complicates the already difficult question of contract enforceability in emerging markets (Tao & Wang, 1998; Williamson, 1979). Kogut (1986) explained how contractual choice, formation, and terms affect risk allocation pertaining to business dealings in countries with inadequate institutional structures. Dyer and Singh (1998) and Gulati (1995) suggested that formal contracts are a more costly substitute for relational governance mechanisms. However, Li et al. (2010) and Poppo and Zenger (2002) have found that formal contracts and relational governance mechanisms (i.e., embedded social relationships) complement each other. They stated that “[c]ustomized contracts specify contingencies, adaptive processes, and controls likely to mitigate opportunistic behavior” (Poppo & Zenger, 2002: 721). Similarly, Reuer and Arino (2002) suggest that properly formulated formal contract governance mechanisms will increase control over ex post opportunism that may persist after actual entry takes place, thereby stabilizing and lengthening the life-span of a foreign venture.

Generally speaking, a formal entry mode contract is created when there is a written document with an offer identifying the parties involved, describing the subject matter of the contract, detailing the time of performance and price; consideration has been given (meaning some form of bargained for exchange of legal value); and a clearly expressed acceptance of specified terms has taken place (Ben-Shahar, 2004; Folsom et al., 2002; Shavell, 1984). A typical entry mode contract will include a main body, appendices, and renewal supplements (Calamari, Perillo, & Bender, 2000; Folsom et al., 2002; Shavell, 1984). However, ever since Williamson’s contributions, scholars have realized that the overwhelming majority of (entry mode) contracts are incomplete (e.g., Azoulay & Shane, 2001; Tirole, 1999; Williamson, 1979, 1985). For this reason entry mode contractual governance mechanisms have evolved, containing, e.g., term specificity and contingency adaptability in order to avert potential transaction costs (such as bounded rationality and opportunism) associated with foreign venture agreements (Ghoshal & Moran, 1996; Luo, 2002, 2005; Luo & Shenkar, 2002; Noorderhaven, 1995; Williamson, 1999). Rugman and Verbeke (2002) and Williamson (1999) call this “farsighted contracting,” whereby the parties realize mutual gains by looking ahead, recognizing hazards, and devising hazard mitigating safeguard responses to transaction costs. David and Han (2004: 40) suggest
these hybrid forms of governance mechanisms, due to their being elastic and adaptive, foresee potential liabilities, and provide a “tolerance zone within which misalignments are absorbed.”

Term specificity refers to how specific and detailed the terms of the contract are (Luo, 2002; Luo & Shenkar, 2002). The more term specificity an entry mode contract has, the clearer the parties will understand their obligations and the parameters in a foreign venture (Lumineau & Malhotra, 2011; MacNeil, 1978). Contingency adaptability describes how the parties will contractually respond to problems and conflicts that may occur after entry (Luo, 2002; Luo & Shenkar, 2002). Contingency adaptability in an entry mode contract will provide principles, procedures, and solutions on how to handle certain contingencies and often creates a zone of mutual understanding between parties (Stipanowich, 1998). Both of these contractual governance mechanisms will create a stronger framework for entry success by controlling for potential opportunism through the coordination of transaction cost mutual forbearance and by managing potential ex post risks that are often associated with foreign venture performance (Boersma, Buckley & Ghauri, 2003; Reuer & Arino, 2002).

Figure 1. Entry mode contract negotiation and formation process model

As previously mentioned, entry mode contracts are a natural extension of entry into a foreign market. They are essential to the entry process because they are used as a means for clarity, understanding, and protection in a foreign investment (Fisher, 1980; Kogut, 1986; Tao & Wang, 1998; Thomas & Worrall, 1994; Zhou & Poppo, 2010). They play an important role with regard to venture
Defining the Frontiers of Global Business Research Across Emerging Countries

cohesion and risk aversion, whether entry is by way of, e.g., a wholly foreign owned enterprise (wherein the MNE would negotiate and contract directly with the key stakeholder) or by way of international joint venture (wherein the MNE would negotiate and contract with a local firm and/or the key stakeholder) (Tao & Wang, 1998; Thomas & Worrall, 1994). Thus, contractual negotiations and formation act as a cornerstone for optimum success of entry into a foreign market (Gulati, 1995; Kogut, 1986; Luo & Shenkar, 2002).

This paper suggests that interest alignment, uncertainty avoidance, and cultural distance will influence entry mode contract negotiations and formation. By understanding how uncertainty avoidance, cultural distance, and firm factors play a role in the negotiation and formation of entry mode contracts, MNEs wishing to invest in a foreign country will be in a better position to leverage their comparative advantages for optimum opportunity and success. On the other hand, the same can be said for local firms and key stakeholders wishing to maximize new foreign direct investment. The presence or absence of interest alignment (meaning similar objectives and expectations) between parties will have either a positive or negative effect on the negotiation of contract term specificity and contingency adaptability. Also, the level of uncertainty avoidance and cultural distance between the parties will influence whether the contract has greater or lesser term specificity and contingency adaptability.

Consequently, this paper proposes a model for the entry mode contract negotiation and formation process (see Figure 1). In introducing this process, we look at what is often neglected in entry mode literature by going beyond the actual entry mode choice and subsequent foreign venture performance framework. Key stakeholders are seen as either directly influencing this process or as potential third-party mediators. Interest alignment, uncertainty avoidance, and cultural distance will influence the progress of entry mode contract negotiations and formation. The contractual governance mechanism’s term specificity and contingency adaptability are employed to account for actual entry success or failure.

**THEORY AND RESEARCH PROPOSITIONS**

**Interest Alignment**

Parties expressing similar interests during the entry mode contract negotiation and formation process will often create an environment conducive for the creation of a more complex (and complete) form of entry mode contract (e.g., Poppo & Zenger, 2002; Madhok, 1997). Interest alignment between the negotiating parties, according to transaction cost logic, will lead to the crafting of better governance arrangements for the purpose of avoiding future risk and cost-averse situations (Brouthers et al., 2003; Fortang, Lax & Sebenius, 2003; Madhok, 1997; Reuer & Arino, 2002; Scott, 1987). Steensma, Marino, and Weaver (2000) found that party interest alignment created a commonality that mitigated the relational risk of cooperative strategies. They noted that this produced a greater capacity between the parties for forming contractual safeguards in order to reduce potential performance risk that is often associated with foreign ventures.

While the negotiation of a complex entry mode contract might be costly on the front end, these negotiation costs will minimize future costs associated with potential governance of transactional risks, environmental hazards, and opportunism (Brouthers et al., 2003; Poppo & Zenger, 2002; Standifird & Marshall, 2000; Madhok, 1997; Scott, 1987). The parties will have a greater understanding and appreciation of the venture, and will be more willing to cooperate and find consensus on issues that are
fundamental to venture success (Roxenhall & Ghauri, 2004). While parties with similar interests might not find such a meticulous approach necessary, they will carry through with the process since they have a better understanding of their interests, responsibilities, and stake in the relationship (Reuer & Arino, 2002; Tao & Wang, 1998). Because of these understandings, the parties will be more willing to create comprehensive contracts with terms and mechanisms providing for greater effectiveness in handling potential transaction costs and conflicts (Anderson & Gatignon, 1986; Scott, 1987; Williamson, 1979). Furthermore, interest alignment will produce cooperation and efficiency in the entry mode contract negotiation and formation phase, leading to greater term specificity and contingency adaptability built into the contract (Luo, 2002; Luo & Shenkar, 2002; Steensma et al., 2000).

On the other hand, parties with divergent interests will find it more difficult to understand their responsibilities in the relationship (e.g., Poppo & Zenger, 2002; Madhok, 1997). Since the parties have dissimilar interests and desires, they will have a harder time in creating an entry mode contract that will govern potential transactional risks, environmental hazards, and opportunism (Anderson & Gatignon, 1986; Brouthers et al., 2003; Scott, 1987). In essence, this will impede the negotiation of term specificity and contingency adaptability since the party’s interests are not aligned (Fortang et al., 2003; Madhok, 1997).

**Proposition 1a**: When parties express similar interests during the entry mode contract negotiation and formation phase, there will be greater term specificity and less contingency adaptability built into the entry mode contract.

**Proposition 1b**: When parties express divergent interests during the entry mode contract negotiation and formation phase, there will be less term specificity and greater contingency adaptability built into the entry mode contract.

**Cultural Distance**

Cultural distance is the difference between national cultures (Barkema et al., 1997). Brouthers and Brouthers (2001) and Lopez-Duarte and Vidal-Suarez (2013) have argued that cultural distance is the crucial element in entry mode selection. Kogut and Singh (1988) also hypothesized that the cultural distance between the MNE home country and host country would have a primary effect on the choice of entry mode and firm governance. Shenkar (2001) suggested that cultural distance has a significant effect on how firms investing in culturally distant foreign countries would go about controlling their venture. Numerous other scholars have also examined the role of cultural distance in entry mode choice, barrier reduction, adaptation, and ultimate success (e.g., Barkema et al., 1996; Harzing, 2004; Morosini et al., 1998).

Cultural distance can be applied (in the same manner as entry mode choice) to entry mode contract negotiation and formation. For example, Ghauri and Fang (2001) found that the significant cultural distance between the Swedish firm Ericsson and Chinese officials, during the contractual formation stage of the negotiation process, proved very problematic, especially with regard to details and final approval because the parties had different expectations for the contract. Weiss (1987) found the General Motors-Toyota contractual formation difficult because of mistaken assumptions and translation problems inherent in the negotiations. Weiss (1990) witnessed in the IBM-Mexico negotiations considerable misunderstandings when it came to contractual formulation, leading to numerous rejections and re-formations.
Therefore, we propose that as cultural distance between the MNE home and local firm/key stakeholder countries decreases, entry mode contracts will have greater term specificity and less contingency adaptability, because each party will have a greater cultural understanding of the other’s concerns, needs, and business practices (e.g., McCall, 2003; Rody, 2002). Because of appropriate information exchange the parties will have the opportunity to create an entry mode contract with more term specificity, with less need for contingency adaptability (Fayerweather & Kapoor, 1976). On the other hand, as cultural distance between the parties’ increases, entry mode contracts will be less term-specific and have more contingency adaptability (Moran & Stripp, 1991). This is because the parties’ respective cultural attitudes, concerns, needs, negotiation techniques, and business practices will be considerably different, thereby causing the parties to disagree on more issues and be less willing or able to reach agreement on specific terms (e.g., McCall, 2003; Rody, 2002). The parties will therefore want more flexible governance mechanisms to be implemented in the entry mode contract in order to avert possible transaction costs associated with problems or conflicts in the venture (Luo, 1999; Reuer & Arino, 2002).

**Proposition 2a:** As the cultural distance between the MNE home and local firm/key stakeholder countries decrease, entry mode contracts will have greater term specificity and will have less contingency adaptability.

**Proposition 2b:** As the cultural distance between the MNE home and local firm/key stakeholder countries increase, entry mode contracts will have less term specificity and will have greater contingency adaptability.

To better understand how term specificity and contingency adaptability will be used in an entry mode contract, we relate interest alignment and cultural distance to term specificity and contingency adaptability, detailed in Figure 2. Here, on the horizontal axis, a distinction can be made between the effects of high and low cultural distance on the amount of term specificity and contingency that is built into an entry mode contract. On the vertical axis, the difference in the impact of high and low interest alignment on the amount of term specificity and contingency adaptability implemented in an entry mode contract can also be observed. By combining these constructs, we obtain four possible scenarios. These four scenarios are discussed in Propositions 1a through 2b.

![Figure 2. Scenarios regarding the effects of interest alignment and cultural distance on entry mode contract term specificity and contingency adaptability](image_url)
Uncertainty Avoidance

Uncertainty avoidance between parties will also influence the entry mode contract negotiation and formation process. In general, uncertainty avoidance measures how much tolerance a national culture has towards risk (Hofstede, 1980, 1983, 2001; Franke, Hofstede & Bond, 1991). Ronen and Shenkar (1985) have also stated that uncertainty avoidance measures the extent to which a society is willing to accept uncertainty and risk. With this in mind, the uncertainty avoidance dimension of national culture has been widely used and examined as a situational variable predicting risk taking versus risk avoiding behavior (Guillen, 2002; Kreiser, Marino, Dickson, & Weaver, 2010). Shenkar (2001) has noted that cultural differences in uncertainty avoidance are particularly challenging due to their correlates in terms of risk tolerance. National cultures with high uncertainty avoidance tend to shun risk and seek ways to add structure and control to their environments, while low uncertainty avoidance cultures, such as the United States, are more comfortable with risk (Money, 1998). Thus, a particular national culture’s intolerance of risk, or vice versa, poses considerable hurdles and complexities with regard to entry mode contract negotiations and formation (Kogut, 1986; Tse, Pan & Au, 1997; White, 2003b).

For example, in contract negotiations between Chinese and American businessmen, the high-uncertainty avoidance Chinese negotiators will usually lack the enterprising spirit associated with taking risks when dealing with large scale foreign entry, thus they would dare not make immediate decisions if they believe that the contractual terms are not precisely spelled out in their favor, or if they think that the contract leaves too much room for uncertainty with regard to clauses and/or terms directly affecting their position in the venture (Fan & Zigang, 2003; Ghauri & Fang, 2001; Scarborough, 1998; Tung, 1982).

The Chinese tend to have a more conservative approach when negotiating terminology and clauses in an entry mode contract in order to avoid uncertainty (Fan & Zigang, 2003; Ghauri & Fang, 2001; White, 2003b). These cultural attitudes contrast with the relatively low-uncertainty avoidance minded American negotiators who are much more likely to consider risks as natural extensions of foreign entry (Fan & Zigang, 2003; Tinsley & Pittula, 1998). They are more willing to draft a specialized contract with the anticipation of such risks built into a contingency adaptable framework (Ghauri & Fang, 2001; Luo, 2002). Therefore, we propose that parties from high uncertainty avoidance cultures will negotiate for greater entry mode contract term specificity; while parties from countries with low uncertainty avoidance cultures will negotiate for greater entry mode contract contingency adaptability.

Proposition 3a: Parties from high uncertainty avoidance cultures will negotiate for greater entry mode contract term specificity.

Proposition 3b: Parties from low uncertainty avoidance cultures will negotiate for greater entry mode contract contingency adaptability.

DISCUSSION

This study has implications for executives, managers, consultants, scholars, and public policy makers interested in entry mode policy and implementation. First, from an executive and managerial standpoint, MNEs from the industrialized west need to take a closer look at why and how culture influences the formation of and adherence to contracts. We propose that uncertainty avoidance, a
dimension of national culture, will have an impact on this process. Second, western business executives and managers should not underestimate the effects of cultural distance in the venture decision process. This same construct holds true for local firms and key stakeholders involved in receiving such investment. Third, consultants to local firms and/or key stakeholders should pay particular attention to the influence which contractual mechanisms such as term specificity and contingency adaptability has on entry success or failure.

Lastly, for public policy makers our proposals have important implications. While research has explored the influence of the key stakeholder in IJV negotiations, less has been said about the influence of key stakeholders over entry mode contract negotiations and formation. In most emerging market economies, the key stakeholder wields tremendous influence over the final outcome of such talks. The key stakeholder will often play a pivotal role in deciding what type of investment is allowed or which foreign partner a local firm can affiliate with. The key stakeholder will also have significant power in determining the ultimate outcome of ownership percentage, management control, and location of the venture. With much time and effort invested in such endeavors, the key stakeholder will want to maximize the potential for venture success. Therefore, public policy makers should be cognizant of the role that key stakeholders play in the entry mode contract negotiation and contract formation phase.

This research stream is an under-explored area of international business. There is a tremendous dearth of research regarding the entry mode contract negotiation and formation phase, even though it is fundamental to entry success and survival. Scholars should further explore the boundaries and the process between the decision to enter a foreign market and actual entry. Because of this phenomenon there are numerous research issues that have yet to be fully considered. While our paper is only conceptual and exploratory in nature, it would be beneficial to verify these constructs with empirical data. For example, researching the costs associated with negotiating and formulating an entry mode contract would contribute to research.

Other cultural dimensions (e.g., variables from the Globe Study), as well as other firm factors (such as resource endowments), can be applied to what we believe is a robust model presented in the paper. Several constructs merit additional research. For example, how do relational contracts affect the development of formal contracts? Does psychic distance play a role in entry mode contract negotiations and formation? Will the institutional background of parties negotiating an entry mode contract impact contract formulation? How will conflict be handled between firms during the entry mode contract negotiation and formation phase? These issues could be approached from multiple viewpoints, such as from the viewpoint of MNEs from emerging market economies venturing into developed countries, or more interestingly, when emerging market firms venture into other emerging markets. Further inquiry into this research stream might provide insights into the relationship between MNEs, local firms, and key stakeholders during the entry mode contract negotiation and contract formation phase.

CONCLUSION

In this paper we ask the question what happens between entry mode choice and a firm’s actual entry into a foreign market of interest. We propose a model, the entry mode contract negotiation and formation process model, which suggests that interest alignment, uncertainty avoidance, and cultural distance will be instrumental in how entry mode contract negotiations transpire and how entry mode contracts are formulated. Contract term specificity and contingency adaptability will have a significant
impact on entry success and survival. Very little research into these phenomena has been conducted. Furthermore, we have suggested that this important yet under-explored area is a natural extension of the entry mode process which deserves further investigation in order to be better understood within the framework of international business and management research.

REFERENCES


Chapter #--- 11

Factors Affecting the Farmers’ Decision Towards Contract Farming: An Empirical Study of Indian Punjab

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ABSTRACT

Indian agriculture system is moving through tough challenges due to the changing needs of the Indian population. Urbanization of population and decreasing profit in agriculture can be the two reasons behind the declining interest among farmers in agriculture in these days and that’s the sole reason they do not want to indulge their future generation in agriculture. Contract farming seems the only way to bring back the farmers in traditional occupational activities fulfilling their economic and social needs. It has been observed that adopting of contract farming is also not an easy way for farmers as it is also loaded with number of problems. That’s why farmers are not showing interest in contract farming. This paper deals with how the concept of contract farming can made famous among farmers so that the farmers of Indian Punjab can be attracted towards contract farming in the state. Farmers’ receptiveness, Assured market, Input requirement and Availability of facilities are the main factors affecting the farmers’ decision for entering into contract farming with company specific.

Key Words: Contract Farming (CF), Agriculture, Farmers, Contract farming companies, Factor Analysis, Punjab.

INTRODUCTION

Indian agriculture is expected to take three main challenges in time ahead. First, the area under cultivation is estimated to come down from 170 million hectares to 100 million hectare by 2020 (kumar, Gugananthan, & Kaarthik, 2011). There will be a shortage of irrigated water. The number of people will decline in agriculture. Hence to overcome these forecasted pitfalls contract farming practices are highly
welcome in our Indian agriculture practices. Uncertainties vis a vis price and buyer have been one of the major factor providing farmers from diversifying their cropping pattern. MSP policy coupled consistent yield for wheat and paddy has forced farmers to shift farming operations in favor of these crops. The rotated cultivation of paddy and wheat is countered to some extent by paddy-potato-sunflower cropping pattern in area where potatoes can be grown. Farming operations for potato also require some substantial investment which cannot be undertaken by all farmers. Hence small farmers cannot produce anything except wheat and paddy.

Around 70 percent of the Indians poor population lives in rural areas and facing the poverty imply problems. The Majority of these poor are farmers who completely depend on agriculture and the related activities for their sustenance (Berrebi, 2013). In many situation farmers are able to make efficient choices if they are given the chance or favorable environment to make decisions for cultivation. Increased production does not necessarily lead to higher incomes, particularly when prices fluctuate widely, markets are unorganized and inefficient, market access is limited or bargaining power is weak. There is an intense feeling that in the era of liberalization and globalization, small farmers are being completely neglected to participate in high value agribusiness activities and hence are unable to derive maximum benefits due to their fragmented and uneconomic size of land holdings and inadequate access to the external inputs and services.

The agriculture sector is facing numbers of problems in the country and farmers actually don’t have many options in the matter of deciding what and what not to produce for the survival of the farmers and farming. In2016, 58 farmers committed suicides in the state which is the reflection of the fact that agriculture is seen no longer as a profitable venture (Khanna, 2016). As per the study by Dr Gian Singh, Professor of Economics, Punjabi University Patiala, the farmers in Punjab are under the debt ofRs.69,000 crore (Rambani, 2016). Hence with the rising debt and soaring seed and fertilizer costs, contract farming seems to be the left option to the farmers. This is mainly because the company provides all the material including seeds as well as technical knowhow and there is also a guarantee of purchase of the produce after harvest. In most cases, the minimum price of the produce is fixed in advance (Silva, 2005).

Contract farming is the only way to protect the interest of small farmers. Contract farming usually involves large scale buyers, such as exporter or food processor that needs to ensure a steady supply of materials which meets certain quality standard and it has been seen that contracting is rare for basic staple foods, but relatively common for industrial crops such as sugarcane, tobacco and tea, poultry, dairy and horticulture particularly when these product are produced for high income group consumers which are willing to pay premium price for quality and food safety (Minot, 1986, Jaffee & J, 1994). The Punjab government has actively encouraged crop diversification through contract farming and the sole purpose of contract farming is not only to establish firm farm linkages, but also providing assured markets, reducing risk, ensuring remunerative prices and along this also providing critical services such as credit, insurance, grading and inspection technology, extension and market information. These institutional services can help the small farmers to participate in the market for high value agro products. This research paper deals with the criteria chosen by the farmers while selecting the crop under contract farming. Thus this research paper tries to explain the variables which are highly important to motivate the farmers towards contract farming.
Contract Farming in Punjab

Contract farming was promoted and supported by a first Johal committee in 1986 and proposed to invite private firms to participate in contract farming for crop diversification. In second Johal committed 2002 it was proposed that 10 lakh hectare area should be shifted in the cultivation of high value crops such as oil seed, pulses and other commercial crops and this area should be replaced from the cultivated area of rice and wheat it offered the farmers to compensate under crop adjustment program who were interested to switch. Cultivation of sunflowers and floriculture were the main attempts for crop diversification under this program. More than 60% of the total oilseed production and more than 50% of the total area under oilseed production was covered with sunflowers in the state (Singh R., 2009).

But soon a downfall was seen in the production of sunflower as there was a low return compared to wheat due to adverse weather condition, high water requirement and low quality of seeds and bad effect on the next season crop (Singh S., 2009). On the other end if we talk about private partners they were thought to bring drive forces in agriculture by providing quality seeds and other inputs by these private firms through contract farming are offering better market prices for their produce (Singh S., 2000) and to achieve this objective Government approved Pepsi project in 1988. Punjab agriculture is passing through a number of problems. The main problem which is being faced is of crop diversification. The concept of crop diversification will not be possible till some other alternate to the existing cropping pattern of paddy wheat is developed and which can compensate equally to other crop as wheat paddy is being compensated by the Government through minimum support price (MSP). If State Government is interested in promoting diversified cropping pattern, then it will have to develop marketing facilities for the various crops. Contract farming seems to be the only way to protect the interest of the farmers by motivating them to grow more cash and commercial crops. If we observe the cropping pattern of wheat and paddy, that’s also grown through contract farming and the supporting agency is Central Government, which establish contract by fixing prices for the crop, through minimum supporting price and this contract is an unwritten contract where the Government makes promise to buy the whole produce at pre-decided price by the Government under minimum support price (MSP). As per the new policy of the WTO, the Government is backing slowly out of this unwritten contract, but on the other hand, other party farmers are keeping into the agreement as they have no other alternate to come out of it. Many experiments on the contract farming in the state have failed due to the non-fulfilment of the agreement at the part of the companies which have already been signed up by both the parties involved in this venture (Dhillon & Singh, 2006). This case has happened in tomato and sugarcane crop contract with Pepsi, oilseeds, and the same has happened in case of basmati where farmers were forced to sell the produce in the open market at the price which was for less than the price was contracted with the companies, in the state and the crop was rejected by the companies on the ground that, the crop is not meeting the quality standard (Dhillon & Singh, 2006).

Hence to find the causes behind the declining graph of farmers’ participation in contract farming, the study in hand is chosen. Under this study efforts have been made to analyse the various aspects of contract farming in the state from farmers’ point of view. The first aspect of the study is to find the criterion chosen by farmers for selection of crop and what factors farmers keep in mind at the of entering into contract with company for the cultivation of specific crop for the company and in second aspect it is analysed to find whether contract farming is generating more employment in terms of labour days for the local people as compared to open or independent farming and what is the perception of farmers to
Factors Affecting the Farmers' Decision Towards Contract Farming: An Empirical Study of Indian Punjab

continue the contract farming with the company specific. In third aspect it is analysed the level of net income generation in contract farming as compared to open farming. Fourth aspect of the study is to analyse the problems faced by farmers under contract farming so the picture can be made clear that why farmers are not showing interest in contract farming. The fifth and last aspect of the study is to see whether the sustainability of agriculture is possible through contract farming and efforts have also been made to find the important variables which could play an important role in the sustainability of agriculture through contract farming as it is clear from the above studies that in these days due to rising farmers suicide rate and indebtedness agriculture seems non-profitable venture in these days.

At the end of the study some conclusions are drawn along with some recommendations so that at the time of making some policies for the farmers these recommendations can be taken into consideration which can prove beneficial for improving the cropping pattern in the state and hence this may lead to the positive effect on social and economic life of the farmers.

Area under contract farming

The total area under contract farming was 8925 hectare during the year 2002-03 and maximum area was under hyola and it was about 44 percent. The area under contract farming was increased in 2003-04 and it was increased about to 74902 during 2003-04(Sidhu, 2011). During this year the maximum area was under Basmati and it was about 48 percent and under maize it was about 15 percent and rest was under hyola, sunflower and moong etc. The area under contract farming was 98124 hectare in 2004-05 and again the maximum area was under Basmati. It was about 41 percent; maize was covering about 13 percent area under contract farming. The actual area declined under contract farming in 2005-06, it was about 86,473 hectare (Sidhu, 2011). Maize and Basmati crops were covering about 30 percent and 20 percent respectively. In 2006-07(Punjab, 2016) the area under contract farming again increased to about 95172 hectare (Sidhu, 2011) and after that the area under contract farming is continuous declining and in 2014-15 the total area under contract farming is just 5885 acre(Punjab S. A., 2015). The area under maize was 126000 acre (Punjab, 2016).

The total area under Basmati was about 7.63 lakh hectare and Gurdaspur district covered maximum area under Basmati, it covered about 60% of its total area under Basmati cultivation (Hindustantimes, 2016). In the state around 40% farmers are engaged in contract farming (Nibber, 2015). The total area under potatoes is 14923 hectare in Jalandhar, and Jalandhar district is the main producer of potatoes. Tomatoes is the emerging crop in the state and Amritsar district is the main producer of tomatoes in the state(Punjab H. D., 2015) maize is sown in the Hoshiarpur district at large scale, it is sown in 59000 hectare in the district(Punjab S. A., 2015).

Types of contract farming

Multinational corporations, companies, agencies, intergovernmental organizations, farmer cooperatives and industrial entrepreneurs can all act as promoters and financial investor for contract farming activities. The structure of the contract farming activities depends upon the numbers of factors such as variety of the crop, the experience, objectives and resources of the sponsor and farmers. Production through contract farming is commercial decisions which facilitate adequate supply within the pre-specified period and at an economic price. Any livestock product or crop can be produced through contract farming, but some product demands a specific approach to follow.
Marketing demand, production and processing requirement, social and economic feasibility of the plantation and smallholders production capacity are the main determinant to follow the specific type for contract farming by the sponsor. At one end market requirements demands number of technological changes in farming with fairly intensive farm level support from the sponsor, at the other end organizing the permanent maintenance of production chain are vital. According to Sukhpal Singh (Singh S., 2007) following are 3 main types of contract farming:-

1. **Market specification contracts**: These contracts refer to pre-harvest agreement that engage a buyer in providing a market to a farmer under pre-established conditions often related to price, quantity and timing. In this case part of production risk is passing on to the buyer and production control remains with the producer. Both farmers and buyer get the benefit of price premium on quality products supply to specified markets.

2. **Production management contracts**: Under this contract some production control is delegated to the buyer, specific farming practices for example, land preparation, fertilizer application, rates and dates, planting dates, seedling etc. and post-harvest management come under the technical supervision of the buyer to attain and maintain higher quality and to control the timing of the production. The buyer recovers the cost of production and extension service cost while marketing the high quality product according to the market demand.

3. **Full contracts**: This is a contract where every type of assistance such as technical knowhow, inputs required to produce the crop is provided by the company and farmer supplies land and labor only. Whole produce is purchased by the company at predefined price. The production and market risk is allocated among producer and processor in different ways as defined in the contract agreement.

### LITERATURE REVIEW

**Review of studies on variables (criteria) determining farmers’ decision towards entering into Contract Farming**

It is universally acknowledged fact that good research cannot be made without critically studying what already exists in relationship to it in the form of general literature and specific work done by researchers. So the review of related literature can be considered as a prerequisite to actual planning and execution of research work. Hence, for proper understanding of the research work sincere efforts have been made to review of the related literature. In the present paper due attempt has been made to summarize the results of the studies undertaken by the various researchers on the different aspects of Contract Farming. Contract farming is the emerging concept among the farmers of Punjab. As has already been observed by the State Government that crop diversification is the need of the day for agriculture and environment sustainability and contract farming is the only way to get rid of the monoculture of wheat and paddy as has been recommended by Johal Committee, But still somewhere gap lies between the understanding of farmers and the contract companies which needs to be sort out for the smooth working of this concept. In this section past studies have been reviewed to gain the knowledge about the factors motivating the farmers for entering into contract farming with company specific.
Factors Affecting the Farmers’ Decision Towards Contract Farming: An Empirical Study of Indian Punjab

Summary of variables (criteria) determining farmers’ decision towards Contract Farming:

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Factors</th>
<th>Researcher(s)</th>
</tr>
</thead>
</table>

(Venkatesh Reddy & K.G, 1982) in their study on contract farming discussed that labor (man days), manure and fertilizer use are the important determinants for farmers to participate in contract farming schemes. (Hill B.E. & K.A. Ingersent, 1987) are of the view that additional source of capital and more certain price for the produce are the main source of motivation for farmers’ participation in contract farming schemes. (Eaton, 1998) observed that farmers prefer the crop under contract farming which provide them new and better marketing opportunities for their produce. On the other hand modern irrigation technology and good quality seed are the main variables determining farmers’ decision for entering into a contract farming has been observed by (Gow, H, 2000). (Eaton, C & A. Shepherd, 2001) explained in their study on contract farming that farmers’ knowledge of the proposed crop is the main determinant behind the selection of the crop under contract farming. (Arumugam, Fatimah, Eddie, & Zainalabidin, 2010) in their study discussed that five factors such as market stability, access to information about new agricultural technology, improved farm practices, access to inputs and indirect benefits are the main determinants in decision making for farmers entering into contract farming. (Morales, R. Echeverria, & M. Barrera, 2013) discussed that farmers prefer to grow the crop under contract farming in which they keep deep knowledge and (Mwambi Mercy, Oduol Judith, Mshenga Patience, & Saidi Mwanarusi, 2013) are of the views that farmers prefer the crop under contract farming which provides the farmers with better technical knowhow and better price for their produce.

RESEARCH METHODOLOGY

To study the factors affecting the farmers’ decision towards contract farming in Punjab, multistage stratified random sampling technique has been used to collect the data from the farmers. The data has been collected from the farmers in Amritsar, Hoshiarpur, Jalandhar and Gurdaspur districts of...
Punjab as these are the main districts where farmers are engaged in contract farming to a large extent. The findings of the study are based on 497 farmers, selected from the above mentioned districts of Punjab. These farmers are having the experience of both contract farming and non-contract farming. Sampling is concerned with the choice of a subset of individuals from a statistical population to estimate the characteristics of the whole population. Four crops namely Basmati, Potatoes, maize and tomatoes have been selected for study as these are the main crops which are being grown in maximum quantity in these four districts of Punjab (Punjab S. A., 2015) and same crops are also being grown in maximum quantity under contract farming in Punjab (Sidhu, 2011). In the view of time constraints only those farmers have been selected which are engaged in both contract and non-contract farming or they are having the experience of contract as well as open farming as no such farmer has been found who put whole of his land under contract farming due to certain limitations of both type of cropping patterns.

The farmers were selected from these districts, have been divided into four categories:
- Small and semi-medium farmers with operational holding between 1 to 4 ha.
- Medium farmers with operational holding between 4 to 10 ha.
- Large farmers with operational holding above 10 ha.

**Source:** Vijay Paul Sharma (2007)

To get the response of the farmers (Respondents), 2 Block/ Tehsil/ Taluks were selected from each district mentioned above and four villages from each taluk were selected to get the data from the farmers. Sarpanch of each village was contacted to get the information for the farmers which are engaged in contract farming. Hence 32 villages were covered to get the data from the respondents, and a total of 544 survey questionnaire had been sent out to which only 497 have been included in the main study. After due screening and error checking, it was found that remaining 47 questionnaire were not suitable as 20 questionnaires were not received back from the respondents, though phone calls were made, but they did not give any positive response and remaining questionnaire had blank answers (less than 25% of the questions).

After carrying out screening process 497 responses were considered valid for data analysis. This represents a success rate of 91.36%, which is considered to be good in view of time and cost. The farmers ‘selection from the districts was as follows:

**Amritsar:** 125 farmers growing tomatoes.
**Jalandhar:** 125 farmers growing potatoes.
**Hoshiarpur:** 122 farmers growing maize.
**Gurdaspur:** 125 farmers growing basmati.

**Analysis**

The factor analysis technique was applied to know the factors affecting the farmers’ decision for selection of crops under contract farming. Four factors have been extracted from 15 variables explaining 80.988% of variance. Each factor was defined by at least three scale items. The specific factors extracted were 1. Farmers’ receptiveness, 2. Assured market, 3. Inputs requirement and 4. Availability of facilities. These factors explain the criteria motivating the farmers for selection of crop under contract farming.

**Scale development and refinement**

A scale was developed while reviewing the literature as shown in literature. The variables for surveyed were selected to find the criteria chosen by farmers for selecting the crop under contract farming. After discussion with the farmers and agriculture experts many items were selected and
deleted. At the end 15 items were selected for survey and selected items for survey were rated on 3 points Likert scale by the respondents (farmers).

To retain and delete the items for the development of reliable scale, item wise reliability analysis was performed. The scale for this objective was refined and purified for validity and reliability. To conduct the reliability analysis and to know the extent to which items were correlated with the set of items under consideration inter-item correlation and Cronbach’s alpha was employed.

Scale reliability analysis factor analysis:

Exploratory Factor analysis was conducted as a means of data reduction to see if the face validity of the items holds valid (Pallant, 2001). The items of the scales were subject to the principal component analysis (PCA) using SPSS. The value of communality using PCA ranged from 0.698 to 0.863 (Table 2).

| Table 2: Scale Reliability Analysis of criteria chosen by farmer for selection of crop under Contract Farming |
|---------------------------------------------------------------|---|---|---|---|---|
| Variables                                                      | Communalities | Corrected Item-Total Correlation | Mean | Standard Deviation |
|                                                              | Initial | Extraction                                   |       |                  |
| V1. Provision for training and technical knowhow for farmers. | 1.000   | .698 | .666 | 2.0644 | .80815 |
| V2. Provision of subsidized agricultural loans                 | 1.000   | .863 | .591 | 2.1670 | .82200 |
| V3. Duration of crop                                           | 1.000   | .850 | .696 | 2.1046 | .76274 |
| V4. Intensity of services Required                             | 1.000   | .758 | .648 | 2.0765 | .78941 |
| V5. Staff requirement                                          | 1.000   | .834 | .683 | 2.0584 | .78456 |
| V6. Protection from price fluctuation                          | 1.000   | .749 | .571 | 2.1992 | .75573 |
| V7. Prospects of getting quality seeds                        | 1.000   | .805 | .484 | 2.1549 | .71712 |
| V8. Less water and pesticide use for proposed crop            | 1.000   | .838 | .478 | 2.1871 | .68332 |
| V9. Hassle free purchase                                      | 1.000   | .756 | .478 | 2.1871 | .77459 |
| V10. No involvement of middlemen                               | 1.000   | .790 | .526 | 2.2113 | .74436 |
| V11. Assured Purchase                                         | 1.000   | .845 | .537 | 2.1630 | .75107 |
| V12. Promise of increase in yield                              | 1.000   | .820 | .679 | 2.1630 | .76438 |
| V13. Knowledge of the proposed crop                           | 1.000   | .850 | .677 | 2.0905 | .78150 |
| V14. Availability of modern agricultural equipments at subsidized rates | 1.000   | .860 | .543 | 2.1549 | .73653 |
| V15. Provision of transport facility.                         | 1.000   | .832 | .595 | 2.1066 | .80990 |
Here it is important to discuss that communalities 0.5 is sufficient for explanation of construct. (Hair, Black, Babin, & Anderson, 2009). All these values show that factor analysis has extracted good quality of variance in the items. Hence it is clear that all requirements of validity and reliability are met.

**Pearson Correlation Analysis:**

Pearson correlation coefficient (Pearson’s $r$) is a method to use for calculation of relationship among variables. Correlations were used to measure the relationship among 15 main independent variables of contract farming. The purpose behind the conduct of correlation analysis was to see whether the 15 variables were independent of each other or not. As a rule of thumb it is observed that if the correlation value of ‘$r$’ lies between 0 to 2 then there is a weak relationship among variables and if the values of ‘$r$’ varies between .3 to .6, then relationship is generally considered moderate, and if it lies between .7 to 1 a strong relationship is considered (Dancey & Reidy, Statistics without maths for psychology, 2007).

According to the scale if all the 15 items get the rating of 3 each item the total score would be 45. The mean score of the respondents was 32.089 (Table 4) and the correlation matrix was computed as shown in Table 3. The inter item correlation mean was 0.387 which varies between 0.180 to 0.821 with a range 0.641. Hence it was clear with the sufficient correlation to go ahead with factor analysis.

**Table 3: Correlation matrix of variables concerned with criteria chosen by farmers for selection of crop under contract farming**

<table>
<thead>
<tr>
<th></th>
<th>V13</th>
<th>V03</th>
<th>V05</th>
<th>V12</th>
<th>V04</th>
<th>V11</th>
<th>V10</th>
<th>V09</th>
<th>V06</th>
<th>V08</th>
<th>V14</th>
<th>V07</th>
<th>V02</th>
<th>V15</th>
<th>V01</th>
</tr>
</thead>
<tbody>
<tr>
<td>V13</td>
<td>1.000</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></td>
<td></td>
</tr>
<tr>
<td>V03</td>
<td>0.816</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V05</td>
<td>0.800</td>
<td>0.788</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V12</td>
<td>0.768</td>
<td>0.821</td>
<td>0.778</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V04</td>
<td>0.747</td>
<td>0.743</td>
<td>0.748</td>
<td>0.731</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V11</td>
<td>0.277</td>
<td>0.202</td>
<td>0.203</td>
<td>0.248</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V10</td>
<td>0.244</td>
<td>0.231</td>
<td>0.241</td>
<td>0.287</td>
<td>0.789</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V09</td>
<td>0.195</td>
<td>0.226</td>
<td>0.201</td>
<td>0.180</td>
<td>0.191</td>
<td>0.699</td>
<td>0.683</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V06</td>
<td>0.297</td>
<td>0.275</td>
<td>0.273</td>
<td>0.279</td>
<td>0.745</td>
<td>0.638</td>
<td>0.680</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V08</td>
<td>0.221</td>
<td>0.225</td>
<td>0.220</td>
<td>0.246</td>
<td>0.216</td>
<td>0.223</td>
<td>0.263</td>
<td>0.204</td>
<td>0.205</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V14</td>
<td>0.315</td>
<td>0.326</td>
<td>0.309</td>
<td>0.295</td>
<td>0.257</td>
<td>0.239</td>
<td>0.297</td>
<td>0.196</td>
<td>0.278</td>
<td>0.796</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V07</td>
<td>0.309</td>
<td>0.261</td>
<td>0.335</td>
<td>0.211</td>
<td>0.214</td>
<td>0.245</td>
<td>0.237</td>
<td>0.184</td>
<td>0.281</td>
<td>0.714</td>
<td>0.733</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V02</td>
<td>0.325</td>
<td>0.429</td>
<td>0.379</td>
<td>0.425</td>
<td>0.434</td>
<td>0.331</td>
<td>0.268</td>
<td>0.321</td>
<td>0.333</td>
<td>0.278</td>
<td>0.240</td>
<td>0.202</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V15</td>
<td>0.338</td>
<td>0.406</td>
<td>0.371</td>
<td>0.389</td>
<td>0.429</td>
<td>0.309</td>
<td>0.197</td>
<td>0.216</td>
<td>0.360</td>
<td>0.372</td>
<td>0.401</td>
<td>0.277</td>
<td>0.748</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>V01</td>
<td>0.476</td>
<td>0.319</td>
<td>0.428</td>
<td>0.312</td>
<td>0.419</td>
<td>0.265</td>
<td>0.306</td>
<td>0.287</td>
<td>0.345</td>
<td>0.310</td>
<td>0.420</td>
<td>0.369</td>
<td>0.658</td>
<td>0.615</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Inter-item correlation: Mean=.387, Minimum=.180, Maximum=.821, Range=.641, Max / Min=4.565, Variance=.039, N=15
The Kaiser-Meyer-Olkin (KMO) value was exceeding the recommend value of 0.6 (Tabachnick & Fidell, 1996), (Kaiser, 1974) and Bartlett test of Sphericity (Bartlett, 1954) reached statistical significance, supporting the factorability of the correlation matrix. PCA revealed the presences of 4 factors with Eigen value exceeding 1 explain 80.98% of the variance. Pearson correlation coefficient (Pearson’s r) is a method to use for calculation of relationship among variables. Correlations were used to measure the relationship among 15 main independent variables of contract farming. The purpose behind the conduct of correlation analysis was to see whether the 15 variables were independent of each other or not.

Factors Extracted:

Exploratory factor analysis (EFA) was employed to identify the underlying dimensions of contract farming and to achieve the goal the respondents (farmers) were asked to rate the 15 variables on three point liker scale ranging from not important to important. All the factors having loading >0.5 were considered good and in the present study the loading of all variables ranged from .899 to .679. All the variables with a value <0.5 were not considered in the analysis and removed from the study. The four factors were generated with an Eigen values rangers from 1.266 to 6.505 and the results were found validated as shown in Table 4.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>V13. Knowledge of the proposed crop</td>
<td>.894</td>
</tr>
<tr>
<td>V3. Duration of crop</td>
<td>.883</td>
</tr>
<tr>
<td>V5. Staff requirement</td>
<td>.879</td>
</tr>
<tr>
<td>V12. Promise of increase in yield</td>
<td>.868</td>
</tr>
<tr>
<td>V4. Intensity of services required</td>
<td>.830</td>
</tr>
<tr>
<td>V11. Assured Purchase</td>
<td>.899</td>
</tr>
<tr>
<td>V10. No involvement of middlemen</td>
<td>.863</td>
</tr>
<tr>
<td>V9. Hassle free purchase</td>
<td>.855</td>
</tr>
<tr>
<td>V6. Protection from price fluctuation</td>
<td>.821</td>
</tr>
<tr>
<td>V8. Less water and pesticide use for proposed Crop</td>
<td>.887</td>
</tr>
<tr>
<td>V14. Availability of modern agricultural equipments at subsidized rates.</td>
<td>.885</td>
</tr>
<tr>
<td>V7. Prospects of getting quality seeds</td>
<td>.869</td>
</tr>
<tr>
<td>V2. Provision of subsidized agricultural loans</td>
<td>.873</td>
</tr>
<tr>
<td>V15. Provision of transport facility by company.</td>
<td>.850</td>
</tr>
</tbody>
</table>
Factor one: Farmers Receptiveness

This factor alone explained 27.795% of total variance. This factor has been labeled as farmers’ receptiveness. Five variables namely knowledge of the proposed crop, duration of crop, staff requirement, promise of increase in yield and intensity of services required affect the farmers receptiveness towards contract farming. So farmers would keep in mind these variables while selecting a crop for contract farming or at the time of entering into contract farming. The scale reliability alpha of this factor is .945 and factor loading ranges from .894 to .830. The valuable knowledge of the proposed crop has the highest loading (.894) in this factor. The inter item correlation ranges from .807 to .874 and item to total correlation ranges from .648 to .696. It covers 6.505 of the Eigen values.

Factor Two: Assured Market

Second factor which is labeled as assured market explain 21.055% of the total variance. Four variables such as assured purchase, no involvement of middlemen, hassle free purchase and protection from price fluctuation have been included. Variable, assured purchase has the highest loading (.899) in this factor. A farmer would be highly affected from these four variables which can be quiet important for the farmers at the time of taking the decision to enter in to the contract farming with specific company, assured and hassle free purchase would be the main priority and, after that how many middleman are there this will also be a main factor to think over before entering into contract farming. This is because more the number of middlemen, less will be the profit to the farmers or producers. The main risk is of price fluctuation. So farmers should be protected against price fluctuation, while deciding the price well in advance to protect the interest of the farmers. The factor loading ranges from .899 to .821 and scale reliability alpha is .905. The inter item correlation of variables range from .761 to .843 and item to total correlation ranges from .478 to .571. This factor covers 2.478 of the Eigen values.

Factor Three: Input Requirement

The third factor (input requirement) contains three variables namely less water and pesticide use for proposed crop, availability of modern agricultural equipment at subsidized rates and prospects of getting quality seeds. These three variables play an important role while making decision about entering into contract farming and farmers should have the easy access of required inputs so that farmer can grow the crop on time at less cost. The most important variables under this factor, considered by farmer is less...
water and pesticide use for the proposed crop with the factor loading .887. This factor explains 17.061% of the total variance. The inter item correlation of variables range from .764 to .825 and item to total correlation ranges from .478 to .543. This factor covers 1.899 of the Eigen values.

Factor Four: Availability of Facilities

<table>
<thead>
<tr>
<th>Factors</th>
<th>No of Items</th>
<th>AVE*</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>(F1) Farmers receptiveness</td>
<td>5</td>
<td>0.76</td>
<td>V13, V3, V5, V12, V4.</td>
</tr>
<tr>
<td>(F2) Assured market</td>
<td>4</td>
<td>0.74</td>
<td>V11, V10, V9, V6.</td>
</tr>
<tr>
<td>(F3) Input requirement</td>
<td>3</td>
<td>0.78</td>
<td>V8, V14, V7.</td>
</tr>
<tr>
<td>(F4) Availability of facilities</td>
<td>3</td>
<td>0.65</td>
<td>V2, V15, V1.</td>
</tr>
</tbody>
</table>

The most important variable under this factor with high loading value (.873) is easy availability of agricultural loans. Financial help by the companies with the assistance of banks to farmers can be a good source of motivation for farmers towards entering into contract farming. Transport facility offered by the company at their own cost can reduce the transportation cost for farmers which will help them to supply the produce to the company without any hindrance. Apart from this farmers should have the provision of training and technical knowhow, so that farmers may avail the benefit of contract farming after getting the knowledge of concerned crop. The inter item correlation of variables range from .681 to .782 and item to total correlation ranges from .591 to .666. The reliability alpha of this factor is .861.

Validation of Factor Analysis Results:

To check discriminant validity between deduced factors regarding motivation among farmers to adopt contract farming following hypotheses was formulated:

**Ha: The correlation between two factors is significantly less to underscore their difference in measuring the same phenomena.**

The results in Table 6 indicate acceptance of hypotheses implying that four factors are sufficiently different from each other, but they do measure the same phenomena of motivating the farmers for contract farming though contributing differently. For instance, correlation between F1 and F3 was found to be significantly (indicated by significant t-value shown in brackets) less but not zero. This suggests that factors are different but measure the same construct. Average Variance Explained by each factor in summary table (Table 5) is also >.50. Hence it validates the factor analysis results.
### Table 6: Discriminant validity

<table>
<thead>
<tr>
<th>Factors</th>
<th>(F1) Farmers receptiveness</th>
<th>(F2) Assured Market</th>
<th>(F3) Input requirement</th>
<th>(F4) Availability of facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>(F1) Farmers receptiveness</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(F2) Assured market</td>
<td>0.5305 (13.85) *</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(F3) Input requirement</td>
<td>0.396 (23.26) *</td>
<td>0.3221 (7.57) *</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>(F4) Availability of facilities</td>
<td>0.378 (9.09) *</td>
<td>0.296 (6.91) *</td>
<td>0.293 (6.83) *</td>
<td>1</td>
</tr>
</tbody>
</table>

* 0.01 Level of significance

### CONCLUSION

The study clearly indicated that farmers’ receptiveness, Assured market, input requirement for the proposed crop and Availability of facilities are the important factors for farmers at the time of selection of crop under contract farming. A farmer would prefer to cultivate the crop under contract farming if farmer is well aware about the specifications to cultivate the crop chosen under contract farming. Farmer would also like to keep in mind about the duration of the crop, labor requirement, technical knowhow etc. as these are the important determinants for farmers at the time of crop selection under contract farming. Cost of crop cultivation, use of pesticide and water for irrigation, also are the important determinants for farmers behind crop selection under contract farming.

Apart this subsidized loan facilities, assured purchase of the proposed crop and direct purchase of the crop by company without the involvement of any middlemen (Artiyas) are also considered as important determinants for crop selection under contract farming. Companies should also maintain coordination with farmers and assist them to enter into contract farming by explaining them the terms and conditions of the contract along with the facilities a company would offer to them at the time of entering into a contract.

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Defining the Frontiers of Global Business Research Across Emerging Countries


Chapter #--- 12

CEO Cooperation, Charismatic Leadership and Performance of Small and Medium Size Enterprises in Western Kenya

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ABSTRACT

SMEs enormously support both developed and developing world economies by contributing to their Gross Domestic Product plus creation of jobs, thus reducing unemployment menace especially in developing countries like Kenya. However, evidence from existing literature on SME related studies in Kenya reveal that SMEs survival rate is quite low since most of them do not have neither competitive nor sustainable competitive advantage. To comprehend the constraints of SMEs performance, most researchers have studied the contribution of innovation, technology and intellectual capital, among other
variables perceived as significant predictors of SME performance with little regards to CEO cooperation. Further, the apparent moderating effect of charismatic leadership in the association concerning CEO’s cooperation and SME performance literature evidence is very scanty. Thus this research studied the effect of an SME's top manager cooperation on performance of the SMEs in the western region of Kenya and the consequential moderating influence of Charismatic leadership in this relationship. The research design used was explanatory while the target population was 2000 respondents comprising of topmost managers and employees from 1000 SMEs operating in a formalized structure and registered by the Kenya's western regional Ministry of Trade and Industrialization based in Kakamge County. There were 300 respondents; top managers and senior level employees from the 150 sampled SMEs. The multi-stage sampling procedure was used; the first was stratified, followed by the simple random sampling. Factor analysis was computed to check discriminant, construct and content validity. The questionnaire was structured and self-administered with 280 respondents fully completing, resulting in 93.3 per cent response rate. Hierarchical multiple regression was applied in testing the analytical study model. The study results revealed that CEO cooperation significantly influenced performance of SMEs. Contrary to the expectations, with the introduction of charismatic leadership in the relationship, there was insignificant interaction thus no significant moderation. These empirical results therefore support the existing empirical evidence on the influence of CEO cooperation on SMEs performance and contribute to knowledge by the conflicting findings on the interaction between charisma and cooperation as not critical for SME performance. The results conclusively reveal that while an SME's top manager's cooperation is fundamental for SME performance, its interaction with his/her charisma though necessary may not significantly improve SME performance.

Keywords: CEO cooperation, charismatic leadership, SME performance, hierarchical multiple regression.

INTRODUCTION

Top managers have been an area of significant interest in a number of management related researches since these managers are the engine of implementation of the firm's strategy. Of late, research in organizational performance has shown that top corporate leaders, specifically CEOs, have a significant and increasing influence on firm performance (Quigley & Hambrick, 2015). Typically rooted in the upper echelons perspective, researchers in strategic management have argued that the top executives are key determinants in the effectiveness of firm strategies (Hambrick & Mason, 2010). Some theorists have further argued that executive actions substantively impact the performance of their enterprises (Rumelt, 2011). This debate therefore reveals the pertinent role of the CEOs on SME performance. However, there could be some underlying reasons that may influence the firms' performance apart from the CEOs therefore a reason to explore what could possible influence the firms' performance. Concisely, Small and Medium Enterprises (SMEs) contribute considerably to a country's growth and therefore provide the pillar upon which a given country’s economic development is based (Keskin, 2010).

Further, Keskin et al. (2010) acknowledges that SMEs contribute to the competitiveness of an economy by creating employment, wealth creation, and poverty eradication. Thus, the performance and growth of a given country's SMEs is and remains a topic of interest to both practitioners and researchers alike (Eniola, 2014). Apart from the previous empirical evidence on the importance of the SMEs to the economy, it is evident that the multi-nationals operating in the global economy were once started as
SMEs but grew to their current status, therefore a need to investigate the likelihood of the inertia in the current SMEs in the Country.

But then, some scholars content that SME performance is viewed as how the management manages the resources and the value addition to the key stakeholders such as the employees, customers, government and the society at large (Eniola et al., 2014). Neely et al. (2014) further posits that firms attain their objective if they succeed in satisfying their stakeholders' needs more than their rivals. However, performance of SMEs can be assessed in either qualitative or quantitative terms, that is, by examining non-economic or economic measures (Augustine et al., 2012). Farouk and Saleh (2011) also posit that the level of SMEs contribution to employment in a country is higher than that of larger firms; hence they are the backbone of any economy in the world.

Thus, since SMEs enormously contribute to a country’s economic development, most governments and politicians try to promote SMEs with various entrepreneurship development programs with a view of boosting performance (Duguh, 2013). It is possible to view that focusing on the SMEs from the government point of view would be better approach to spread the risks in the firms operating in the economy to avoid collapse of the economy apart from the empirical evidence, this may be an area for further study to improve knowledge on firms performance and sustainable economy. Preceding studies stress that a significant number of new SMEs collapse within the first five years of their business start-up (Paranma et al., 2010).

Numerous studies in Australia, USA and England further reveal that approximately 80% to 90% of SMEs nose-dive within 5-10 years (Hodgetts & Kuratko, 2010). Indeed, the downfall rate of SMEs is alarming for both developing and developed countries (Paranma et al., 2010). In Kenya for instance, the SME sector significantly contributed over 75% of the GDP in the year 2016 (GOK, 2017) but despite the significant input of the sector to the Kenya economy, the frequency of their failure is great particularly during the first years of startup (GOK, 2017). That is, despite having numerous SME startups in Kenya, there is a considerable degree of failure and most of these business start-ups are short lived and barely survive third anniversary (GOK, 2011).

Kenya government sessional paper No. 2 of 2005 further shows that despite the significance of SMEs in any economy, they have continued to experience many constraints like deprived access to market and financial services, unfavorable micro and macro policies which too have inhibited the realization of their full potential (GOK, 2010). To help solve SMEs performance issues, most practitioners and researchers have assessed the influence of significant predictors like technology and capital with little or no regard to social capital and in particular the cooperation aspect of the top manager (Ionela et al., 2011). This is because sociologists and personality theorists assert that personal relations with economic entities elicit trust, reliability, reciprocity, loyalty plus building social networks, thus a manager's social capital could represent noble measures of SMEs competitiveness based on a manager's cooperation attribute.

Kirigo (2010) indicated that no detailed study has addressed the influence of CEOs cooperation on the performance of SMEs or its impact on the overall growth of small enterprises. Thus, there is scanty empirical evidence on how CEO cooperation influences SME performance (Juan, 2014; Ehsan & Ismail, 2013).
LITERATURE REVIEW

Theoretical Framework

First, firm performance was guided by the Law of Proportionate Effect and the Theory of the Growth of the Firm which provides background information on SME growth or performance. Therefore to begin reflecting on firm performance, Coad (2007) posits that Gibrat developed a theoretical model to measure the relationship between firm growth and its initial size. Gibrat’s law, or the “Law of Proportionate Effect,” states that firm growth is independent on initial size, consequently, if a firm grows, then it is performing and vice versa Coad (2007). While the results of some studies concur with Gibrat's Law, especially the early studies (Cant & Wiid, 2013), the results of other studies do not, even support a negative relationship between growth and size and confirm that smaller and younger firms grow faster than larger firms (Coad, 2007; Pasanen, 2007).

Further, Penrose (1959), in the book, The Theory of the Growth of the Firm, claimed that firms are a bundle of internal and external resources which assists a firm to grow and realize a competitive advantage. Therefore, as per Penrose (1959), firm size is incidental to the growth process, whereas firm growth is influenced by the effective and innovative managerial resources within the firm. The author further explained that the availability of top managerial and technical talent serves as an engine to a firm’s growth and that ignorance of these factors results in failure and loss of competitive advantage.

But how does firm performance relate with CEO cooperation aspect of social capital? First, the association between social capital and firm performance can then be explained by the agency theory (Jensen & Meckling, 1976). The agency theory describes the relationship between the principal or the owners of firms and the agents or the managers that should be well managed so that they may act in the best interest of the principal. Jensen and Meckling (1976) define the term 'agency relationship' as a contract under which one or more (principals) engage another person (the agent) to perform some service on their behalf. This relationship involves entrusting some decision-making authority to the agent. It is thus hypothesized that the principal will assume that the agent (and all individuals) will be driven by self-interest as opposed to maximizing wealth. Therefore, the principal will anticipate that the agent, unless restricted from doing otherwise, will choose to pursue individual self-interest that could have a negative impact on the principal’s economic welfare. The relationship between the principal and the agent shows the separation of ownership and control in firms, so, the conditions of incomplete information and uncertainty then may exist and, as a consequence, agency problems may arise. These problems cannot be eliminated but they can be controlled and minimized (Nordberg, 2010). To minimize the problems, the primary function of the board, to monitor the actions of managers and the agents to protect the interest of principals, should be maximized. Monitoring by the board here is essential to reduce what is called an agency cost which is incurred when management acts on behalf of its own interest rather than prioritizing the welfare of shareholders (Cant & Wiid, 2013). When the agency cost is minimized, the firm’s performance is improved. The agency theory has also been the underlying concept of corporate governance that analyses the relationships among shareholders, boards, managers, and employees. It emphasizes the responsibilities of managers as the agents of owners, hence if the agent’s cooperation attribute of social capital is compromised, agency problems still arise which can consequently affect firm performance (Cant & Wiid, 2013).
Further cooperation stems from the social capital theory that also emanates from social theories that are frameworks of empirical evidence used to study and interpret social phenomena (Coleman, 1990). Social capital theory thus encompasses ideas about how societies and communities change and develop methods by interacting, share power and the social structure, gender, ethnicity and civilization. Social capital theory takes precedence over other natures of social life, class, social institutions and transmission (Murphy, 1996). Therefore while relating social capital with organizational management, firms with more partners are thus assumed to be able to draw upon wider social and business networks and may accumulate a wider variety of knowledge and get new ideas (Murphy, 1996). This creates a perception that firms with larger teams are more likely to have access to resource and knowledge relevant to social capital compared to firms with smaller teams and likewise, firms where their managers exhibit her attributes of cooperation are assumed to build higher social networks that give such firms a competitive advantage. This is because as per the assumptions of social capital theory, different resources not only lie outside one's social group but they also reside in a different level of the social hierarchy. Therefore, in order to access new resources, people need to reach up or down in the social hierarchy and even though people may use weak ties to access lower status individuals, Laumann's prestige principal states that people prefer to associate with others of similar or somewhat higher social status rather than lower status individuals (Lin, 2010).

To further expound on social capital theory, Putman (1995) posit that although physical capital refers to physical objects and human capital refers to the properties of individuals, social capital however, refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them. In this sense social capital is closely related to what some have called “civic virtue.” The difference is that “social capital” calls attention to the fact that civic virtue is most powerful when embedded in a sense network of reciprocal social relations among human beings.

Social capital also stems from the community field theory (Putnam, 1993). That is French sociologist Bourdieu (1986) defined social capital as made up of social obligations (‘connections’), which is convertible, in certain conditions, into economic capital and again as the aggregate of the actual or potential resources which are linked to possession of a durable of more or less institutionalized relationships of mutual acquaintance or recognition. Social capital is, in other words, the value of social obligations or contacts formed through a social network. Social networks are the medium through which social capital is created, maintained, and used (Bourdieu, 1986). In a nutshell, social networks convey social capital, hence the notion that it is not ‘what you know’, but instead it is ‘who you know’. This common saying thus sums up much of the conventional wisdom regarding social capital, that is, the wisdom born of experience gaining membership to exclusive clubs require inside contacts, close competitions for jobs and contracts are usually won by those with “friends in high places”. When people fall upon hard times they know it is friends and family who constitute the final “safety net”. Less instrumentally, some of the happiest and most rewarding hours are spent talking with neighbours, sharing meals with friends, participating in religious gatherings, volunteering on community projects; hence, cooperation in such social networks also builds one’s social capital.

More so, Burt (1992) spells out social capital as friends, colleagues, and more general contacts through which ventures receive opportunities to use in their financial and human capital. Portes (1998) confirms the above observations that Bourdieu, Coleman, Burt, and other academics created a consensus in the literature that social capital stands for the ability of actors to secure benefits by virtue of membership in social networks or other social structures. According to literature, therefore, there are
two basic functions of social capital; as a source of social control, and as a source of benefits through networks. The most common function of social capital is acting as a source of networked-mediated benefits beyond the immediate family. Portes (1998) also stresses that the different functions of social capital may clash with one another and warn that social capital can be a double-edged sword. The capacity of authorities to enforce rules can, for example, be jeopardized by the existence of tight networks whose function is to facilitate violation of those rules for network members’ benefit. These types of outcomes point to the need for a closer look at social capital transactions because the use of social capital does not always lead to a favorable outcome.

Much of the research on social capital has been criticized because of the emphasis on the positive effects of social capital. Social capital can have a range of negative effects. Portes and Landolt (1996), Durlauf (1999) and; Woolcock and Narayan (2000) cite many examples of negative effects of social capital. The first negative effect is that of exclusion. When an individual wants to gain access to a group, he or she may find that the strong ties between the members of this group may be the same ties that keep him or her out. Evidence that group identification can lead to intergroup hostility is plentiful in psychology. Secondly, a negative effect of social capital is that membership in a group can prevent the success of the business initiatives of their members. In a study on the development of commercial enterprises in Bali, Geertz (1963) notes how entrepreneurs were constantly bothered by job-and-money-seeking relatives. These demands were backed by the strong system of norms to assist family members. The result was that, the development of any successful enterprise was delayed by network members. Thirdly, the level of social control in a community can be overwhelming, restricting individual freedom. Lastly, Portes (1998) notes that group solidarity may be founded in opposition to mainstream society with the result of downward leveling of norms. In this case, individuals are not allowed to participate in mainstream society because they belong to such a group. Portes (1998) concludes that a lengthy period of time in which upward mobility of a group has been blocked by outside discrimination typically precedes the emergence of this downward leveling of norms.

Social capital theory is mainly based on the proposition that the networks of relationships within and without a group constitute a valuable resource for members of the group (Bourdieu, 1986). Social capital is thus an inherent value in human relationships and connections. This implies that social capital is a resource input that facilitates production, but is not consumed or used up in production (Coleman, 1994). It also implies that social capital is an aspect of social organization and fundamentally a property of the group, community or society. The idea can be intuitively grasped by conceiving it as what ordinary language calls ‘connections’. People are connected to others based on trust and are obliged to support others depending on exchange with others. An individual’s connections are his or her assets. Those assets in essence, constitute social capital (Burt, 1997). From the human capital perspective, inequality of incomes and differences in the pace of promotions at the workplace can be explained by differences in individual ability (Becker, 1975). This evidence is obviously valid because human capital is surely critical to success. But it is equally valid that human capital is useless without the social capital of opportunities (connections) with which to apply it (Burt, 1997).

Therefore, the fundamental proposition of social capital theory is that networks of relationships grant access to resources, especially information benefits not available to non-members of the network (Burt, 1997). Returns to intelligence, education, and seniority depend on a person’s location in the social structure. Social capital encompasses processes and conditions among people and groups that bring about cooperation towards accomplishing a goal of mutual benefit. This goal could in fact be the
objectives of a firm. Proponents of social capital theory thus assert that a firm’s long-term better performance is largely depended on how well it established and manages its relationships with other publics in the environment. Such relationships are referred to as the “building blocks” of a network, which is in turn characterized by closeness of actors (in terms of frequency of communication), complexity of interactions (in terms of different purposes for which interactions are meant), reciprocity of activities, trust among actors, and the relationships being long term in nature (Hakansson, 1987).

Community field theory thus provides an important framework for understanding the role of social capital in community development (Wilkinson, 1991). From this perspective, community social capital develops from residents’ action to improve the local economy, provide human and social services, and express local cohesion and solidarity. According to Putnam (1993), localities with high community social capital are marked by extensive civic engagement and patterns of mutual support (or norms of reciprocity). Though there is much interaction in most locales, community occurs when local actors link groups and coordinate activities that serve the public at large rather than the interests of private groups). Similarly, relationships developed in the ongoing activities of community-oriented groups, as well as a social psychological investment in the community, are resources that facilitate residents’ mobilization to address issues of common interest and concern.

In the past two or three decades, scholars have taken an interest in three different perspectives on social capital theory in particular. These are based on the ideas of Pierre Bourdieu, James Coleman, and Robert Putnam (Gauntlett, 2011). Others are summarized by Rose (1999) into three approaches based on situational theories, social psychological approach and Culture theory. Bourdieu (1986) was interested in the ways in which society is reproduced, and how the dominant classes retain their position. For Bourdieu, this could not be explained by economics alone but by cultural capital – the ways in which people would use cultural knowledge to undergird their place in the hierarchy.

Coleman (1988) proposed a model in which social capital is one of the potential resources which an actor can use, alongside other resources such as their own skills and expertise (human capital), tools (physical capital), or money (economic capital). Unusually, though, social capital is not necessarily ‘owned’ by the individual but instead arises as a resource which is available to them – because it is a resource based on trust and shared values, and develops from the weaving-together of people in communities.

Localities with high community social capital are marked by extensive civic engagement and patterns of mutual support or norms of reciprocity (Putnam, 1993). Putnam (1993) further developed Putnanment instrument that has been used by scholars and considered as a valid and reliable measure of social capital. Therefore, drawing from social theory, social capital is a resource input that facilitates production, but is not used up in production (Coleman, 1994) and thus its inherent importance in firm performance.

As an aspect of social capital, CEO cooperation is a resultant feature of the networking concept. Network could be stated as a specific set of linkages among a defined set of actors or relationships between different actors (Ireland et al., 2001). Actors in a social network can be persons, groups, and collectives of organizations. Personal networking can be defined as the management of relationships or alliances that the individual has with others in their society while an organizational network can be perceived as a voluntary arrangement between two or more firms that involves durable exchange, and
sharing or co-development of new products and technologies. Networking is thus the mutual give and take that results in a win-win situation for everyone involved in the transaction (Ireland et al., 2001). Networking in a small firm context could be defined as activities in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their environment (Carson et al., 1995). Networking as an activity involves building relationships and connecting with other actors for various reasons. It emphasizes that every organization is dependent on and even its identity is created in interaction with other actors in the market. This is because the critical resources of a firm are linked to its exchange relationships with suppliers, customers and other counterparts with whom they exchange information, expertise, goods and services, payments and loans, among other issues (Johannisson 1986).

Therefore, the relationship between cooperation as an aspect of social network and firm performance can be explained by social network theory. The social network theory is a social science concept that discusses the connection and relationship in a social structure (Kadushin, 2004). The theory emerged in the late 19th century and it attempts to find something that might connect people in their group or communities. A social network is a generic way a set of nodes or actors are connected by a set of social relationships, ties, or a specified type of ties (Brass, 1992). The term “network” is generally used for the structure of ties among the actors in a social system. These actors could be roles, individual persons, organizations, industries, or even nation states. Their ties may be based on conversation, affection, friendship, kinship, authority, economic exchange, information exchange, or anything else that forms the basis of a relationship. In a network, flows between object, actors and exchanges which might contain advice, information, friendship, career or emotional support, motivation and cooperation that can lead to very important ties (Kadushin, 2004).

Social network is thus becoming a popular subject in entrepreneurship literature (Watson, 2007). Studies in the field of entrepreneurship have found Networking as an important and influential tool by which entrepreneurs use a wide variety of contacts to help them achieve their business and professional objectives and give them greater access to information, resources, new clients and people with similar business interests and contribute to the establishment, development and growth of small firms (Ascigil & Magner; 2009). Empirical literature clearly indicates that social capital, or the resources that entrepreneurs may access through their personal networks allows entrepreneurs to identify opportunities mobilize resources (Bhagavatula et al., 2010). More so, social networks and cooperation are perceived as significant for a firm’s competitive advantage and success and firms often engage in networks to get access to important and complementary resources and information they lack, as well as to jointly develop new resources. This would be especially important for small firms because they are often founded with limited resources and capabilities thus network relations could provide important strategic information that is critical to the success of commercial operations (Mazzarol & Reboud, 2006). With regard to CEO’s personal cooperation and networking, his or her personal network perspective rests on two fundamental premises. First, entrepreneurs succeed because they can identify opportunities, reduce uncertainty and obtain scarce resources from their environments. These resources can be described as various persons who have skills, information, or control over material or capital that are necessary for successful venture development (Carsrud et al., 1987). Second, entrepreneurs obtain resources at a minimal cost, using social transactions and relationships with members of their social networks including friends, acquaintances, and business associates, rather than through traditional economic exchanges.
Externally focuses personal networks, or contacts with people outside the organization, have been hypothesized to provide the entrepreneur with information about resources that may be inaccessible within the venture. Van de Ven, Hudson and Schroeder (1984), argue that high performing entrepreneurs tend to be more externally oriented and maintain richer, broader, and more complex networks of ongoing relationships with people outside the firm. Generally, entrepreneurship literature suggests that successful entrepreneurs are more externally oriented and willing to accept advice of outsiders (Jarillo, 1989). This may be true if cooperation and networking is encouraged since it brings on board input from other events managers.

Often, firms are faced with resource constraints, which hamper their competitiveness, and ultimately, their performance. So, to overcome these constraints, Watson (2010) suggested that firms should engage in cooperation, networks and alliances. This is because it is by engaging in cooperation and networks that firms get hold of essential complementing or scarce information, competencies, and resources to improve their competitiveness, which in turn enhance their performance in terms of increased market share and profitability (Watson, 2010). Further, networking and cooperation with other firms and individuals helps the small business to more quickly and easily adapt to changes on the market, helps the small business to shift and adapt to current trends. It is thus essential to adopt cooperation and networking so as to stay up-to-date with current trends and issues, what direction the future is going towards, government regulations, and new technologies (Edwards et al., 2010).

Last but not least, since charismatic leadership was used as a moderator in the study model, theories related to charisma have to be evaluated. From theoretical view, charisma can be defined as the ability to positively influence others by connecting to them physically, emotionally, and intellectually (Alessandra, 2006). Having large amounts of this characteristic can lead people to follow and be connected with a leader. It can help a leader be perceived as more powerful or, in some cases, more of a strong figure compared to someone who lacks this ability. Charismatic leaders are, at their core, very skilled at communication and they are both verbally eloquent and are able to reach followers on a deeper and more emotional level (Riggio, 2012). Leaders who possess high levels of charisma are able to, in essence, able to articulate a compelling and/or captivating vision, while being able to provoke strong emotion in the people who follow those (Antonakis et al., 2012). Furthermore, some scholars see charisma as a process rather than just a plain trait that someone would possess. They see it as an interaction between the qualities of the charismatic leader, the followers and their identification with the leader, and the situation that calls for a leader that is charismatic. Charismatic qualities of a leader focus a lot on how well they communicate to followers and if they are able to gain those followers trust with the further ability to influence and even persuade them (Riggio, 2012).

In this study, charismatic leadership is treated as a moderating variable. The term ‘Charisma’ is based on the feeling of ‘oneness’ that a person has with another, the ‘desire for that feeling’, or the personal attraction to be like the other: the stronger the attraction, the stronger the power (Fiol et al., 1999). Charismatic leadership theory describes how followers attribute extraordinary qualities (charisma) to the leader. The theory has been extended in formal organizations (Conger & Kanungo, 1988). The key behaviors in the theory include articulating an innovative strategic vision, showing sensitivity to member needs, displaying unconventional behavior, taking personal risks, and showing sensitivity to the environment (identifying constraints, threats, and opportunities). The theory emphasizes the need for a manager in an organization to articulate an appealing vision, emphasizing ideological aspects of the work, communicating high performance expectations, expressing confidence...
that subordinates can attain them, showing self-confidence, modeling exemplary behavior, and emphasizing collective identity. Some researchers have further differentiated between the content of the vision and the use of an expressive style to communicate it (Kirkpatrick & Locke, 1996).

Therefore, researchers have correlated charismatic leadership with firm performance. That is, theoretical perspectives have been proposed to explain the link between CEO charisma and firm performance (Steven et al., 2012).

Charisma as a Moderator in the Study Model

Charisma is considered one of the most critical dimensions of transformational leadership among other dimensions that include inspirational motivation, intellectual stimulation and individual consideration (Conger & Kanungo, 1988). Charisma is characterized by the ability of the leader to provide vision, a sense of a mission, to build trust, and instill pride in a group which consequently influences firm performance (Humphreys, 2002). Experimental studies have further shown that charismatic leaders express positive affect which, in turn, results in positive affect experienced by followers and teams within a firm (Erez et al., 2008).

Further, existing literature depicts charismatic leadership as a predictor and moderator in firm performance related studies. For instance, Hernández (2009) hypothesized that more frequent leader’s charisma interaction will make the positive relationship between leader and team optimism stronger which can thus influence firm performance. The analysis of a longitudinal database of 137 bank branches by means of hierarchical moderated regression showed that leader charisma had a stronger effect on team optimism. In addition, the leader’s influence and the frequency of charisma -team interaction moderated the relationship between leader and affective climate. However, whereas the leader’s influence enhances the relationship between leader charisma and positive affective climate, the frequency of interaction had counterproductive effects which could then affect team tension and firm performance. We can therefore deduce from the results that to better understand the impact of leader’s charisma on team affective climate it is necessary to differentiate between positive and negative affect. Specifically, after controlling for the stability effects of team affective climate, leader charisma plays a both a direct and moderating role on increasing team optimism which can affect firm performance.

Nazanin Mansouri (2014) also studied the on moderating role of the transformational leadership in the relationship between human resource management practices and firm performance in information and communication technology companies in Malaysia. The study captured charisma as a dimension of transformational leadership. The study revealed that charisma among other transformational leadership dimensions significantly moderated the relationship between human resource management practices and firm performance in information and communication technology companies in Malaysia. Empirical findings further suggested that mechanism of leader satisfaction is positively and significantly related to firm effectiveness though charisma.

CEO Co-operation and Firm Performance

Cooperation is one of the studied measures of social capital, thus the prediction of CEO’s cooperation on firm performance is drawn from social theory. The theory postulates that a manager’s social capital validly affects production, but is not used up in production and thus its inherent
importance in firm performance (Tseng et al., 2014). Tseng et al. (2014) further argues that network members effectively improve social capital by connections and mutual trust and that trust is an important element of social capital. For example, in order for people to really collaborate and achieve goals in life, they need not only to know one another, but also to trust each other so that they will not exploit or cheat in their relationship, and can expect truly to benefit from their co-operation (Steven et al., 2012).

Cooperation refers to the communal perspective of social capital which compares it with resident organizations such as associations, clubs, and civic groups. This communal attribute of social capital thus develops a sense of community belonging (am because we are) and its presence always has a positive effect on a community's welfare (Mention, 2011). There could be other factors that may influence the relationship between social capital and firms' performance; this could be culture, government policy and the type of leadership. This research investigated in what way charismatic leadership moderates the influence of CEOs cooperation on SME’s performance.

Juan (2014) studied on effect of manager’s cooperation coupled with innovation on SME performance in 80 sampled metal-mechanic firms in Spain. Study results indicated that cooperation did not significantly affect the innovative outcomes of firms in this sector. This is possibility because most innovation based firms are purely skill based; hence, most employees utilize their skills or expertise to influence firm performance without the necessity of CEO’s cooperation attribute. Furthermore workers unique innovativeness can serve as an inimitable resource which gives such a firm a competitive edge over similar firms in the same industry, thus a manager’s cooperativeness could definitely play an insignificant role on firm performance. The study therefore recommended further studies to apply the structural equation modeling in testing if charismatic leadership could moderate the association between CEO s cooperation and SMEs performance.

Ehsan and Ismail (2013) by use of mail questionnaires investigated the impact of social network and cooperation on business performance in the Malaysian established manufacturing SMEs. With an analysis of 226 valid responses, the results showed that network centrality significantly affected business performance while, family members networking, network density and cooperation had positively but not significantly influenced business performance. These findings could be influenced by culture of the society under study and could be basis for further studies in this area.

Pirolo et al. (2010) also studied many Indians SMEs managers socialization in local clubs and societies and developed a theory that explained the experience people gain from social clubs where they can build trust and build social capital which later can be used to expand their social network in wider societies. Further, Srivastava et al. (2011) suggests that firms should engage in alliances (through competitive mergers and acquisitions) so as to enhance their performance in terms of increased market share and profitability.

Cooperation or collaboration with other firms and individuals thus helps the small business to more quickly and easily adapt to changes on the market (Wassmer, 2010). Collaboration can help the small business to shift and adapt to current trends (Edwards et al., 2010). Kuada and Buame (2010) studied the effects of social ties in Ghanaian small enterprise owners. Their findings were that alliances or collaboration which exists among firm owners or managers and entrepreneurs of Ghanaian firms provided a suitable environment for enabling these actors to acquire and leverage both tangible and
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intangible resources. Effects of CEO Charismatic Leadership CEOs are at the core of many academic and policy debates.

Kaplan et al. (2012), similarly affirms that the identity and leadership style of the CEO matters for firm performance. This evidence may be further be influenced by the teams and the business environment, coupled with CEO charismatic leadership skills. This is because theoretical perspectives have been suggested to describe the influence of CEO charisma on SME performance. A study by Hui et al. (2011) for instance showed that CEO leadership style could affect firm performance because of the leader’s involvement in a firm’s strategic decisions. Bruce and Yammarino (2013) also argued that CEO charisma works through both "close" and "distant" relationships. That is CEO's cohesion attributes results in increased role modeling of charismatic behaviors at lower levels of management, heightening intra-group and intergroup cohesion and effort at lower levels. Thus, CEO symbolic behaviors, trust, vision, and storytelling also increase cohesion and effort at lower levels when there is perceived environmental uncertainty which consequently could influence organizational performance.

Jeong et al. (2013) carried a survey on 150 CEOs whose tenure was over 3 years from privately owned Korean Companies representing various industries to establish the impact of CEO leadership style on firm performance. The results found a significant effect of CEO charismatic leadership on subsequent firm performance. This necessitated us to introduce CEO charisma as a moderator in our research model; that is CEO charisma to moderate the CEO Cooperation-Performance Relationship. Experimental studies have also shown that charismatic leaders express positive affect which consequently influence positive affect experienced by followers and teams within a firm (Chiu et al., 2016).

Scanty empirical literature depicts charismatic leadership as a moderator in firm performance related studies. For instance, Homan et al. (2010) posits that when members are more perceived as in-group trust and commitment, group cohesion will increase and that more frequent leader's charisma interaction will make the beneficial association amongst the leader and team optimism stronger which can thus positively impact on firm performance.

The study was guided by the Law of Proportionate Effect and The Theory of the Growth of the Firm that claims that firms are a bundle of internal and external assets which aids a firm to develop and achieve a sustainable competitive advantage (Penrose, 1959). Thus firm growth is determined by the effective and innovative managerial resources within the firm. The author additionally clarified that top management and practical ability aids in a firm's growth and that ignorance of these factors results in failure since a firm would not have competitive advantage. Charismatic leadership theory and community field theory of social capital further informed the study.

Charismatic leadership theory emphasizes the need for a manager in an organization to articulate an appealing vision, emphasizing conceptual facets of the work, motivating followers to have higher performance expectations, display self-confidence, model form of behavior, and stressing communal identity(Kirkpatrick & Locke, 1996). Community Field Theory of social Capital argues that “It is not what you know, but it is instead who you know.” It is wisdom born of experience gaining membership to exclusive clubs require inside contacts, close competitions for jobs and contracts are usually won by those with "friends in high places" (Alex-Assensoh, 2010).
CONCEPTUAL FRAMEWORK

From the conceptual framework, the study examined the effect of CEO cooperation on SMEs performance as hypothesis 1 and the moderating influence of charismatic leadership in this relationship as hypothesis 2.

Hypothesis 1. There is no significant effect of CEO co-operation on performance of SMEs. This hypothesis is supported by Vasudeva and Anand (2011) who posit that firms experience greater profits when they engage in alliances with local partners on new markets.

Hypothesis 2. Charismatic leadership does not significantly moderate the effect of CEO Cooperation on performance of SMEs. Hypothesis 2 is informed by Charismatic leadership theory which describes how followers attribute extraordinary qualities (charisma) to the leader. The theory has been extended in formal organizations (Shastri et al., 2010). Charismatic leaders are expected to infuse work with their extraordinary values which in turn will increase subordinates' willingness to and enthusiasm for their work (Bushra et al., 2011).

Dongil et al. (2010) examined the relationships between four leadership styles and firm performance with survey data from 116 listed chines firms. Using a hierarchical moderated regression model, the study revealed that CEO Charisma has a significant interaction effect on firm performance. Further, under uncertain environment, charismatic CEOs enhanced firm performance, as measured by ROA.

Figure 1. Study model
(Source: Researchers, 2018)
From the scanty literature on moderating influence of charisma, for instance, several authors have argued that charisma and cooperative behaviours such as interpersonal helping influence groups' cooperative behavior, and minimizes individual tendencies hence can affect firm performance (Bronkhorst et al., 2015). For example, Kaplan and Sorensen (2016) assert that a leader’s charisma affects followers by constant interaction and socialization making the social or collective identity more salient in followers' self-concept hence motivation for results in an organization which will consequently improve its performance.

Boyatzis et al. (2012) found that charisma moderates the impact of individualized support on firm performance because a leader providing a vision seems more important for people working in a cohesive group. Similarly, Ward (2011) found that charismatic leadership moderates the impact of individualized support on firm performance.

**RESEARCH METHODOLOGY**

The multi-stage sampling procedure was used, the first was stratified, further stratified, followed by the simple random sampling. The county represented a stratum, the second stratum was based on whether manufacturing or service oriented, the third was the number pick from each stratum which was proportionate to the sum-total number of the SMEs in each stratum. Stratified sampling was then used so as to get SMEs in the service and manufacturing sector from each County and Sub-county in the region.

Respondents included 300 individuals comprising top managers and employees of the 150 sampled SMEs in Western Kenya. A total of 280 individuals fully completed the self-administered questionnaire, corresponding to 93.3 per cent response rate.

**CEO Cooperation**

CEO cooperation was measured with items from the modification of the Putnam’s Social Capital Questionnaire (Lene & Gert, 2010). A response scale in which 1 was “strongly disagree” and 5 was “strongly agree” was used. Questions that were elicited for instance included; “In the last three years, actively participated in an association”.

**Charismatic Leadership**

Charismatic leadership is intended to assess the weaknesses and strength of the leaders from the point of view of their followers. The employees completed a 29-item measure of charismatic leadership from the Conger and Kanungo’s “C-K” Charismatic Leadership Questionnaire (Shastri et al., 2010). A response scale used was one in which “1” denotes “never” and “5” denotes “always” as far as certain characteristics and behaviours of leaders are concerned. The items included among others; “This person uses non-traditional means to achieve organizational goals”, “This person has a vision; often brings up ideas about possibilities for the future”, “This person inspires me to accept changes that come along”, “person encourages me and my team to work in partnership”, “This person inspires respect, trust and admiration”.

...
SME Performance

This was measured using the Firm Performance Questionnaire (an extension of Santos and Brito (2012) Questionnaire). The response scale used was in which “1” Decreased greatly “5” Increased greatly. The CEO rated SME performance compared to same time the previous year. The performance indicators that were rated include: “Change in the current estimated worth of the business”, “Number of employees”, “Sales volume”, “Number of customers”, “Product/service diversification”, “Brand loyalty”, “Distribution channels”.

RESULTS

Reliability analysis was done using Cronbach’s alpha index. It is interpreted as a correlation coefficient and it ranges from 0 to 1 but the acceptance level is a value above 0.7. Besides that, using the Cronbach's Alpha Index can determine whether the questionnaire is reliable and the data can be used for further analysis (Hair et al., 2014).

Table 1 show the result of reliability statistics for the study variables which were all above the 0.7 threshold. Correlation analysis Jahangir and Begum (2010), posits that the correlation coefficient values range from 0.10 to 0.29; interpreted as weak; 0.30 to 0.49 is considered medium while values of 0.50 to 1.0 are interpreted as strong, but values above 0.8 implies multicollinearity-high correlations between two or more predictor variables that can give redundant information, hence misleading study results (Field, 2013).

Table 1: Descriptive Statistics and Correlation Matrix for the Study variables *

<table>
<thead>
<tr>
<th></th>
<th>α</th>
<th>Mean</th>
<th>S.d</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SME</td>
<td>.917</td>
<td>4.26</td>
<td>.64193</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Perform-ance</td>
<td></td>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Cooperation</td>
<td>.798</td>
<td>2.09</td>
<td>.63513</td>
<td>2.10**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>91</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Charismatic</td>
<td>.738</td>
<td>3.00</td>
<td>.53026</td>
<td>- .045**</td>
<td>- .131**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Leadership</td>
<td></td>
<td>31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Age</td>
<td>.708</td>
<td>3.25</td>
<td>.849</td>
<td>.073**</td>
<td>- .026**</td>
<td>- .090**</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Education Level</td>
<td>.797</td>
<td>2.39</td>
<td>.809</td>
<td>- .457**</td>
<td>.196*</td>
<td>- .022</td>
<td>.115</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Gender</td>
<td>.795</td>
<td>1.16</td>
<td>.369</td>
<td>- .001</td>
<td>- .014</td>
<td>.021</td>
<td>.155**</td>
<td>.088</td>
<td>1.00</td>
</tr>
<tr>
<td>7</td>
<td>Monthly</td>
<td>.756</td>
<td>1.58</td>
<td>.553</td>
<td>- .023</td>
<td>- .179**</td>
<td>- .247**</td>
<td>- .100</td>
<td>- .162**</td>
<td>.029</td>
</tr>
<tr>
<td></td>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a n= 280 after list wise deletion of missing data; ** P<.01 and * P<.05

As presented in Table 1, correlation coefficients are less than 0.8; therefore multicollinearity problem does not exist. The study findings further indicate a positive and significant correlation of cooperation with SME performance (p<.01). This implies that as an SME manager cooperates more with the relevant stakeholders, performance is likely to increase. The findings agree with the findings of Doucette et al. (2015) who found a positive and significant association between cooperation and SME performance.
Results show a significant and positive correlation between charismatic leadership and SME performance (p<.01). This implies that an SME run by a charismatic manager is more probable to perform better. The results are consistent with Lawrence (2008) who studied the influence of leadership development on social capital and found a causal assertion that one leads to the other.

Hypothesis 1 was rejected. The results of the test of this hypothesis are presented in table 2. The results show that CEO cooperation significantly influences SME performance (P<.05). Examination of the hypothesis also revealed that the relationship was positive (B=.202) and that for every increase of one standard deviation in social network, there is a corresponding increase of 0.202 standard deviation in SME performance. These results provide empirical evidence in relation to other studies (Ehsan & Ismail, 2013; Cooke & Clifton, 2010; Stam et al. (2013). Further, Juan (2014) found out that when a firm engages in alliances by cooperating with other firms, it enhance its performance in terms of increased market share and profitability. The study findings therefore enrich literature on the prediction influence of cooperation on SME performance.

Thus a CEO who engages in alliances with other partners/stakeholders due his/her high social network will make an SME experience greater profits.

Table 2: Regression Results for CEO Cooperation Predicting SME Performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1 Controls</th>
<th>Model 2 Direct Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parameter</td>
<td>Estimate</td>
<td>Estimate</td>
</tr>
<tr>
<td>(Constant)</td>
<td>4.929 (.122)***</td>
<td>4.588 (.281)***</td>
</tr>
<tr>
<td>Age</td>
<td>.058 (.023)*</td>
<td>.051 (.022)*</td>
</tr>
<tr>
<td>Education Level</td>
<td>-.228 (.024)***</td>
<td>-.232 (.023)***</td>
</tr>
<tr>
<td>Monthly income</td>
<td>.010 (.035)</td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>.024 (.053)</td>
<td></td>
</tr>
<tr>
<td>Cooperation</td>
<td>.202 (.063)*</td>
<td></td>
</tr>
<tr>
<td>R</td>
<td>.475</td>
<td>.557</td>
</tr>
<tr>
<td>R²</td>
<td>.226</td>
<td>.310</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.216</td>
<td>.299</td>
</tr>
<tr>
<td>R² Change</td>
<td>.226</td>
<td>.022</td>
</tr>
<tr>
<td>F Statistic</td>
<td>23.471***</td>
<td>28.476***</td>
</tr>
</tbody>
</table>

Values of unstandardized regression coefficients, with standard errors in parenthesis  
*p<0.05; **p<0.01 ***p<0.001

Hypothesis 2 was rejected. The results of this hypothesis are presented in table 3. When charismatic leadership was added, it produced F=17.913 and it was significant at p<0.001 level, hence confirming the fitness of the model. The entire group of variables in model 1 accounted 31.3% of the variance in performance of SMEs. This indicates that the addition of a moderator variable significantly improved prediction of SME performance. With the introduction of the interaction term, an overall model fit of F=16.262 which was significant at 0.001 level was produced. On the contrary, charismatic leadership did not significantly moderating influence of CEOs cooperation on SME performance (p>0.05).
Table 3: Moderated Regression Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1 Direct Effects</th>
<th>Model 2 Interaction Cooperation Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parameter</td>
<td>Estimate</td>
<td>Estimate</td>
</tr>
<tr>
<td>(Constant)</td>
<td>4.675 (.298)***</td>
<td>4.333 (1.285)***</td>
</tr>
<tr>
<td>Age</td>
<td>.050 (.022) *</td>
<td>.050 (.022)</td>
</tr>
<tr>
<td>Education</td>
<td>-.232 (.023) ***</td>
<td>-.233 (.023) ***</td>
</tr>
<tr>
<td>Cooperation</td>
<td>.202 (.063) ***</td>
<td></td>
</tr>
<tr>
<td>Charismatic Leadership</td>
<td>-.031 (.035) *</td>
<td>.087 (.434) *</td>
</tr>
<tr>
<td>Charismatic Leadership x Cooperation</td>
<td></td>
<td>.188 (.121)</td>
</tr>
<tr>
<td>R</td>
<td>.560</td>
<td>.564</td>
</tr>
<tr>
<td>R²</td>
<td>.313</td>
<td>.319</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.296</td>
<td>.299</td>
</tr>
<tr>
<td>R² Change</td>
<td>.002</td>
<td>.005</td>
</tr>
<tr>
<td>F Statistic</td>
<td>17.913 ***</td>
<td>16.262 ***</td>
</tr>
</tbody>
</table>

Values of unstandardized regression coefficients, with standard errors in parenthesis
* p<0.05; ** p<0.01 ***p<0.001

DISCUSSION

The research tested for the direct effect of CEO cooperation on SME performance and if charismatic leadership was a significant moderator of this relationship. CEO Cooperation had a positive and significant influence on SME performance. Further examination revealed that for every increase of one standard deviation in cooperation, there is a corresponding increase of 0.202 standard deviation in SME performance. The findings therefore support the arguments within the social capital theory that alliances and collaborations within and without a group constitute a valuable resource for the members of a group (Cannatelli & Antoldi, 2010). The findings on Hypothesis 2 provide evidence that charismatic leadership does not moderate the association between cooperation and SME performance. In conclusion therefore, charisma is important but its interaction with cooperation may not necessarily strengthen SME performance.

LIMITATIONS

The theoretical contributions discussed above are to be inferred in regard to this study's limitations. First, the research was conducted in only one region of Kenya, the Western part, hence the data and conclusions drawn from the study, might not reflect the cooperation and charismatic leadership of SME managers as manifested in other SMEs spread across the entire country. Besides, conclusions drawn from this study may not be generalized on SMEs operating in an informal organizational structure and owner manager SMEs.
PRACTICAL IMPLICATIONS

The findings are invaluable to the SME sector in relation to development of cooperation of the managers which significantly influence firm performance. To improve SME performance, SME managers should always ensure that they develop strong cooperation with customers, suppliers, commercial banks and government agencies. SME managers need to take responsibility to improve their cooperation and establish strong business ties that entail establishing a solid stock of connections, interactions, strong networks of the firm with its customers plus any relevant stakeholder as this has been shown to influence the performance of SMEs. We therefore recommend that practitioners in the SME sector need to enhance their cooperation coupled with charisma when sourcing for managers to efficiently run the SMEs.

MANAGERIAL IMPLICATIONS

First, by infusion of cooperation attribute, CEOs in all SME environments must build collaborative enhancing relationships with both internal and external resource providers who are willing to share valuable skills, information, technology and any form of human capital that is geared towards SME’s sustained performance.

Secondly, managers of SMEs should establish strong business networks which are an important element of social capital that entails establishing a solid stock of connections, interactions, relationships, linkages, closeness, goodwill, and loyalty between a firm and its customers, financial lending institutions, strategic partners as this has a significant influence on the SMEs growth.

Thirdly, managers must aptly apply their cooperation skills, moderated by their charisma so as to craft and implement innovative partnership and networking initiatives meant to give their SMEs a sustainable competitive advantage.

FUTURE RESEARCH

A similar study can be conducted in other regions of Kenya and even in other developing countries and more importantly focusing on other aspects of social capital which include how for instance a CEO Trust and social network can impact on an SME performance. Further studies could explore the influence of culture and government policy on SMEs performance.

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Chapter #--- 13

The Impact of Attendees' Event Association on Sponsor Brand Image: A Case of Indian Premier League

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ABSTRACT

Indian Premier League (IPL) is an exclusive expert cricket class, which welcomed private ventures into cricket and effectively made it as a business property that matches the new social patterns and ways of life of the participants. The circumstances and end results connection between the event, Indian Premier League (IPL) and the title supporter of the occasion (VIVO) was estimated with the utilization of auxiliary condition demonstrating procedure. The title patron of the occasion (VIVO) contributed INR1000 million for the each year 2015 and 2016 to get the title sponsorship privileges of the IPL. With the assistance of this investigation, analysts gathered and estimated the 357 reactions of the participants' about the title sponsor of the occasion (VIVO), those were accessible on the ground of Wankhede Stadium, Mumbai, where the match had been played. In the wake of getting the conclusion of the participants' the examination found the positive effect of participant's event association and event involvement on their sponsor brand awareness. The study additionally found that high inclusion of the attendees’ with an event decidedly impacts their buying expectations.

Keywords: Event Association, Event Involvement, Sponsorship, Sponsor Image, Indian Premier League

INTRODUCTION

Nowadays sponsorship occasions are most vital for promoting organizations and diverse supporting brands, in line of the ubiquity of the occasions, and its vast fan following. As indicated by International event group (2011) sponsorship characterized as the expense paid by the association for an occasion, that might be sports, expressions, amusement or some other occasion to profit the business benefits appended with that characteristic. Collett and Fenton (2011) characterized the term sponsorship
as "acquiring the rights by the support and frame the immediate relationship with the sponsee to get the coveted outcomes from the affiliation". The support at that point misuses that relationship for accomplishing its advertising and limited time goals. In the previous years, the term sponsorship was re-imagined as: a showcasing stage that consolidates every other component of the advertising blend gives imaginative answers for tap the objective clients and an effective organization between support, right holders and fans. As per Meenaghan (2001) sponsorship is the help either as fund or in kind to a movement by a business association to achieve their business goals. Gardner and Shuman (1988) characterized sponsorship as an interest in an occasion or action to upgrading the brand and corporate picture or accomplishing the showcasing goals by expanding the brand attention to the items. In other words sponsorship characterized as the charge paid by the association for a property (normally a game, stimulation, non-benefit occasion or association) consequently to profit the business benefits related with that characteristic.

A report by A.T. Kearney, 2015 has estimated the worldwide games industry worth between US$480-$620 billion. In 2009, the income gathered by the real games occasion from ticketing, media and market, was US$ 64 billion. Soccer got the worldwide income of US$ 28 billion yearly, which was neared to the joined income of US$ 32 billion of all different US brandishes that might be Formula One Racing, Tennis or Golf. Just in Europe, soccer gathered the income of US$ 22 billion; where the five groups were commanded the half of the market and twenty groups were battling with each other (A.T. Kearney). An information given by international event group, the aggregate worldwide sponsorship spending was expanded from US$46.3billion in 2010 (IEG, 2011) to US$48.6billion in 2011 (IEG, 2012) and US$51.1billion in 2012 (IEG, 2013). In 2013, worldwide games going through with an expansion of 3.9% came to from US$51.1billion in 2012 to US$53.1billion in 2013, in 2014 with an expansion of 4.1% came to US$55.3billion, in 2015 again with an expansion of 4.1% came to US$57.5billion and in 2016, with an increment of 4.7% came to US$60.1billion. In 2017, the worldwide going through with an expansion of 4.5% anticipated to reach at US$62.8billion (Statista, 2017). The purpose for this development is the expansion in the business capability of the associations/occasions like European classes of soccer, for example, (English Premier League), basketball alliances in USA or cricketing occasion in India like Indian Premier League. Nowadays the majority of the agreements of sponsorship have been finished with the occasions and the groups. The purpose behind this is the expanding prevalence of the occasions and furthermore pulling in the huge number of fans and onlookers. That is the reason; such huge numbers of national and multi-national organizations are putting resources into sports sponsorship. In the games writing, specialists have utilized diverse occasions for their examinations to discover the connection between the support and the sponsee. Donahay and Rosenberger (2007) utilized Australian Formula one hustling, to gauge the brand-identity consistency between the support and the group. Wakefield and Bennett (2010) utilized NASCAR occasion and found that purchasers, who include with the occasion, can effectively distinguish the noticeable and related backers of the occasion. Ko, Kim, Kim and Lee (2010) utilized US Taekwando open and found that those shoppers who distinguish the game and furthermore include with the game, they were exceedingly happy with the occasion and furthermore saw better administration quality. An investigation by Dekhil and Desbordes (2013) utilized FIFA 2006 World Cup and look at six African nations and found the more effect of association and feeling on support review and acknowledgment, on nations with low soccer culture. Gupta, Naik and Arora (2013) utilized Indian Premier League (IPL) as an occasion and classify the diverse backers of the IPL and furthermore feature the significance of the occasion support fit. In India, from the most recent ten years, Indian Premier League rose as an intense occasion, which assembled the enthusiasm of the national and multi-national organizations and
furthermore the onlookers and fanatics of the occasion. The leading group of control of India (BCCI) in its yearly report in 2015-2016, has asserted the brand estimation of IPL worth $4.5 billion or INR27000 crore, which was computed by valuation evaluation firm Duff and Phelps (BCCI, 2015-16). IPL is the most alluring and developing group of the world with 20 percent development rate each year. IPL turned into the appealing stage for the publicists and backers to achieve their objective clients and enhance their image esteem. As indicated by a BCCI overview of 2016 IPL, the aggregate reach of the competition as far as viewership was 361 million out of 2016. According to the BCCI, the IPL’s fan following has also increased on the social media. The development of IPL has 300 percent on twitter, which is speediest as contrast with some other alliance of the world since 2014 (Duff and Phelps, 2016).

The investigation of the games literature had demonstrated that the supporting associations utilized sponsorship to make a positive connection between the occasion and the support (Pyun and James, 2011). With the assistance of that positive affiliation partnerships endeavored to accomplish their corporate and showcasing goals like expanding the offers of the association (Lee and Ferreirea, 2013), enhance the brand picture of the item (Bibby, 2011), and increment buyer mark review (Kim, Tootelian and Mikhailitchenko, 2012).

The investigation of games writing demonstrated that the associations were concentrating on the fame of the occasion and endeavored to money the positive relationship of the participants with the occasion to frame the inspirational state of mind towards the brand and exchange the positive relationship of the participants from the occasion to the brand. Participant's sure reasoning towards the occasion can turn into a central point for the organizations that can impact their behavioral basic leadership (Misener and Doherty, 2014; Lee and Ferreira, 2013). That is the reason, in 2016, in the ninth period of IPL, the Chinese versatile maker organization VIVO got the occasion sponsorship title off the IPL by paying INR 1000 million every year. The title sponsorship cash was 27 percent more than Pepsi (the last title backer of Indian Premier League).

For the research purposes, this study has taken IPL as an event and brand VIVO as a sponsor of IPL, to find out the relationship between the attendees’, event and the sponsor. The study empirically investigate the linkages between the attendees’ event association and event involvement on their sponsor brand awareness, sponsor image and purchase intentions.

In the forthcoming area, the theoretical system and speculations of the investigation will be talked about by utilizing distinctive examinations identified with the occasion and the patrons. In the following segment, the exploration procedure of the examination will be displayed and after that information investigation and results will be talked about. At last, the consequences of the examination will talked about and furthermore administrative rules will be accounted for. Additionally, the examination likewise gave its restriction and future degree for the following investigations.

**Confirmation Which Showed the Popularity of the IPL**

In India, from the most recent ten years, Indian Premier League has developed as an effective occasion, which assembled the enthusiasm of the national and multi-national organizations and furthermore the onlookers and devotees of the occasion. The leading body of control of India in its yearly report in 2015-2016, has asserted the brand estimation of IPL worth $4.5 billion or INR27000 crore, which was ascertained by valuation evaluation firm Duff and Phelps (BCCI, 2015-16). Brand IPL is one of the quickest developing groups of the world with 20 percent development rate each year. IPL turned into the alluring stage for the publicists and supporters to achieve their objective clients.
and enhance their image esteem. As per a BCCI study of the 2016 IPL, the aggregate reach of the competition regarding viewership was 361 million of every 2016. 15,43,655 onlookers has watched the matches on the diverse grounds and 4,40,000 individuals went by to the fan stops, an activity taken by the BCCI to expand the fan following of the competition in the level 2 urban areas. As indicated by the BCCI, the IPL’s fan following has additionally expanded in the online networking. The development of IPL has 300 percent on twitter, which is speediest as contrast with some other association of the world since 2014. Next is a UEFA champion's class with 239 percent, National Football League (NFL) 125 percent, National Basketball Association (NBA) 99 percent and Malaysian Football League (MFL) 75 percent (Duff and Phelps, 2016). SPNI sold its whole promotion stock before beginning of the ninth period of the IPL, in spite of the expansion of Ad rates about by 15 percent. The prevalence of the brand IPL has seen from that thing that the viewership of (Star India Hotstar which holds web and versatile telecom privileges of IPL) touched to 100 million in the ninth season from 41 million in the eighth period of the IPL. Hotstar viewership was 27 million of every 2014, which was brought to 41 million up in 2015, with an expansion of very nearly 52 percent in the eighth season. This viewership was expanded to almost by 100 million in the ninth season, which was 144 percent more than 2014. In the ninth season, 60 percent watchers got to the matches by means of their PDAs. Three organizations DLF, Pepsi, and Vivo turned into the title supporters of the brand IPL over the most recent ten years. In the initial five seasons, DLF burned through US$50 million every year to wind up the title patron of the IPL. Amid the 6th season, Pepsi supplanted the DLF and turn into the title backer of the brand IPL. The Pepsi burned through US$72 million for the title sponsorship. That was 58 percent more than the past support. Pepsi supported the IPL for a long time and break its concurrence with IPL administering specialist in 2016. In the 2016 season, which was the ninth period of brand IPL, the Chinese portable assembling organization Vivo got the occasion sponsorship title by paying US$100 million every year. This climb was 27 percent more than the last support Pepsi. In India, 9 out of 10 twitter clients are cricketing fans. On the twitter, the Royal Challenger Bangalore group was most specified groups and its chief Viral Kohli was most taken after player. In the ninth period of brand IPL, the Facebook saw 360 million connections on IPL from more than 30 million clients. On the Facebook, the captain of RCB Virat Kohli, was the most talked player and Gujrat Lions was the most talked group. The fanatics of IPL Facebook page was expanded to 18.4 million with an expansion of 2 million fans in the ninth season. The spots site, Cricbuzz.com recorded 30 billion page watchers in the ninth season, which was 40 percent higher than the earlier year. The watchers burned through 24 billion minutes on the site stage for getting the data of the IPL matches. The Cricbuzz has recorded 14 million normal dynamic day by day clients amid the ninth period of brand IPL, which expanded to 19 million in the last match of IPL amongst RCB and SRH. The development of video watchers of the ninth period of IPL was 64 times more than the earlier year 2015 (Duff and Phelps, 2016).

Social Identity Theory

The word distinguishing proof has utilized as a part of games sponsorship in various terms, for example, social or games recognizable proof and group or gathering acknowledgment. As per social personality hypothesis, the general population will consolidated intimately with a few gatherings of the general public (i.e. Games members, hierarchical individuals or political gatherings) in such a way, that the gathering turns into a man's wellspring of self (Tajfel and Turner, 1985). Lee and Ferrieira (2013) utilized social character hypothesis to discover out the association between sports fans and the favored game group or occasion. He found that those fans that recognize the specific group or occasion were exceedingly clung to that squad. The recognizable proof proof with the group or supported substance could
influence emphatically their buy expectations. Funk and James (2001) had given a hypothetical system called psychological continuum model (PCM). The model demonstrated that how the games onlookers and games fans were associated with the games alliances and games groups. PCM show had portrayed person's mental association with the game or group in four stages. To start with, people were getting the mindfulness about the group or the game through social specialists. Subsequent to getting the mindfulness, the people were picking their most loved group or game in view of the distinctive characteristics of the group or game. These convictions made the mental relationship of the person with the game or group. In the event that the association between the individual and the game or group fulfills the social and individual needs of the individual, at that point the individual made the inspirational demeanor towards that game or group and turned into the faithful or submitted devotee of that specific game or group. Agha and Tyler (2016) utilized social personality hypothesis to disclose buyers' passionate associations with support groups and sponsorship issues. The overview found that, buyers who recognize the association as a non-benefit association; joined candidly to that association. That connection impacts their sponsorship-connected buy aims. In another investigation by Wang, Zhan, Byon, Baker and Lu (2016) inspected that those shoppers who recognize the fit between the game and the occasion; they were more pulled in towards the support mark. Their connection towards the support brand could impact their buy goals. Ngan et al. (2011) found that, those buyers’s who were much appended to the group, were less influenced by their execution. Be that as it may, feeble group identifiers were more delicate towards the execution of the group which could influence their buy expectations. An investigation by Doyle, Lock, Funk, Filo and McDonald (2016) analyzed fans people's holding with the group and social acknowledgment of the group as a middle person to discover its effect on buy conduct of the fans. The examination found that fans behavioral goals were decidedly roused when they were sincerely joined with the group and furthermore socially distinguished the group. By utilizing a contextual investigation approach O'Reilly and Harning (2013) endeavored to analyze the significance of utilizing (the exercises lead to advance the sponsorship) for the accomplishment of the sponsorship. The investigation analyzed these inquiries 1. Which are the support's enactment drivers? 2. The best technique for actuation and 3. The amount to spend on actuation to get the best result? The examination gave the outcome in to ventured demonstrate called 'sponsorship enactment system'. Sponsorship enactment process begins with seven actuation drivers, for example, business destinations, assets, office inclusion, vital coordination, special mess, snare safeguard and proof of accomplishment. After actuation of drivers, the center vital business happens. Under the vital choice, the fit or compatibility between the backers is analyzed. Once the fit hosts secured between both the gatherings, real enactment program has begun by incorporating all the showcasing correspondence components and strategies, for example, media scope, setting signage, publicizing and web-based social networking. On the third stage, support's actuation spending investigation gave initiation apportion scope of 1.0 to 7.0 for general enactment and 1.0 to 4.0 for media initiation. These proportions are satisfactory guide for leader. Under it they consider every single sponsorship require. In the last stage, leaders measure or assess the result of their sponsorship bolster program in light of their business, piece of the pie, mark mindfulness and focused position in the market.

**REVIEW OF LITERATURE AND HYPOTHESIS DEVELOPMENT**

**Event Association**

Event association implies the mindfulness or information of the participants about the specific occasion. The fans that knew about the event and furthermore demonstrating the enthusiasm for the
event and its group and players, they likewise invest their energy and cash for watching the diversions, and purchasing the distinctive memorabilia of the group or occasion (Close and Lacey, 2015; Doyle, Pentecost, and Funk, 2014). An investigation by Bachleda, Fakhar and Elouazzani (2015) found that, the fans those were very joined with the game/event can without much of a stretch perceive the event support, frame inspirational state of mind towards the support and increment the support and fulfilment with the support. Wakefield and Bennett (2010) found that the buyers could without much of a stretch recognize the conspicuous and related supporters of the occasion, as a result of the execution of the occasion and the shoppers inclusion in the occasion, which could create the full of feeling force of the person towards the support and that could help them to effectively distinguish the backer of the occasion. An examination by Close and Lacey (2013) exhibited that, where the shopper's had earlier and higher information about the occasion, there exchange of the picture (positive/negative) of the occasion to the support mark was more. It has helped the supports to convey their message in a more noticeable way. Grohs and Reisinger (2014) had examined three distinct develops those have straightforwardly affected the support picture. The primary develop was the picture of the occasion, second was the occasion support fit and third one was the sponsorship presentation. The investigation had reviewed the positive effect of initial two develops on the support picture, yet sponsorship introduction negatively affected it. The investigation likewise found that when observers were very required with the occasion, at that point occasion commercialization had additionally a great effect on the support's picture. Chien, Cornwell and Stokes (2005) gave the hypothetical structure to investigate the impact of numerous sponsorship with which the brand is related on buyer's image assessments and picture exchange process. The investigation gave the outcomes in three phases. On the principal arrange, the picture of the occasion has shaped based on occasion write, for example, sports, music, celebrations and expressive arts or occasion attributes, for example, measure, status, scene and participants. On the second stage, the shoppers have presented to brands different sponsorships, which made the special (first time introduction) and intuitive (earlier presentation exists) impacts. Those impacts will be useful for buyers to assess the effect of brands different sponsorships on brands current occasion support affiliations. The examination additionally gave that the harmoniousness or fit between the occasion picture and the sponsorship portfolio can expands the brand assessments. The explanation for that is the execution of the property, which can create the full of feeling force of the respondents/people towards the support and that can help them too accurately distinguish the patrons of the occasion. Cornwell et al., (2005) offered a model of purchaser cantered sponsorship connected showcasing correspondence that outlines and expands hypothetical comprehension of the sponsorship. The examination found that the buyer cantered sponsorship-connected promoting correspondence display is the first to account the hypothetical advance to date and uniting imperative factors, for example, individual and gathering factors, and market and administration factors, with the point of understanding their effect on sponsorship preparing mechanics and related results. The examination found that all around controlled test thinks about are fundamental to better comprehend handling of sponsorship correspondence boosts. Additionally look into on understood recollections has required understanding sponsorship connected effect on buyer conduct. The examination proposed that future research has required on settling awkwardness by utilizing balance hypothesis, the impact of numerous backers on customers, supports peculiarity, new ways to deal with compatibility, influence learning in sponsorship and specific sponsorship models. Popp and Woratshek (2016) presented the new idea 'marked group' that can be utilized by the organizations for their advertising purposes, by supporting or working those groups. The investigation utilized online study of marked group individuals identified with football to discover the different variables that can prompt the accomplishment of marked groups and furthermore the impact of working or supporting a marked group on the support's image. The examination found that part's ID and
Defining the Frontiers of Global Business Research Across Emerging Countries

contribution about the theme (football) is a significant factor of enthusiasm toward the group. In any case, the investigation didn't discover direct effect of enthusiasm for the theme on unwaveringness towards the group. The examination additionally uncovers that the nature of connection between the individuals from the group affect the individuals steadfastness towards the group, which can again profit the brand that work or support the group. The outcomes additionally demonstrated that group part's mindfulness about the brand as an administrator or supporter of group expands their unwaveringness towards the brand whereby their mindfulness doesn't diminish their devotion towards the group.

**Hypothesis 1:** Attendee’s event association will increase their awareness with the sponsor of the event.

**Event Involvement**

Event involvement contribution implies the fascination and inclusion of the participants towards the occasion. Occasion or games contribution implies the apparent enthusiasm of the buyer in a specific occasion and games (Shank and Beasley, 1998; Zaichkowsky, 1985). In the games sponsorship writing, writers locate the immediate connection between the games inclusion and buy expectations. The diverse terms have been utilized by the distinctive creators to portray the association that watchers or fans have with a game or group, for example, fascination (Hansen and Gauthier, 1989), distinguishing proof (Wann and Branscombe, 1990), steadfastness (Murrell and Dietz, 1992), inclusion (Kerstetter and Kovich, 1997), affiliation (Gladden et al., 1998), significance (Funk and Pastore, 2000), connection (Funk et al., 2000), and duty (Mahony et al., 2000). The scientists have given distinctive meanings of contribution previously. Kerstetter and Kovich (1997) utilize the reasonable meaning of inclusion gave by Havitz and Dimanche, (1990, p. 184) to a mental condition of inspiration, excitement or enthusiasm between an individual and recreational exercises, traveler goals or related types of gear at one period in time, described by the view of the accompanying components: significance, joy esteem, sign qualities, hazard likelihood and hazard outcomes. By applying this definition, they gave association as a multi-dimensional build as gave by Laurent and Kapferer, (1985). The investigation of games writing has demonstrated that, participants/fans, those have profoundly joined with the occasion; frame its positive picture and its sponsors in their brain. Very included fans or buyers effortlessly recognize the sponsors, judge the wellness between the occasion and its patrons and connect occasion's certain picture with its supporters additionally (Beaton, Funk, Ridinger, Jordan, 2011; Bachleda, Fakhar, and Elouazzani, 2015). Beaton, Funk, Ridinger, Jordan (2011) utilized psychological continuum model (PCM) to find out the effect of shoppers sports association on their hedonic, focal, or representative esteems. The examination found that the shoppers inclusion in don turned into an imperative segment of their life when their fascination towards brandish changed to connection and connection changed over to devotion. The buyer's contribution in don gave them hedonic and emblematic esteems. The mental and behavioral aims of the individual customer had additionally affected in light of the game association. In another examination by Ko, Kim, Kim, and Lee (2010) endeavored to research the participants/fans perception and their fulfillment level about the nature of the occasion, those were engaged with the game and furthermore distinguish the game. The examination found that fans, high involvement and distinguishing proof of game, emphatically impact their apparent administration quality and fulfillment level of the occasion when contrasted with low involved fans. An investigation by Bachleda, Fakhar, and Elouazzani (2015) analyzed the immediate effect of games association and roundabout effect of support picture and support mindfulness on sports inclusion buy goal relationship. The investigation found that the support picture had a solid go between that could influence the onlooker's association in the occasion and their buy goals. However, the support mindfulness didn't affect much as a middle person on sports association buy expectation relationship, rather support mindfulness functioned as a
silencer. At the end of the day, those onlookers were associated with the game; they were at that point mindful of the result of the support, which could adversely affect their buy expectations. The investigation found that those observers were associated with the game, they encircled positive picture of the support in their psyche, which could likewise affect their purchasing choice of the support's item. The investigation likewise found the positive connection between the support contribution and customer buy aims of games items.

**Hypothesis 2**: Attendee’s involvement with the event will increase their awareness with the sponsor of the event.

**Sponsor Awareness**

Sponsor/Brand awareness implies that how much the participants/fans know about the brand and the supported item. The games writing bolstered the develop that if the shopper's knew about the specific brand and furthermore found that brand as occasion or group support, that could decidedly influenced their recognition towards that brand (Grohs and Resinger, 2016; Close and Lacey, 2015). An examination by Close and Lacey (2015) utilized support recognition as a variable in their investigation and found that those fans who knew with the brand shared great considerations about the brand which could build the participant's support towards the support's item. In another examination by Herrmann, Kacha and Derbaix (2015) found that when the shopper saw a support, earnest in their sponsorship and not inspired by the business goals, this could build positive reaction towards the support and mien to assess the support's item. Close and Lacey (2013) uncovered that the buyers, those had the information of the supported brand and found the harmoniousness between the occasion and the supported brand, distinguished decidedly the support's corporate social obligation which could impact their dedication towards the brand and their buy aims. Kim, Ko, and James (2011) in their investigation utilized the truthfulness develop as a go between to discover its effect on purchasers saw considering the support's image and furthermore on their behavioural goals. The investigation found that those shoppers saw the patrons a true accomplice of the occasion that could effect on their buy aims. Bachleda, Fakhar, & Elouazzi (2015) analyzed the immediate effect of games association and aberrant effect of support picture and support mindfulness on sports contribution buy goal relationship. The examination found that support picture had a solid go between that could influence the observer's association in the occasion and their buy aims. However, the support mindfulness didn't affect much as an arbiter on sports contribution buy aim relationship, rather support mindfulness functioned as a silencer. At the end of the day, those observers were engaged with the game, they were at that point mindful of the result of the support, which could contrarily affect their buy expectations. The investigation found that those observers were engaged with the game, they surrounded positive picture of the support in their brain, which could likewise affect their purchasing choice of the support's item. The examination likewise found the positive connection between the support contribution and shoppers buy expectations of games items. Cliffe and Motion (2005) in their examination utilized the sponsorship as a methodology to advance the brand. The after-effect of the examination demonstrated that sponsorship was a valuable medium to make the brand alliance and steadfastness among clients and furthermore enhance the brand through utilizing useful and non-utilitarian brand esteem which can accommodating to accomplish a scope of brand goals, for example, expanding brand mindfulness, enhancing brand picture and identity, making a decent brand understanding and increment the brand faithfulness by making enthusiastic availability and generosity with the clients. Close and Lacey (2013) uncovered that the shoppers, those had the learning of the supported brand and found the coinciding between the occasion and the supported brand, saw emphatically the support's corporate social duty which could impact their dedication towards the brand and their buy expectations. In the sponsorship writing, the item
information identified with the shopper's recognition with the supported brand, their experience, skill and use of the supported item. Customer's commonality and information about the support could impact their impression of the supported brand. The exchange of picture from the occasion to the support was more, where the shopper's had earlier and higher information about the occasion and it additionally helped supports to convey their message in more conspicuous way. Garland et al. (2008) analyzed the effect of games sponsorship on respondents/fans mark mindfulness and the impact of mindfulness on fans past buy and future buy goals of supported items. The examination found that those fans or onlookers are engaged with the games likewise mindful about the supported brands however the effect of mindfulness is less on their buy conduct. The investigation uncovers that sponsorship fortifies the current purchaser conduct of surely understood bigger brands which have great picture in the psyches of the clients. At the end of the day, the sponsorship just functions as an indication of products and enterprises of supported brands which the respondents have effectively affirmed and utilized. The examination likewise found that exclusive utilizing sponsorship to impact the respondents or fans isn't a decent system. The utilization of sponsorship with promoting is a decent method to tab the more number of clients. Russell and Bang (2008) exactly tried the observer based brand value (SBBE) demonstrate from the administration imminent by utilizing the 11 develops, 41 things utilized by the Ross et al. (2006) to quantify the group based brand relationship for the expert group and two develops, eight things utilized by the James and Ross (2002) to establish the brand consciousness of the group. The examination utilized CFA method and found that brand affiliation and brand mindfulness are especially important to survey the onlooker based brand value. The examination found that out of the 11 measurements of brand affiliation, the group achievement and group attributes are most imperative measurements of brand affiliation, and group distinguishing proof and group disguise are essential components of brand mindfulness. The investigation likewise gives recommendations to the game administrators that, how they can outline their advertising system, so they can build up the game brand value for the administration merchandise.

**Hypothesis 3**: Attendee’s awareness of the sponsor’s product will positively influence their image about the sponsor's brand.

**Sponsor Image** According to Aaker (1992, pp. 109-110), brand image was “a set of association usually organized in some meaningful way”. Each shopper relates diversely with a specific brand. The affiliation might be based on qualities of the item, their usefulness, exact or particular advantages; and general brand mentality (Keller, 1993). Keller (1993, P.7) additionally said that brand picture will be all the more clear and unequivocal on the off chance that it had kept up and utilized the reliable pictures, for example, logo, hues, endorsers, mottos and so forth. Bachlda et al. (2015), in their examination, placated support image as a solid middle person that could influence the observers' contribution in the occasion and their buy goals. At the end of the day, the onlookers who were associated with the game surrounded a positive picture of the support in their mind which could affect their purchasing choice of the support's item. Wiedmann and Gross (2013) watched an immediate and positive relationship between co-supports pre-presentation picture and central backers post-introduction picture. They additionally found that attitudinal exchange was more on those gatherings of respondents who had discovered high fit between two brands. Lacey, Close and Finney (2010) had inspected, how occasion participants information and appraisal of support as social obligation, impact their dedication and buy purposes. The investigation found that participant's occasion support item learning and their impression of the support's corporate social obligation improved their dedication towards occasion support's and expectations to buy the support's item. Grohs and Reisinger (2014) considered occasion picture, occasion support fit, and sponsorship presentation that straightforwardly affected the picture of the support. The investigation
The Impact of Attendees' Event Association on Sponsor Brand Image: A Case of Indian Premier League

(featured that occasion picture and occasion support fit positively affected support picture, yet sponsorship introduction negatively affected it. It was additionally discovered that when onlookers were profoundly required with the occasion, at that point occasion commercialization had likewise a positive effect on support's picture. Gwinner (1997), in his investigation, has utilized games sponsorship as an instrument to exchange the relationship of the supported occasion to the supporting brand. The examination found that purchasers could change their demeanour towards the supported substance, in the event that they discovered some connection between the occasion and the support. Much the same as Crimmins and Horn (1996), and Quester and Thompson (2001), Grohs, Wagner and Vsetecka (2004) found that sponsorship use and picture exchange were decidedly connected to each other. Their review called attention to that sponsorship use and occasion support fit were prevailing components, which changed the picture of the occasion to the support. Uhrich et al. (2014) endeavoured to look at the effect of CSR connected sponsorship on buyer's discernment toward the support mark, their demeanour toward the brand and the brand believability. The investigation found that CSR connected sponsorship is a decent system to support the item in a marketed occasions. The examination additionally found that CSR message decidedly impact the buyer's discernment towards those support's brands which have modestly low congruity with the occasion. The investigation uncovers that CSR connected sponsorship adds social significance to the sponsorship and furthermore enhances the buyer's discernment toward the brand's believability and their demeanour toward the brand. McCracken's (1989) uncovered that picture exchange moved from the occasion to the support's item and afterward to buyers in their part of observers or members, in the event that they discovered consistency amongst occasion and backers. Floter, Benkenstein and Uhrich (2016) analyzed the viability of three message sources, for example, support, support property and news media to impart the CSR connected sponsorship to buyers. By utilizing the influence learning model, the examination separate the three message sources from their level of influence information enactment, which influences shopper's recognition with respect to CSR connected sponsorship and furthermore their state of mind toward the supporting brand. The investigation found that, news media as a free factor initiates minimum influence learning, bringing about beneficial outcome on the view of supporting brand with respect to support and support property as reliant factors. The investigation uncovers that support and supported property produce higher influence information then news media, which adversely affect on buyer's impression of supporting brand. The examination additionally found that influence learning initiation and brand's CSR discernment in a roundabout way affect as arbiter to exchange the effect of message sources to customer's disposition towards the supporting brand.

Hypothesis 4: Attendee’s image about sponsor’s product will positively influence their intentions to purchase the sponsor’s brand.

Purchase Intention

Under behavioural result, scientists endeavoured to realize that, how the games sponsorship could impact the buy choices of the purchasers or fans. Analysts constantly attempted to discover the concealed intentions and responsibilities behind the games purchaser's or fans, that urge them to purchase the result of specific organization or association. Kim, James and Kim (2013), with the assistance of a model, attempted to explore that games shoppers' purchasing choices were on the whole controlled by their intentions (i.e. hedonic, mental and societal) and responsibilities (i.e. full of feeling, duration and standardizing). In this manner, one might say that diverse thought processes could influence the games shoppers' responsibilities regarding buy a specific item. Further, the investigation led by Herrmann, Kacha and Derbaix (2015) built up a positive connection between's the support's
Defining the Frontiers of Global Business Research Across Emerging Countries

limited time exercises, the purchasers' connection with the supported item and their behavioural aims. The examination found that support's utilizing exercises identified with the sponsorship could build the consciousness of the shoppers or fans about the supported substance which left a positive effect on their buy goals. Yoshida, James, Cronin (2013), in their examination, utilized six measurements, viz. execution of the player, the sort of access they are getting in the field aware access, the utilization of innovation, nature, fan gathering and dedication program to discover the game occasion imaginativeness and its effect on buyers' behavioural goals by contemplating their fulfilment and brand value as a middle person. The examination found that out of these six measurements player execution, conscious access, tasteful condition and unwaveringness program greater affected general game occasion creativity; and their effect was more on youthful shoppers as opposed to more seasoned buyers. Be that as it may, there was no immediate effect of game occasion ingenuity on purchasers' behavioural aims; however it emphatically influenced the buyer fulfilment and brand value. The investigation additionally gave that customers' behavioural goals were more affected by their fulfilment than mark value of the item. Kim, Ko, and James (2011) in their investigation analyzed the effect of relationship quality (the mental association between the game fans and a group) as far as four unique builds, for example, (confide in, duty, self-association, and correspondence) on shoppers state of mind towards support item and their buy expectations. The examination likewise utilized the truthfulness develop as a go between to discover its effect on purchasers saw pondering the support and its effect on their behavioural expectations. The examination found the positive effect of relationship quality on shopper's demeanour towards the support's image and furthermore their buy goals. The investigation additionally found that those shoppers saw the backers a true accomplice of the occasion that could profit the supporting brand buy expectations. Lee and Ferreira (2013) analyzed the effect of game/cause fit on purchaser's state of mind toward cause related game showcasing and buy aims. The investigation likewise inspected the immediate and directing effect of group distinguishing proof and authoritative ID on buyer mentality towards cause related game advertising (CRSM) and buy goals. The investigation found that the customers have indicated inspirational mentality towards CRSM when they saw a program as high fit between a game and a reason. The respondents additionally found the inspirational demeanour towards CRSM, when they recognized the association as cause advertiser. In the examination, group recognizable proof and cause hierarchical ID assumes the directing part successfully between the game/cause fit and mentality towards CRSM, however the investigation rejects the immediate effect of group ID on shopper state of mind towards CRSM. At last, the investigation found that the customers inspirational demeanour towards CRSM decidedly affect their buy goals.

RESEARCH METHODOLOGY

Scale Measure

The diverse scales of the examination have measure with the assistance of Likert scale and semantic differential scale. Since all scales have selected from the past investigations, so to meet the prerequisite of the examination, slight changes have been done in the constructs.

1. To measure event association, and sponsor awareness, the two-items, seven-point Likert scale was taken from Doyle, Pentecost and Funk (2014).
2. To measure event involvement, the five-items, seven-point Likert scale was adapted from Grohs and Reisinger (2014) earlier used by Laurent and Kapferer (1985) and Zaichkowsky (1985).
3. Sponsor image was assessed on five-items, seven point Semantic differential scales adapted from Grohs and Reisinger (2014).
4. The purchase intention was measured through three-items, seven-point semantic differential scale captured from Barbara, Lafferty, Goldsmith and Newell, (2002).

Data Collection

The investigation was directed amid the ninth period of Indian Premier League (IPL), which had begun from 9th April, 2017 and finished 29th May, 2016. The information of the examination was drawn utilizing the stratified random sampling procedure. The information had gathered from the attendees’ of the Wankhede Stadium, Mumbai, which were available on the ground at that time. This method was utilized in light of the fact that it was unrealistic to cover every one of the respondents; those were perched on the ground. Giving to the cost of ticket differential, all the stadiums had been part into pieces. Along these lines, we had separated the respondents as per their sitting arrangement. Group of eight specialists had circulated 600 questionnaires to the respondents of the occasion, who were sitting in the stadium to watch the match. Of the aggregate disseminate surveys, 243 polls were disposed of because of the invalid reaction of the respondents. An aggregate of 357 reactions were taken for the examination.

DATA ANALYSIS AND RESULTS

Sample Profile

Heterogeneity was set apart in the 357 example respondents under statistic profile. For the most part (68 percent) respondents were male. 47 percent of respondents were have a place with 18-28 years of age, with another (27 percent) were running from 28 to 38 years of age, (15 percent) were going between 38 to 48 years of age and (11 percent) were extending from 48 to 58. Investigation had demonstrated a distinction in family unit wage with (44 percent) respondents were win under Rs1,50000 every year, (42 percent) gain between Rs1,50000-500000 and (14 percent) were acquire more noteworthy than Rs5,00000. 35 percent respondents were effectively play the cricket, 20 % respondents sporadically plays the cricket and 45% respondents simply watch the cricket.

Exploratory Factor Analysis

Right off the bat, the information was investigated with exploratory factor analysis (EFA) by receiving principal investigation and varimax rotation technique (Hair, Black, Babin, and Anderson, 2010). For inspected the examining sufficiency the Bartlett's test of Sphericity (p<.01) and Kaiser- Meyer-Olkin (KMO=.85) was utilized. In the model, five elements were related to the assistance of primary part lattice, which had eigenvalue equivalent to or more prominent than 1 with 77.25% fluctuation clarified (Kaiser, 1960). The varimax rotation system was utilized to turn the removed variables. In this way, five variables were resolved with 17 things held. These elements were named event association (.78 to .84), event involvement (.80 to .87), sponsor awareness (.86 to .95), sponsor image (.74 to .84), and purchase intention (.89 to .94). At long last, the choice about the elements and things were gone up against the accompanying premise:-

1. The elements had an eigenvalue equivalent to or bigger than 1.0.
2. The things with factor stacking more noteworthy than 5.0 were held and no cross loadings were watched.
3. The components and things were interpretable.
4. The components had no less than two things.
Confirmatory Factor Analysis

Figure 1. EA = Event Association, EINV = Event Involvement, SA = Sponsor Awareness, SI = Sponsor Image, PI = Purchase Intention

Measurement Model

The confirmatory factor analysis was used to measure the model fit. The parsimonious fit index of the model is $\chi^2/df = 3.488$ which was under the approved perimeter of 5 (Kline, 2011). The comparative fit index (CFI) was .932, the Tucker Lewis index (TLI) was .915, the incremental fit index (IFI) was .932, and normed fit index (NFI) was .908. Thus, all were over the proposed cut off of 0.9 (Hu and Bentler, 1999). The root mean square error of approximation (RMSEA), which designates the amount of error in the model, is .84 which was near to the cut-off of 0.08 (Bentler, 1990; Bentler and Bonett, 1980). All the values had shown that the model entitled an adequate fit to the data.
Structure Equation Model

Structural equation modelling technique was used to test the hypothesized relationship between the constructs. The statistical software Amos 21.0 was used to test the structural equation model.

Table 1. (a): Descriptive Statistics

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Mean</th>
<th>SD</th>
<th>Range of standardized loadings</th>
<th>CR</th>
<th>Cronbach alpha</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>EA</td>
<td>4.83</td>
<td>1.95</td>
<td>.75 - .82</td>
<td>.79</td>
<td>.76</td>
<td>.67</td>
</tr>
<tr>
<td>EINV</td>
<td>15.53</td>
<td>6.16</td>
<td>.79 - .86</td>
<td>.83</td>
<td>.91</td>
<td>.65</td>
</tr>
<tr>
<td>SA</td>
<td>5.73</td>
<td>2.56</td>
<td>.82 - .95</td>
<td>.90</td>
<td>.87</td>
<td>.82</td>
</tr>
<tr>
<td>SI</td>
<td>13.26</td>
<td>5.63</td>
<td>.71 - .82</td>
<td>.91</td>
<td>.88</td>
<td>.65</td>
</tr>
<tr>
<td>PI</td>
<td>9.07</td>
<td>4.14</td>
<td>.88 - .93</td>
<td>.95</td>
<td>.93</td>
<td>.86</td>
</tr>
</tbody>
</table>

Table1a. EA= Event Association, EINV= Event Involvement, SA= Sponsor Awareness, SI= Sponsor Image, PI= Purchase Intention, SD= Standard Deviation, CR= composite reliability, AVE= Average variance extracted.

The model has a chi-square value of 384.858 df = 114 and P=0.000. An examination of the Comparative fit index (CFI=.932), Tucker Lewis Index (TLI=.919), Incremental fit index (IFI=.932), Normed fit index (NFI=.907), Parsimonious fit index (3.376) and the Root mean square error of approximation (RMSEA= 0.082) provide evidence for acceptable fit (Bentler, 1990).
Table 1 (b): Correlation among Constructs

<table>
<thead>
<tr>
<th>Constructs</th>
<th>EA</th>
<th>EINV</th>
<th>SA</th>
<th>SI</th>
<th>PI</th>
</tr>
</thead>
<tbody>
<tr>
<td>EA</td>
<td>.83</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EINV</td>
<td>.58</td>
<td>.82</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SA</td>
<td>.58</td>
<td>.53</td>
<td>.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SI</td>
<td>.11</td>
<td>.11</td>
<td>.23</td>
<td>.81</td>
<td></td>
</tr>
<tr>
<td>PI</td>
<td>.09</td>
<td>.08</td>
<td>.16</td>
<td>.76</td>
<td>.93</td>
</tr>
</tbody>
</table>

Table 1b. Off-diagonal values were inter-construct correlations and on-diagonal values were √AVEs. All correlations were significant at p < 0.01

Reliability and Validity

The examination has estimated the convergent and discriminant legitimacy of the model. Convergent validity has surveyed by estimating the average variance extract (AVE), Cronbach's Alpha, and Composite Reliability (CR). All the institutionalized stacking of the constructs were more than the recommended furthest reaches of 0.50 (Bagozzi and Yi, 1988). The estimations of the Composite reliability (CR) were higher than the point of confinement of 0.70 (Nunnally and Bernstein, 1994) (see Table 1a). With the utilization of cronbach alpha, the unwavering quality of the constructs was estimated, which ranged from 0.78 (event association) to 0.94 (purchase intention). That demonstrated the great unwavering quality of the constructs. Discriminant validity (see Table 1b) was surveyed through the average variance extract (AVE) for each inactive variable incorporated into the model, which ought to be more prominent than the inter-construct correlation estimate (Fornwel and Larcker, 1981). The information of Table 1a and b demonstrates that these prerequisites had been met.

Table 2. Goodness of Fit Indexes and Hypotheses

<table>
<thead>
<tr>
<th>Goodness of Fit</th>
<th>Hypothesis</th>
<th>Relationship</th>
<th>Standardized Regression Weight</th>
<th>T-value</th>
<th>Accepted/Rejected vs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>X²/df = 3.858</td>
<td>H1</td>
<td>EA → SA</td>
<td>.468**</td>
<td>6.50</td>
<td>Accepted</td>
</tr>
<tr>
<td>CFI = .932</td>
<td>H2</td>
<td>EINV → SA</td>
<td>.222***</td>
<td>3.50</td>
<td>Accepted</td>
</tr>
<tr>
<td>TLI = .919</td>
<td>H3</td>
<td>SA → SI</td>
<td>.187**</td>
<td>3.07</td>
<td>Accepted</td>
</tr>
<tr>
<td>IFI = .932</td>
<td>H4</td>
<td>SI → PI</td>
<td>.648***</td>
<td>10.64</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Table 2. *** indicates p = 0.000, ** indicates p = 0.002,

RESULTS

With the use of the Amos 21 software, the study has used the structural equation modelling technique to examine all the hypotheses H1-H4 of the proposed model. The results of the study have
shown in Table 2. Event association H1 (β = .468, p = .000), and event involvement H2 (β = .222, p = .000), has a positive effect on sponsor awareness. It means that the attendees’ those have associate with the event also have the knowledge about the sponsor of the event. Attendee’s knowledge about the event sponsor also impacts positively their thinking about the image of the sponsor brand H3 (β = .187, p = .002). The attendee’s positive image towards the sponsor’s brand impacts positively on their purchase intention H4 (β = .648, p = 000).

**THEORETICAL CONTRIBUTION**

In the present examination with the utilization of the builds occasion commonality and occasion inclusion, analysts attempted to determine the participants' learning about the support brand and how they see the patron of the occasion. Since in the hierarchical perspective it is vital to know, how the buyers, participants’, or fans see the patron of the occasion. What sort of picture of support is there in the psyches of the participants’? Participants' will buy the results of the supporters those are supporting the occasion? To discover the reaction of the participants' about the support mark, it is additionally critical to realize that how the participants' see the event. The amount they know about the event and the amount they are included with the event. They are viewing the event for the excitement purposes, or to invest some energy with their companions or to lessen the strain of their work stack? Or on the other hand they are viewing the occasion in light of the fact that their most loved team is playing in the event or their most loved players are playing in the occasion. In this investigation, with the improvement of a model, we attempted to quantify the circumstances and end results connection between the participants' event association and involvement on their sponsor awareness and image and also their behavioural intentions. This investigation bolsters the discoveries of Lacey et al. (2010) and Herrmann, Kacha and Derbaix (2015) that, those participants have acquainted with an occasion; frame inspirational mentality towards the support and this can likewise impact their behavioural aims. In the principal speculation, think about found the positive connection between the occasion recognition and support commonality. That is to say, those participants have the learning of the occasion (IPL), they additionally particularly mindful about the support (VIVO) of the occasion. In the second hypothesis, the examination found the positive connection between the participant’s occasion contribution and the nature of support mark. At the end of the day, very included participants’ of an occasion perceived the round of cricket as well as apparent decidedly the sponsor of an occasion.

The results of the third hypothesis underpins the discoveries of Close and Lacey (2013) that participants' support recognition assumed an essential part in deciding sponsors ID and support's picture. The participant's sure emotions towards the occasion actuate or upgrade their intellectual preparing of support's image, which could likewise enhance their support picture. The investigation additionally found that, when the participants framed the positive connection between the occasion and the support, at that point this could influence their support picture, which could emphatically impact their buy aims.

In the forward speculation think about found the positive connection between the support pictures and buy expectation. This demonstrates participants' are watching the match as a result of their adoration and friendship with the session of cricket and they see IPL an energizing occasion. The recognizable proof and connection of the participants' about the occasion likewise increment their insight about the supporter of the amusement and it decidedly impacts their buy aims.
MANAGERIAL IMPLICATIONS

The discoveries of the present examination expand the capacity of the directors to build up the effective exercises identified with the sponsorship. The investigation offers the valuable musings to the occasion/mark supervisors to outline and execute their sponsorship exercises adequately. The results of the investigation gives positive signs to the game directors that on the off chance that they need to completely use their sponsorship ventures they need to know the connection between the participants of the occasion and their support acknowledgment. Since participants high association with an occasion can exchange the positive picture of the occasion to the support's picture. At the end of the day, from the administrative perspective, it was vital to know the impression of their objective market about the occasion, so the firm could utilize the positive picture of the occasion to accomplish their image situating objectives. The other administrative ramifications of the investigation manage the comprehension of occasion supervisor's learning about the diverse factors that influenced the participant's occasion affiliation and their image information. These factors are participant's numbers in the objective market, and the measure of the TV viewership. Since with the learning of these factors, mark administrators comprehend the participant’s inclusion and distinguishing proof of the occasion and this would be useful for them to set up or fortify the connection between the occasion and the patrons. At last, the supervisors need to arrange their showcasing systems with the occasion sponsorship to change over the participant's sure picture of the occasion to their own particular image and furthermore impact their behavioural expectations. The consequences of the different investigations demonstrated that the buy conduct was sure of the high include occasion participants' as contrast with the low include participants' (Groh and Reisinger, 2014).

LIMITATIONS OF THE STUDY

The limitation of the study was its focus on the Indian premier league (IPL) sport market and its data, which was taken only from the attendees of the one team (MI) out of the eight teams. The other limitation was the use of only sport spectators of the event. Because of this, the results of the study were not applicable to the other type of sponsorships such as art or charitable events. Like every single other investigation, this examination is additionally subjected to specific confines. The mode created by this examination depends on the builds taken from various research papers. In spite of the fact that the model was tried with corroborative factor investigation and structure condition demonstrating system, and its unwavering quality and legitimacy was likewise evaluated, yet it should be refined later on explore contemplates. Aside from it, the ebb and flow think about has utilized just games backer for the exploration purposes, which was a piece of the game occasion. Thus, the consequences of this examination can't be made appropriate to different sorts of sponsorships, for example, expressions or altruistic occasions.

FUTURE RESEARCH

This study used social identity theory to find out the impact of attendees event involvement on their sponsor image. But in future, the researchers used other theories such as congruity theory, attribution theory and used different constructs in the controlled environment to find the attendees transfer of association from the event to the sponsor. In this examination think about, a few territories identified with sports sponsorship have been considered. The examination has investigated the ideas of group relationship to see how participants can recognize their most loved group, and how the
The Impact of Attendees' Event Association on Sponsor Brand Image: A Case of Indian Premier League compatibility between the group and the support's item impacts their image picture and behavioural goals. Yet at the same time, there is sufficient degree to investigate some different factors which can influence the participants' group affiliation and its connection with their buy aims. The future examinations may have their emphasis on finding the effect of high and low distinguished fans in connection to their relationship with the group and the occasion, and its impact on their image picture and buy expectations.

REFERENCES


APPENDIX A. MEASURES

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Questionnaire Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Event Association (Strongly disagree 1 to Strongly agree 7)</td>
<td>EF 1. I am very familiar with the IPL event.</td>
</tr>
<tr>
<td></td>
<td>EF 2. I can easily recognize the IPL event.</td>
</tr>
<tr>
<td>Event Involvement (Strongly disagree 1 to Strongly agree 7)</td>
<td>EINV 1. The IPL event is important to me.</td>
</tr>
<tr>
<td></td>
<td>EINV 2. I like to engage with the event IPL.</td>
</tr>
<tr>
<td></td>
<td>EINV 3. IPL event means a lot to me.</td>
</tr>
<tr>
<td></td>
<td>EINV 4. I am very interested in IPL event.</td>
</tr>
<tr>
<td></td>
<td>EINV 5. For me, IPL is exiting.</td>
</tr>
<tr>
<td>Sponsor Awareness (Strongly disagree 1 to Strongly agree 7)</td>
<td>SF 1. I am very aware of the sponsor of the event.</td>
</tr>
<tr>
<td></td>
<td>SF 2. I can easily recognize the sponsor of the event.</td>
</tr>
<tr>
<td>Sponsor Image (1 to 7 Likert Scale)</td>
<td>SI 1. Passive ------ Active</td>
</tr>
<tr>
<td></td>
<td>SI 2. Colorless ------- Colorful</td>
</tr>
<tr>
<td></td>
<td>SI 3. Uncool ------- Cool</td>
</tr>
<tr>
<td></td>
<td>SI 4. Outdated ------- Trendy</td>
</tr>
<tr>
<td></td>
<td>SI 5. Mature ------- Youthful</td>
</tr>
<tr>
<td>Purchase Intension (1 to 7 Likert Scale)</td>
<td>PI 1. Unfavourable ------- Favourous</td>
</tr>
<tr>
<td></td>
<td>PI 2. Good ------- Bad</td>
</tr>
<tr>
<td></td>
<td>PI 3. Unpleasant ------- Pleasant</td>
</tr>
</tbody>
</table>
ABSTRACT

The aim of this paper was to analyze media and education focusing on domestic tourist’s perspective. The paper specifically analyzed the relationship between media content and the education levels of domestic tourists. The study area is Udzungwa, Ruaha and Kitulo national parks located, in Tanzania. A quantitative approach was used with semi-structured questionnaires applied to a sample size of 315. Descriptive statistics, the Chi-square test, Phi and Cramer’s V were applied as tools of analysis. The results revealed that there is a statistically significant relationship between media content and the education levels of domestic tourists. The outcome of this study can assist stakeholders and business entities in the tourism sector to improve content related to television when conveying information about attractions to domestic tourists. The selected media for this study was TV. Future researchers can explore social media content and the education levels of domestic tourists. 

Keywords: media, education, domestic tourists
INTRODUCTION

Tourism in Africa has been growing steadily. In 2016, international tourist arrivals increased by 8% for Africa (UNWTO, 2016). The share of international tourist arrivals rose from 13 million to 22.6 million for the Southern Africa Development Community (SADC) member states (Makochekanwa, 2013). Although tourism is growing in Africa there are challenges—notably, inadequate funding for marketing (Ipara, 2017). In marketing, tourism attractions to tourists, various media are used such as television (TV), social media and radio. Other studies in Africa have mentioned TV, social media and radio in tourism (Barake, 2011; Mungai, 2011; Muratha, 2013; Jani, 2016; Ogutu et al., 2017). However, none of these studies on tourism in Africa have looked at media and education focusing on the domestic tourist’s perspective.

Mungai (2011) mentioned that there are several factors affecting tourism for developing countries and these include security, investment in infrastructure, a tendency to depend on seasons and economic recessions. For instance, investment in infrastructure requires the maintenance and increase of infrastructure so that the tourism industry can ensure goods and services are delivered (Mungai, 2011). In Tanzania, tourism development faces numerous challenges, including promotion, marketing, infrastructure, funds and inadequate use of media (Anderson, 2010; Lwoga, 2011; Mariki et al., 2011; Macha et al., 2014; Macha, 2016).

Another constraint on tourism in Africa is limited research, particularly in the services industry, due to insufficient data (UNCTAD, 2016). Hogarth (2013) conducted a study in South Korea with a focus on TV drama and content. Therefore, there is a need for more research in order for business entities like tour operators to benefit from tourism activities. Furthermore, a recent study mentioned that domestic tourism is less researched in Africa (Stone & Nyaupane, 2017).

Media is used for advertising in tourism. In tourism marketing, advertising uses different forms of media, such as the internet, newspapers, radio and TV (Mungai, 2011; Muratha, 2011; Tuclea & Nistoreanu, 2011; Kim & Wang, 2012; Hu, 2013; Saleh & Farahbakhsh, 2014; Lee, 2015; Waade, 2016; Haney, 2016; Zhang & Shan, 2016). Although these studies in tourism looked at TV as a media outlet for advertising, the research studies were not based on the perspective of domestic tourists in Tanzania. TV is also used in Tanzania by the Ministry of Natural Resources and Tourism (MNRT) as well as the Tanzania Tourist Board (TTB) and Tanzania National Parks (TANAPA) for advertising in tourism (Mkwizu, 2017a, 2017b). Tanzania has abundant tourism resources and currently there are 16 national parks (Owusu, 2013; TANAPA 2015), hence advertising of these national parks to domestic tourists is crucial in order to attract more visitors to national parks.

On the other hand, various studies have used education to highlight the demographic characteristics of the sampled respondents (Mariki et al., 2011; Philemon, 2012; Park et al., 2013; Ajake, 2015; Anderson, 2015; Koki & Togoch, 2017; Lubogoyi et al., 2017; Kandala et al., 2017). Philemon (2012) did a study in Tanzania on motivation to visit national parks and the focus was on university students. Mariki et al. (2011) conducted a tourism-related research in northern Tanzania and a majority of respondents had secondary education. Although education in relation to tourism has been mentioned in previous studies, there is a need for updated data to obtain such information pertaining to domestic tourism.
Domestic tourists visiting national parks are low in numbers (Stone & Nyaupane, 2017). A recent study recommended that more effort is required so that domestic tourists travel often particularly during the low season (Cheloti-Mapelu, 2017). Previous studies, such as Callixte (2013), mentioned that domestic tourism can be considered an alternative engine for economic development. Subsequently, Macha et al. (2014) conducted a study in Tanzania on tourism and indicated that domestic tourism can be used as a tool for promoting national tourism. Domestic tourists account for 40.5% of total visitors to national parks in Tanzania (Mkwizu, 2017a). However, further efforts in terms of promotion and marketing are required to increase the visitation numbers to national parks in order to boost domestic tourism. Mungai (2011) referred to domestic tourism as people living in a particular country who go on long or short holidays as well as day trips in their own country.

In addition, Stone and Nyaupane (2017) emphasized that domestic tourism has been an area of limited research. Mkwizu (2016b) mentioned that tourism is one of the major contributors to the Gross Domestic Product (GDP) of Tanzania. The tourism key figures in Tanzania show that tourism contributed 18% of GDP and 9.5% of total investments, and provided 10.9% of total employment (Anderson & Nicodemus, 2015). However, there are limited studies on media and education in the tourism industry in Tanzania, which faces significant challenges in the promotion of domestic tourism. Therefore, to bridge the knowledge gap, this study aims to conduct on media and education focusing on the perspective of domestic tourists. Furthermore, the specific objective of this study is to establish the relationship between media content and education levels among domestic tourists visiting national parks.

LITERATURE REVIEW

Media

Media such as TV, radio or social media is documented in various studies (Mungai, 2011; Kim, 2011; Dehnavi et al., 2012; Oh & Lee, 2013; Spencer, 2013; Lee, 2015; Mkwizu, 2017a). Although media such as radio and social media are used for the purpose of informing customers about products and services, recent studies show that TV is still widely used and researched (Bloch, 2011; Spencer, 2013; Bloch et al., 2016; Bost et al., 2017; Mahmoudi & Parsi, 2017; Mkwizu, 2017a: Terzidou et al., 2018). In the study by Spencer (2013), the research in USA involved TV channels, and specifically intra-destination television advertising to determine its effectiveness in informing Dakota attractions to the tourists. Recently, Mkwizu (2017a) also mentioned TV in researching media and income of domestic tourists visiting Udzungwa National Park in Tanzania. Terzidou et al. (2018) conducted a research in Greece, and the study explored the role of TV news in religious tourists’ destination image, choice and on-site experience. In tourism, business entities like tour operators use TV to advertise information to tourists on tourism sites. This information has content which enables tourists to find TV useful—for for example, contact information. For purposes of this study, ‘media’ refers to ‘television’.

Education

Education as a demographic characteristic has been researched in previous studies (Muratha, 2011; Park et al., 2013; Cristina, 2013; Anderson, 2015; Philemon & Kessy, 2015; Mbura & Bambaganya, 2015; Matama, 2016; Mkwizu et al., 2017). Cristina (2013) conducted a study in Bucharest, Romania, and found that majority of the sampled respondents had secondary education
and did not watch TV advertising. On the other hand, Mbura and Bambaganya (2015) did an analysis on education levels of business development services providers and found that 78.4% of the respondents had advanced diplomas and bachelor degrees. Similarly Matama (2016) analyzed education and small business’ financial worth. In various studies, education is categorized as primary, secondary, college and university (Achieng et al., 2017; Mkwizu et al., 2017). In addition, a study by Kandala et al. (2017) conducted in India on network marketing companies also used demographic variables which included education and found that distributors’ characteristics along the demographic variables were different. For the purposes of this study, education categories comprise of primary, secondary, college and university.

Empirical Literature Review

A number of studies have examined issues relating to TV (Hossain & Ahmed, 2012; Khuong & Nyugen, 2015). Hossain and Ahmed (2012) used the Chi-square test and the results show that a majority of the respondents (71.74%) found Bangladesh TV advertising not informative and hence not satisfactory. Recently, another study on TV advertising by Khuong and Nyugen (2015), conducted in Vietnam, used a descriptive statistical approach and found that a majority of the respondents were bachelor graduates.

More research from around the world on TV as a media in tourism has been documented by various scholars (Tuclea & Nistorenau, 2011; Dehnavi et al., 2012; Kim & Wang, 2012; Oh & Lee, 2013; Salehi & Farahbakhsh, 2014). Tuclea and Nistorenau (2011) were interested in how TV programs can promote tourism and increase the competitiveness of tourist destinations. Tuclea and Nistorenau (2011) conducted a study in Romania and applied secondary data analysis, the findings of which showed that favorable images of a destination will ensure that it has a better chance of being selected as a destination choice.

Kim and Wang (2012) found that the Korean TV drama was the driver for tourists from China, Japan, Taiwan and Thailand to visit South Korea. The study by Kim and Wang (2012) provided insights into the relationship between media and tourism; it also showed that new markets for Korean TV drama are countries such as Brazil, Jordan, Mexico, Mongolia, Russia, Tanzania and Turkey. Further findings in the study by Kim and Wang (2012) indicated that a majority of respondents (62.4%) had attained an undergraduate degree, and the use of multiple regression analysis revealed a significant relationship between media exposure to TV drama and audience involvement. This study also uses a similar approach to research on media but using TV.

Salehi and Farahbakhsh (2014) conducted further research on media by looking at tourism advertisement management and effective tools for the tourism industry: media assists in expanding the tourism industry, and the findings of the study revealed that TV, internet advertising and brochures are among the effective tools for promotional strategies in Iran (Salehi & Farahbakhsh, 2014). Another researcher conducted a study on television from the perspective of pop music in South Korea and found that fans are moving from television to YouTube and other Korean social media sites (Oh & Lee, 2013). However, in this study the focus is on television as a media, but from the perspective of domestic tourists.
In Canada, television has also been investigated from an economic perspective. The research, which was conducted in Canada by Nordicity, looked at the contribution of the film and television sector in terms of its spillover economic effects to other sectors like tourism (Nordicity, 2013). The report found that in 2011 the distribution of film and television content contributed to a total revenue of USD 1.8 billion and almost USD 10 billion of the GDP in Canada. Thus, this contribution had an impact on film-induced tourism, whereby tourists—mostly from the US—visit Canadian locations which they have seen on film or television programs (Nordicity, 2013).

While Nordicity (2013) investigated television from an economic perspective, Lee (2015) conducted a study in South Korea for the purpose of examining TV satisfaction and intentions to revisit places using the path analysis approach. The initial findings showed that the majority of respondents (72.2%) were college graduates, and additional findings indicated that there is a connection (p=.000) between TV drama satisfaction and consumers’ intentions to revisit places (Lee, 2015).

The use of television as media in tourism varies between countries. For example, a research study conducted in Sweden and Denmark was based on landscapes depicted on television (Waade, 2016). The conclusion of the study indicated that quality TV drama series are created by competent producers who do not consider tourism in terms of screen tourism (Waade, 2016). The study by Waade (2016), on the other hand, looked at TV landscapes. This study, by contrast, focused on TV as media from the perspective of domestic tourists visiting national parks.

In advancing studies on television as media, there has been a link between the concepts of reality, television and tourism. A study by Haney (2016) examined reality television tourism; the expansion and popularity of reality TV programs inspired Haney to conduct a study in the US. Haney (2016) was concerned with motivations for reality TV programs, specifically the motivation factors and benefits identified by tourists visiting locations seen on reality TV programs.

TV programs have also been used by tourists to construct immersive experiences (St-James et al., 2018). The interest was to understand the role of TV programs in tourist experiences beyond the trip itself (St-James et al., 2018). Thomas (2012) investigated early television advertising in Kazakhstan, and the focus of the study was on the early history and development of television industry. The study applied the personal interview approach to obtain the research information which revealed that advertising represented 45% of TV station revenue (Thomas, 2012). Although the study by Thomas (2012) did a research on TV, the literature is limited to the history and development of television and very little information related to tourism.

Lin and Chen (2016) have done a study in Taiwan at Kenting National Park by examining travel information resources, destination images and behavioral intention among college students. The statistical analysis employed both exploratory factor analysis and multiple regression analysis. The findings of the study indicated that sources of information among college students ranked friends and family as number one, and this was followed by social media while TV was ranked number 3 (Lin & Chen, 2016). For the TV results, the third ranking showed that it was TV travel program introduction that was used as a tourist information source among college students (Lin & Chen, 2016).
Sun (2013) looked at TV in tourism but from the perspective of celebrity endorsement in China. The study examined relationships between celebrities’ characteristics and cultural values using a content analysis approach (Sun, 2013). The findings showed that Chinese celebrity endorsers are mostly associated with values of quality, success, beauty and enjoyment. While the study by Sun (2013) is interested in celebrity, this current study focuses on domestic tourists.

Media and tourism is also documented in a study by Yapparova (2013). Yapparova did the study in Finland, and the research was mainly on the best media for advertising local tourism among the Russian tourists. A quantitative approach was used as a methodological justification to obtain data from the Russian tourists. The findings from the graph presentation indicated that broadcast TV was not the best media by the respondents since it was given the lowest value of 4.49% compared to internet which scored the highest value of 73.03% (Yapparova, 2013). Therefore, the study by Yapparova (2013) showed that the most popular and best media channel for advertising local tourism among Russian tourists is internet, and the lowest is broadcast TV. Again, from the literature by Yapparova (2013), the focus is on media and tourists whilst this study concentrates on media and education among domestic tourists.

Park (2015) explored the impact of different types of media on tourists’ behavioral intentions. The study specifically examined the different types of media which affected tourists’ decision when selecting a destination. The research by Park (2015) was conducted in the USA, and the choice of tool for analysis was Multivariate Analysis of Variance (MANOVA). The different types of media used in the study included TV, and the findings indicated that TV ranked number five while social media scored number one and internet was number two (Park, 2015).

In India, a research on the role of media in promoting sustainable tourism was carried out by Puja and Amit (2016). The exploratory study considered information and message as source of knowledge that impact attitude to access resources available through mass media which include TV. Puja and Amit (2016) utilized both quantitative and qualitative methods to study media and tourism. Cross tabulation and thematic analyzes were used to analyze the collected data that revealed findings of TV as the preferred media by local residents while Facebook was the media preference for domestic tourists as well as foreign tourists. Further findings of the study indicated that local residents were more aware of promotional campaigns compared to domestic and foreign tourists (Puja & Amit, 2016).

The use of television as a media in tourism is also seen in African countries; numerous researchers in Africa have investigated television in regard to tourism (Barake, 2011; Mungai, 2011; Ajake, 2015). Mungai (2011) carried out a study on tourism in Kenya and, through a score analysis, discovered that TV had the lowest score, 3, compared to trade fairs and exhibitions, which scored 4.8 as sources of information. Ajake (2015) did a study in Nigeria and examined the influence of marketing strategies on tourists’ choice of a destination. The results of the study revealed that most of the respondents (86%) were aware of attractions due to the marketing strategies employed in Nigeria, which included the use of TV (Ajake, 2015).

Another study from Africa on media in tourism is by Ayalew (2016). Ayalew conducted a case study in Ethiopia by analyzing the role of media in tourism promotion. The methodology approach was both quantitative and qualitative for purposes of understanding tourism promotion in Ethiopia. The ranking analysis results showed that TV was number eight and the highest ranking was internet,
followed by relatives and friends (Ayalew, 2016). Hence television as media in tourism promotion is not significant in Ethiopia.

In Tanzania, a similar study by Mariki et al. (2011) found that a majority of respondents with secondary education (37.9%) used TV as a source of information. Although these studies have investigated TV-related issues within and outside Tanzania (Mariki et al., 2011; Hossain & Ahmed, 2012; Khuong & Nyugen, 2015, Mkwizu, 2016), the focus was not on media and education with regard to domestic tourists’ perspective. Therefore, in analyzing media and the education of domestic tourists, this study specifically analyzes the relationship between media content and the education levels of domestic tourists in Tanzania.

THEORETICAL FRAMEWORK

Stigler, in 1961, was the originator of the Economics of Information theory, which was further developed by Telser in 1964 and Nelson in 1974 (Bagwell, 2005). This theory focuses on conveying information to customers (Bagwell, 2005) and assumes the informative view that advertising provides information to consumers (Bagwell, 2005; Brida & Schubert, 2008). Various scholars have used the Economics of Information theory in their research, including many who have conducted tourism studies (Bagwell, 2005; Brida & Schubert, 2008; Ling et al., 2010; Kronenberg et al., 2015).

Although the Economics of Information theory has been applied in countless studies, Telser and Nelson critiqued the theory’s sole focus on advertising and price dispersion as opposed to the concepts of competition and experience of goods (Bagwell, 2005; Brida & Schubert, 2008). Therefore, the Economics of Information theory has the advantage of offering an informative view which considers the provision of information to consumers through advertising, but at the same time there are disadvantages in not utilizing concepts such as competition and experience of goods.

Ling et al. (2010) used the Economics of Information theory to study determinants of consumers’ attitudes towards advertising. This study has adopted the Economics of Information theory due to its informative view assumption. Furthermore, this study has applied the Economics of Information theory to guide the analysis of the relationship between media content and the education levels of domestic tourists, since TV advertising is used to inform tourists of attractions, including national parks.

CONCEPTUAL FRAMEWORK

The conceptual framework in Figure 1 shows the relationship between the independent and dependent variables of this study. The Economics of Information theory guided the development of the conceptual framework, which emanates from a theoretical and empirical literature review. The independent variable is media. This study has selected television as the media since it is also widely used in Tanzania as an advertising tool in tourism. In this study, the media variable, television, was analyzed using content. The dependent variable is education. The education variable was analyzed using the education levels of domestic tourists.
Defining the Frontiers of Global Business Research Across Emerging Countries

Furtherm

ore, the conceptual framework in Figure 1 shows the general objective of this study, which is media and education focusing on domestic tourists’ perspective. To achieve the purpose of the general objective, this study specifically looked at the analysis of the relationship between media content and the education levels of domestic tourists. This relationship is depicted in Figure 1 as the hypothesis (H1) of this study which shows the relationship between media content and the education levels of domestic tourists.

Hypothesis Development

The hypothesis developed in this study states that there is a statistically significant relationship between media content and education levels among domestic tourists visiting national parks.

H1: There is a statistically significant relationship between media content and education levels among domestic tourists visiting national parks.

Advances in tourism studies have utilized the Economics of Information theory to research various issues. While other researchers (Ling et al., 2010; Kronenberg et al., 2015) have used the Economics of Information theory to study attitudes towards advertising and advertising expenditure on tourism, this study applied the Economics of Information theory to guide the analysis of media in terms of television by looking at content in relation to the education levels of domestic tourists.

There are various types of media in tourism marketing as indicated in studies by scholars worldwide (Barake, 2011; Kim, 2011; Dehnavi et al., 2012; Oh & Lee, 2013; Spencer, 2013; Lee, 2015; Jani, 2016; Ogutu et al., 2017). This study adopted media as a concept in relation to education from a domestic tourist’s perspective. The type of media chosen for this study is television.

Television content is useful in tourism for the purpose of attracting tourists to various destinations. Nordicity (2013) indicated that film and television content contributes immensely to the GBP of Canada and has attracted a lot of US visitors. Television is one of the advertising tools used in Tanzania to promote tourism. Content, in this study, refers to TV advertising showing information on national parks to domestic tourists. This study adopted content as a concept in order to provide a theoretical contribution that connects media content and the education levels of domestic tourists.

The education levels of domestic tourists for this study are measured using four categories: primary, secondary, college and university. In the context of Tanzania, there are scant studies in tourism which address media content and the education levels of domestic tourists visiting national parks.
parks. A number of tourism studies by Anderson (2010), Philemon (2012), Anderson (2015) and Jani (2016) conducted in Tanzania used education levels as a demographic characteristic only for the sampled respondents.

**METHODOLOGY**

This study used a quantitative approach to test hypothesis H1, which stated that there is a statistically significant relationship between media content and education levels among domestic tourists. Figure 2 shows the study area which is Udzungwa, Ruaha and Kitulo national parks in southern Tanzania. The unit of analysis for this study is domestic tourists. Semi-structured questionnaires were distributed to a sample size of 315 domestic tourists. A stratified random sampling technique was applied in this study since the selected national parks are in different regions namely Udzungwa in the Morogoro region, Ruaha National Park in the Iringa region and Kitulo National Park in the Mbeya region.

![Map showing location of Mikumi, Ruaha and Kitulo national parks in Tanzania](image)

**Figure 2: Map showing location of Mikumi, Ruaha and Kitulo national parks in Tanzania**

*Source: Adopted and customised from TANAPA (2015)*

There were 300 questionnaires which were completed and subjected to descriptive statistics, the Chi-Square test, Phi and Cramer’s V, supported by SPSS Version 20. The remaining 15 questionnaires were discarded due to incomplete answers. For the dependent variable, the education categories were adopted and customized from Mariki et al. (2011). Media is the independent variable and for the purposes of this study, the chosen media is TV since it is still widely used for advertising.
Table 1. Operationalization and measurement of variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measurements</th>
<th>Instrument/type of measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media (Television)</td>
<td>Content</td>
<td>Survey structured questionnaire. 5-point Likert scale</td>
</tr>
<tr>
<td>Education</td>
<td>Education levels of domestic tourists</td>
<td>Survey structured questionnaire. Categorical scale</td>
</tr>
</tbody>
</table>

Source: Compiled by author (2017)

Table 1 shows the operationalization of the variables for this study. Media was measured using content. The content statements were adopted and customized from Shavitt et al. (1998). The statements were a 5-point Likert scale type of measurement with strongly disagree (1) to strongly agree (5). For content, the domestic tourists were asked if “TV advertising is informative”, if “TV advertising made me decide to visit national parks”, if they were “Confident to use information on TV advertising to visit national parks” and if they were “Comfortable to use address or phone number on TV advertising for further information about national parks”.

Further, on Table 1 is the education variable, which was measured using the education levels of domestic tourists. The education levels of domestic tourists for this study were categorized into four groups, which were primary, secondary, college and university. Other studies have also used education levels to conduct research (Matama, 2016; Mkwizu et al., 2017; Snyman, 2017). The reliability test on the Cronbach’s alpha value for content and education level variables in this study shows (0.739), which is acceptable according to Field (2014).

FINDINGS AND DISCUSSION

The basic profile of the sampled respondents in Table 2 shows that a majority were aged 26 to 35 (31%), male (63.3%) and earn a monthly income of below TZS 300 000 (21.7%), and above TZS 300 000 (29.7%), making a total of 51% for those whose income is below and above TZS 300 000. The education levels shown were primary (5.3%), secondary (46.7%), college (20%) and university (28%). This means that the domestic tourists were middle-aged males who earn a monthly income and have a secondary education.

Table 2. Profile of sampled respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequencies (n)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;18</td>
<td>80</td>
<td>26.7</td>
</tr>
<tr>
<td>18–25</td>
<td>86</td>
<td>28.7</td>
</tr>
<tr>
<td>26–35</td>
<td>93</td>
<td>31</td>
</tr>
<tr>
<td>36–45</td>
<td>23</td>
<td>7.7</td>
</tr>
<tr>
<td>46–55</td>
<td>16</td>
<td>5.3</td>
</tr>
<tr>
<td>56–65</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>65–100</td>
<td>2</td>
<td>7</td>
</tr>
</tbody>
</table>
The findings in Table 3, using descriptive statistics, show that the respondents strongly agree (27.3%) and agree (51%) that TV advertising is informative. The findings also show that the respondents strongly agree (22.7%) and agree (49.3%) that TV advertising made them decide to visit national parks. The findings indicated that respondents strongly agree (24.7%) and agree (48.3%) that they are confident in using information on TV advertising to visit national parks. Further findings show that respondents strongly agree (24.3%) and agree (37%) that they are comfortable to use an address or phone number on TV advertising for further information about national parks.

This suggests that a majority of domestic tourists concur that TV advertising is “informative”, “made them decide to visit national parks” and that they are “confident and comfortable in using TV advertising information”. Furthermore, this study found that a majority of respondents who have a secondary education (46.7%) find TV advertising informative. The findings of this study differ from a similar study done by Cristina (2013) in Bucharest, Romania, which showed a majority of respondents with secondary education (42%) did not even watch TV advertising, which implies that the
respondents do not find TV advertising informative. The results of this study differ from Waade’s study (2016), conducted in Sweden and Denmark, which revealed that TV drama series did not consider tourism. The reasons for variations in results for these studies are due to differences in location, theory and methodology.

Table 4 shows the Chi-square test findings, which indicated that the relationship between TV advertising is informative and the education levels of domestic tourists is statistically significant (p=.001). Further findings indicate that there is a statistically significant relationship between TV advertising influence their decision to visit national parks and the education levels of domestic tourists (p=.000). Findings also show that there is a statistically significant relationship between confidence in using information on TV advertising to visit national parks and the education levels of domestic tourists (p=.003).

The findings in Table 4 also show that there is a statistically significant relationship between “comfortable to use address or phone number on TV advertising for further information about national parks” and the education levels of domestic tourists (p=.049). This suggests that there is a statistically significant relationship between media content and the education levels of domestic tourists, of which a majority have a secondary education. The findings of this study are different from a similar study by Lee (2015), undertaken in South Korea, which found that TV has an effect on consumers, who are mostly college graduates (72.2%). Although these studies are in the field of tourism, these results differ because of TV content, which attracts different education levels among respondents.

Table 4. Chi-Square test for content and education of domestic tourists

<table>
<thead>
<tr>
<th>Predictor variable</th>
<th>Test</th>
<th>Value</th>
<th>Asymp.Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV advertising is informative</td>
<td>Pearson Chi-Square Likelihood Ratio</td>
<td>38.880</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>38.288</td>
<td>0.000</td>
</tr>
<tr>
<td>TV advertising made me decide to visit national parks</td>
<td>Pearson Chi-Square Likelihood Ratio</td>
<td>36.638</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>34.794</td>
<td>0.000</td>
</tr>
<tr>
<td>Confident to use information on TV advertising to visit national parks</td>
<td>Pearson Chi-Square Likelihood Ratio</td>
<td>30.104</td>
<td>0.003</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30.205</td>
<td>0.003</td>
</tr>
<tr>
<td>Comfortable in using address or phone number on TV advertising for further information about national parks</td>
<td>Pearson Chi-Square Likelihood Ratio</td>
<td>21.070</td>
<td>0.049</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25.532</td>
<td>0.012</td>
</tr>
</tbody>
</table>

Source: Field data (2017)

Further analysis using Phil and Cramer’s V assisted in ascertaining the strength or effect of the relationship between media content and the education levels of domestic tourists for the significant variables tested by the Chi-square test. Table 5 indicates the strength of the connection between media content and the education levels of domestic tourists. A strength rate from 0.10 to 0.29 is a small to moderate effect between two variables (Pallant, 2011). The Table 5 findings indicate that the strength between media content and the education levels of domestic tourists is small to above-moderate and that the strength of media content is statistically significant in relation to the education levels of
domestic tourists. These results suggest that media content and the education levels of domestic tourists have a small to above-moderate effect. The statistically significant findings differ from Hossain and Ahmed (2012), who conducted a study in Bangladesh which indicated that respondents (71.74%) found TV advertising not informative because it was not satisfactory. The variations in results between these two studies are attributed to different research settings. The statistically significant results of media content and the education levels of domestic tourists visiting national parks supports the Economics of Information theory since content on TV advertising conveys information to domestic tourists in the context of Tanzania.

Table 5. Phi and Cramer’s V for content and education of domestic tourists

<table>
<thead>
<tr>
<th>Predictor variable</th>
<th>Test</th>
<th>Value</th>
<th>Asymp.Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV advertising is informative</td>
<td>Phi</td>
<td>.336</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td>Cramer’s V</td>
<td>.194</td>
<td>0.001</td>
</tr>
<tr>
<td>TV advertising made me decide to visit national parks</td>
<td>Phi</td>
<td>.349</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Cramer’s V</td>
<td>.202</td>
<td>0.000</td>
</tr>
<tr>
<td>Confident to use information on TV advertising to visit national parks</td>
<td>Phi</td>
<td>.317</td>
<td>0.003</td>
</tr>
<tr>
<td></td>
<td>Cramer’s V</td>
<td>.183</td>
<td>0.003</td>
</tr>
<tr>
<td>Comfortable in using address or phone number on TV advertising for further information about national parks</td>
<td>Phi</td>
<td>.265</td>
<td>0.049</td>
</tr>
<tr>
<td></td>
<td>Cramer’s V</td>
<td>.153</td>
<td>0.049</td>
</tr>
</tbody>
</table>

Source: Field data (2017)

MANAGERIAL IMPLICATIONS AND CONCLUSION

The outcome of this study has managerial implications which can assist stakeholders and business entities in the tourism sector to improve content related to TV when conveying information about attractions to domestic tourists. TV advertising content to domestic tourists should be informative, able to make them visit national parks, make them confident to use information on TV advertising to visit national parks, and make them comfortable to use an address and phone number for further information about national parks. A majority of domestic tourists were of a secondary education level; this means more effort is required by stakeholders and business entities to create TV content on national parks that will attract more domestic tourists with primary, college and university education levels to visit national parks.

The aim of this study was to analyze media and education, focusing on domestic tourists’ perspective. Specifically this study was interested in analyzing the relationship between media content and the education levels of domestic tourists. The results revealed that there is a statistically significant relationship between media content and the education levels of domestic tourists. This relationship is in terms of TV advertising being informative and making domestic tourists decide to visit national parks. It also means that domestic tourists are confident and comfortable to use TV advertising to visit national parks and to gain further information about national parks.
The adoption of the Economics of Information theory in this study, combined with the statistically significant results, provides a theoretical contribution that connects media content and the education levels of domestic tourists. The selected media for this study was television. Future researchers can explore the relationship between social media content and the education levels of domestic tourists.

REFERENCES


Chapter #--- 15

The Pecking Order of Financing and the Effect of Free Cash Flow on Implied Over – Investment of Publicly Traded Firms in Kenya

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ABSTRACT

Utilizing exponential regression model and the panel data of non-financial firms trading in Nairobi security exchange over the period 2008-2016, the paper examined the pecking order of financing and the effect of free cash flow on implied overinvestment. Indeed, the predictions of the paper were free cash flow and overinvestment exhibit linear relationship. The debt and dividend pay-out exhibit nonlinear relationship and the first and the later variables respond to overinvestment. Again, the descriptions of pecking order hypothesis seem to be, influenced by overinvestment of free cash flow. The empirical analysis showed consistency with, the predictions of the paper. The paper provides a better understanding of the control mechanisms of dividend pay-out and the debt pay-out on overinvestment of free cash flow. And, the influences of overinvestment on the pecking order hypothesis in emerging market/economy like Kenya.
The Pecking Order of Financing and the Effect of Free Cash Flow on Implied Over-Investment of Publicly Traded Firms in Kenya

Keywords: dividend pay-out, debt pay-out, free cash flow, overinvestment and pecking order hypothesis

INTRODUCTION

Over the last three decades, the pecking order hypothesis of financing, investment expenditure and free cash flow has received enormous attention among scholars and in the general public debate (Myers and Majluf, 1984; Jensen, 1986; Shyam-Sunder and Myers, 1999; Chirinko and Singha, 2000; Richardson, 2006; Frank and Goyal, 2003; Reynolds and Smolensky, 2013; Chen, et al., 2016; Ding, et al., 2016; Lewellen, & Lewellen, 2016 and Lin, 2017).

Scholars have laid claims that, there is likelihood of wasteful expenditure as a result of free cash flow (Jensen, 1986; Minnick, and Rosenthal, 2014 and Chen et al., 2012). It is also argued that shareholders and managers try to act in defence of their own interests, agency theory (Jensen and Meckling 1976; Moriarty, 2014; Raelin and Bondy, 2013 and Shi et al., 2017). And firms sources its’ finances through, a strict ordering or hierarchy of finance (Myers, 1984: Myers and Majluf, 1984; Lemmon and Zender, 2010 and Park, & Jang, 2018). Undoubtedly, within the scope of pecking order hypothesis of financing and overinvestment of free cash flow, the debt financing and dividend pay-outplay a great role in reducing agency costs of free cash flows (Jensen, 1986; Chakraborty et al., 2016; Nobanee and Abraham, 2017 and Kadioglu, and Yilmaz, 2017). The theoretical account of these claims indicates a matter of disputation to date. This paper attempts to resolve some of these debates by focusing on a more composite model in order to determine the responds of the pecking order hypothesis when there is existence of over investment of free cash flow and control mechanisms of agency conflict in publicly traded firms in Kenya.

The paper hypothecated that, the traded firms in Kenya are involved in value destroying activities and engage in other activities associated with management entrenchment when there is availability of free cash. And lessening it through control mechanisms of agency conflict is nonlinear, thus disordering the implied pecking order hypothesis of financing. Publicly traded firms in Kenya has lost millions of shillings through bad business practices and poor corporate governance structures which allows top executives and directors to pursue harmful and destructive practices motivated by self-interest. For example between 2008 and 2015 one of the listed firm in Kenya was found to have sold vehicles on unsecured cash transactions without collecting the cash, the main motive of this risky strategy was to earn commission on the sales that were then funnelled to the off-shore secret accounts. Then the management deepen firm’s losses by borrowing to finance the credit-based sales.

According to Cytonn Investment Report, 2016 Kenyan investors have incurred losses as a result of isolated corporate governance issues affecting over 13 per cent of listed firms. According to the report, some of the firms have accumulated massive debts that have pushed their management into a survival dogfight, exposing the perils of credit-fuelled expansion in tough economic times. The huge debts, which have left some of the firms owing more than their net value, have left investors facing low prospective returns for years to come. Currently these firms seek new cash injections to partly retire their loans and finance ambitious turnaround plans. This is worrisomely and intriguing, thence calling into question on the frameworks of managing investment expenditure when there is excess cash flow in a developed market like Kenya.
Defining the Frontiers of Global Business Research Across Emerging Countries

This paper was actuated by a growing body of analytical, empirical and theoretical studies which had investigated the cost of capital, corporation finance, and the theory of investment (Modigliani & Miller, 1958), managerial behaviour, agency costs and ownership structure (Jensen & meckling, 1976) the determinants of corporate borrowing (Myers, 1977; Graham, et al., 2015), the capital structure puzzle (Myers, 1984), still searching for optimal capital structure (Myers, 1989), agency costs of free cash flow, corporate finance, and takeovers (Jensen, 1986), financial architecture (Tadesse, 2002), corporate cash reserves and acquisitions (Harford, 1999), the sensitivity of investment expenditure to cash flow when financing is frictionless (Alti, 2003), cash flow and over-investment and corporate governance (Richardson, 2006; Chen et al., 2016) some legal and policy issues in capital structure (Myers 2000a; Aggarwal, & Kyaw, 2010) and outside equity (Myers, 2000b; Holmström & Tirole, 2011) investment expenditure and cash flow (Hubbard, 1997; Park, & Jang, 2013), excessive investment and acquisition activity (Blanchard, et al., 1994; D’Mello, & Miranda, 2010), the pecking order of (Myers & Majluf, 1984; Myers, 1984; Shyam-Sunder & Myers, 1999; Helwege & Liang, 1996; Frank and Goyal, 2003; Seifert & Gonenc, 2010; Leary & Roberts, 2010), Pecking order and market timing theory in emerging markets (Allilin et al., 2017), among others, yet no satisfactory conclusion has been reached to settled both theoretical and practical issues facing corporate organisation today and particularly in developing economies where markets are increasingly becoming imperfect and incomplete.

This paper makes an initial effort to address these issues by investigating; the pecking order of financing and the effect of free cash flow on implied over-investment of publicly traded firms in Kenya. The issue of free cash flow and over-investment has never been explored before in Kenya and Africa at large. In U.S, According to Richardson (2006) on average, firms over-invest 20% of its free cash flow and large firms invest free cash flow in form of financial assets (cash or marketable securities). It is argued that firms are more likely to make acquisitions and these acquisitions are followed by abnormal declines in operating performance (Harford, 1999) and companies with excess cash have higher capital expenditures, and spend more on acquisitions, even when they appear to have poor investment opportunities (Opler et al., 1999). In China, over-investment exists for all types of firms, even in the most efficient and most profitable private sector (Ding, et al., 2016). Furthermore, according to Lie and Liu, (2017), the returns of acquirers decline with their cash holdings, but only when at least part of the payment is in the form of stock and payment are overvalued, especially when they have excess cash that they could have used instead.

In developing countries like Kenya, firms have experienced some controversies associated to over-investment. Kenya Airways one of the best and most respected airline companies in Africa faced major problems like, buying and leasing aircrafts, and fuel hedging, under arrangements which are not profitable to the company, thereby leading to skyrocketing indebtedness and expensive ticketing which is non-competitive in the market leading to loss of passengers as well as revenue (KQ Annual report, 2015). Arguably Kenya’s biggest bankruptcy in recent times has been that of Uchumi Supermarkets Limited. The main cause of the company’s financial woes was an ambitious expansion programme funded by short-term funds which caused liquidity problems Halima Abdallah, (2016, January).

A good explanation of over-investment originates from free cash flow theory (Jensen, 1986). According to Jensen, when managers are endowed with the free cash flow, they will invest in wasteful investments rather than pay it out to shareholders. Earlier, Jensen and Meckling, (1976) had argued that if managers abuse their decision-making power by adopting unprofitable or overly risky projects that
could damage the interests of equity holders and those of debt holders, the problem of overinvestment may occur.

Considering the current management of stock market in Kenya and empirical sense from the corporate finance theory, this paper takes on, an over-investment as an investment expenditure beyond that required to maintain assets in place and to finance expected new investments in positive NPV projects (Richardson 2006; Ding, et al., 2016) and free cash flow as cash flow beyond what is necessary to maintain assets in place and to finance expected new investments (Jensen, 1986; Richardson 2006 and Ding, et al., 2016). Considering Under agency cost, management has the potential to squander cash only when free cash flow is positive (Jensen, 1986 and Richardson, 2006) and firms with negative free cash flow, can only squander cash if they are able to raise relatively inexpensive capital (DeAngelo, DeAngelo, & Stulz, 2004; Jensen, 1986). However, this is less likely to occur because these firms need to be able to raise financing and thereby place themselves under the scrutiny of external markets Easterbrook, (1984). It is argued that managers of these firms are expected to increase their compensation and perquisites consumption at the expense of the shareholders, and engage in other activities associated with management entrenchment (Shleifer and Vishny, 1989). And according to Christie and Zimmerman (1994) and (Di Meo et al., 2017), the non-value-maximizing managers are more likely to mask non-optimal expenditures by accounting manipulation. On the basis of these arguments, the paper proposed that:

Hypothesis 1: Free cash flow and over-investment exhibit linear relationship in publicly listed firms in Kenya

Prior research has documented a positive relation between free cash flow and over-investment for example, by utilizing an accounting based framework to measure the constructs of free cash flow and over-investment Richardson, (2006) suggests that over-investment is a common problem for publicly traded US firm for non-financial firms during the period 1988–2002, and the average firm over-invests 20 percent of its available free cash flow. Furthermore, the majority of free cash flow is retained in the form of financial assets and there is little evidence that free cash flow is distributed to external stakeholders, thereby creating the potential for retained free cash flow to be over-invested in the future.

Based on agency theory and upper echelons theory, Jiang, (2016) showed that there is a positive relationship between over-investment and free cash flow, and the over-investment of free cash flow is severer in the early years of CEO’s service than the later years. Bates (2005), determined whether firms overinvest by comparing the capital expenditure ratios of each firm operating in a given industry in a given year with the median ratio of all firms operating in the same industry during that year. If the difference is positive or negative, then firm overinvest (under invest) in that manner.

It is argued by Ding et al., (2016) from the Chinese context that the investment above the median and the investment above the predicted level exhibit heterogeneity on Chinese firms’ investment efficiency and uncover evidence of overinvestment for all types of firms. Accordingly, the rising of profitability in recent years have generated significant free cash flow that has induced overinvestment in the collective and private firms which is consistent with the prediction of the free cash flow hypothesis. This same argument is consistent with Chen et al., (2016) that firms' over-investment is more sensitive to current free cash flow and that over-investment is more pronounced in firms with positive free cash flows.
The rational framework and the aspect of free cash flow and over-investment involves the role of dividend pay-out in mitigating the free cash flow concerns. It is argued that the association of paying out dividend and free cash flow is positive and linear. Free cash flow theory emphasizes that the firm’s dividend pay-out play an important role in controlling the possibility that excess free cash flow will be used by insiders for their own benefits. It has been argued that dividend pay-out mitigate agency conflicts by reducing the amount of free cash flow available to managers, who do not necessarily act in the best interests of the shareholders (Jensen, 1986).

Specifically, the theory of free cash flow argues that managers deploy internally generated cash flow in a way that does not maximize shareholder wealth, such as financing value destroying investments instead of returning funds to investors through dividends (Jensen, 1986). Similarly, Easterbrook (1984) suggests that dividend payments force managers to raise funds more frequently and this increases monitoring by capital markets. The relative success of the agency explanation for dividends may result from the fact that it relates a firm’s corporate governance to its dividend policy.

Inspired by agency theory arguments, recent research has explored only one aspect of dividend pay-out and free cash flow, and these studies have been offering only a linear relationship. For example, it is argued that dividends reduce the free cash flow that managers have at their discretion (Lang and Litzenberger, 1989; Harford et al., 2012; Adjauoid and Ben-Amar 2010). Moreover, Easterbrook, (1984) and recently, Ghosh, and Sun, (2014), Hernández-Cánovas et al., (2016), Al-Najjar and Clark (2017) suggests that dividend payments and debt payout force companies to go to equity markets in order to raise additional capital, thus reducing agency costs by offering outside stakeholders the opportunity to exercise some monitoring on managers.

Evidence indicates that the optimal pay-out policy of listed firms in Kenya depends on its life cycle stage. That is, dividends are related to net income and to liquidity (Parkinson, and Waweru, (2010). Squeezed earnings, reorganisation of business models and a drive to expand-questions the agency role of dividend pay-out on free cash flow and its association (linearity) as advocated by empirical literature. For example, on average, over 50% of listed firms in Kenya have been experiencing an irregular dividend payment history. To note a few firms, Kenya commercial bank (KCB) in 2016 conserved cash pay-outs to drive business growth. Eveready Company broke a seven-year drought for shareholders and pay out its first dividend since May 2008. And in the manufacturing sector at the NSE, dividends have been relatively consistent (Alushula, 2017, February). Though financial theory suggests that the dividend policy should be set based upon the type of company and the management determines the best use of those dividend resources for the firm to its shareholders.

It is argued that dividends eliminate the agency costs of free cash by forcing cash out, but could result in underinvestment if the cash paid out is later needed for operations (Oded, 2008). Accordingly, evidence shows that some firms listed in NSE have been paying out dividend despite posting full-year losses (Alushula, 2017, February). This contradicts the arguments of Fama& French, (2001) that, the company pays the dividend due to the presence of free cash flow.

Accordingly, considering Kenyan context no evidence has been pointed out to indicate that over-investment responds to dividend pay-out. It is also argued that continuing dividend payments helps dissipate cash which might otherwise have been wasted in non-value maximising projects, therefore
reducing the extent of overinvestment by managers Jensen (1986). Therefore, to ascertain the relationship between the dividend pay-out and free cash flow and furthermore to determine the respond of dividend pay-out and overinvestment, this paper hypothesized that:

Hypothesis 2a: Dividend pay-out and free cash flow exhibit nonlinear relationship in publicly listed in Kenya
Hypothesis 2b: Over-investment responds to dividend pay-out in publicly listed firms in Kenya

Considering the role of dividend pay-out in mitigating free cash flow, it has been argued and well emphasized that debt is an effective substitute mechanism for dividend pay-out (Renneboog and Szilagyi, 2015; Easterbrook, 1984; Jensen, 1986 and Shleifer, and Vishny, 1997 Benjamín and Mat Zain, 2015). In Kenya debt financing through the capital markets is becoming more and more common because of the unpredictability of commercial bank rates and the high rate of return on equity financing.

Managers with substantial free cash flow can increase dividends or repurchase stock and thereby pay out current cash that would otherwise be invested in low-return projects or wasted (Jensen, 1986; Shleifer and Vishny, 1997; Chen and Wang 2012). This leaves managers with control over the use of future free cash flows, but they can promise to pay out future cash flows by announcing a permanent increase in the dividend. Such promises are weak because dividends can be reduced in the future (Jensen, 1986; Chary et al., 2011). The fact that capital markets punish dividend cuts with large stock price reductions is consistent with the agency costs of free cash flow.

Debt creation, without retention of the proceeds of the issue, enables managers to effectively bond their promise to pay out future cash flows (Jensen, 1986). Thus, debt can be an effective substitute for dividends, something not generally recognized in the corporate finance literature (Jensen, 1986; Brigham and Ehrhardt, 2013). By issuing debt in exchange for stock, managers are bonding their promise to pay out future cash flows in a way that cannot be accomplished by simple dividend increases. In doing so, they give shareholder recipients of the debt the right to take the firm into bankruptcy court if they do not maintain their promise to make the interest and principle payments. Thus debt reduces the agency costs of free cash flow by reducing the cash flow available for spending at the discretion of managers.

These control effects of debt are a potential determinant of capital structure (Barclay and Smith, 1995; Porta et al., 1997 and Titman and Wessels, 1988). The threat caused by failure to make debt service payments serves as an effective motivating force to make such organizations more efficient. The control hypothesis does not imply that debt issues will always have positive control effects. For example, these effects will not be as important for rapidly growing organizations with large and highly profitable investment projects but no free cash flow. Such organizations will have to go regularly to the financial markets to obtain capital (Jensen, 1986).

Jensen and Meckling, (1976) indicated that owner-managers of a levered firm tend to overinvest and choose risky and often negative net present value projects due to their limited liability. This leads to asset substitution; alternatively Myers (1977) argued that risky debt may lead to underinvestment due to the wealth transfer from shareholders to creditors that would occur upon investment.

Listed firms in Kenya today are loading more debt onto their books as they seek fresh capital to finance operations and implement ambitious development programmes and not for control effects as
alleged in the theory of free cash flow. Theoretical explanation and empirical results have found direct and linear sensitivity of debt financing to generated cash flow. It is argued that the required debt payments decrease the cash flow that manager has available, thereby reducing non-value maximizing behaviour (Jensen 1986 and Gul, (2001). And Thiruvadi et al., (2016) established that debt tends to lessen agency conflicts in firms that result in high FCFs. Flannery (1986) and Ross (1977) demonstrated that debt may signal managerial willingness to pay out cash flow or to be monitored by lenders.

Another aspect of agency theory that has remained unexplored and particularly in developed economy is on whether over-investment responds to debt pay-off. It has been argued that issuing debt leads to a dramatic reduction in the form of overinvestment (D’Mello and Miranda, 2010) however, others studies claims that it is distribution of dividends – rather than debt level – that leads to reduction of free cash flow Nekhili et al., (2009). Debt financing is related to lower agency costs due to its mandatory pay-out of cash. Therefore to establish how debt levels alleviate non-value-maximizing activities in Kenya, this paper hypothesized that:

Hypothesis 3a: Debts pay off and free cash flow exhibit nonlinear relationship in publicly listed firms in Kenya
Hypothesis 3b: Over-investment responds to debt pay-off in publicly listed firms in Kenya

The finance literature has long recognized that market imperfections such as information asymmetries and agency conflicts affect corporate finance and investment. For example, the classic adverse-selection model of Myers and Majluf (1984) predicts that asymmetric information between informed managers and the public market causes underinvestment. On the other hand, Jensen and Meckling (1976) suggest that managers have an incentive to make their firms grow beyond an optimal size and predict that agency conflicts due to managers’ selfishness give rise to overinvestment. Both under- and overinvestment cause a loss in firm value.

One of the key assumptions in the original Myers and Majluf (1984) model is that managers only undertake positive NPV projects, a behaviour that is consistent with the maximization of existing shareholders’ wealth. This assumption automatically rules out any possibility of overinvestment in the Myers–Majluf model’s predictions. But the recognition of managers’ self-interest has recently gained importance in the corporate finance literature. As Myers (2000) pointed out that sooner or later the theory of corporate finance must deal generally with the self-interest of corporate managers.

Early studies tend to emphasize either overinvestment (Jensen and Meckling, 1976; Jensen, 1986) or underinvestment (Myers, 1977; Myers and Majluf, 1984). Stulz (1990) studied on how over- and underinvestment jointly affect firm value is a marked exception, he assumed that managers prefer expanding firm assets to maximizing firm value, but with strings attached. If managers maximize investment only to undertake negative NPV projects after exhausting good projects, shareholders can curtail this by either refusing to provide more funds or forcing managers to pay out free cash flows (using outstanding debt that is due at the time when the investment decision is made). However, due to asymmetric information, shareholders are not able to know precisely when free cash flows and overinvestment occur. Consequently, when internal cash flows (unobservable to outside investors) are high, managers are likely to overinvest, and when the cash flows are low, managers are likely to underinvest because they cannot truthfully convince the market that they need the new equity required for good projects.
It is argued that managerial discretion brings about two kinds of costs—one from underinvestment and the other from overinvestments (e.g., Chen et al., 2016; Stulz, 1990. For example, debt has a disciplinary effect, forcing managers to disgorge cash flows and hence mitigating the overinvestment problem recognized by Jensen, (1986) while at the same time aggravating the underinvestment problem. The trade-offs between the positive and negative effects of debt financing, which is later empirically supported by McConnell and Servaes (1995), gives rise to an optimal capital structure. However, these two lines of literature imply that many corporate finance variables exercise opposite value effects. For example, Jensen (1986) argues that free cash flows are likely to be wasted by managers on bad projects, in sharp contrast to the prediction of the Myers–Majluf model that financial slack plays a value-enhancing role in mitigating the underinvestment problem. While more recent literature has shown how corporate cash positions have opposing effects on under- and overinvestment (e.g., Nguyen et al., 2017), an important issue that needs to be addressed is how a wide range of corporate finance and governance variables affect under- and overinvestment in a coherent theoretical framework.

Myers–Majluf model formally takes into account the inherent information asymmetry that exists between different arguments (Ross, 1977 and Brealey et al., 1977). They showed that the choice of capital structure mitigates inefficiencies in the firm’s investment decisions that are caused by information symmetry. According to the Pecking order theory, firms have a strong preference for internal finance (Myers, 1984) as it is believed to have a cost advantage over new debt and equity. If external finance is required, firms first issue debt and when all other safe options are exhausted; they issue equity as a last option. This prediction has been scrutinized for over two decades by scores of studies attempting to determine whether and when the pecking order accurately describes observed financing behavior; yet, there is little agreement on these issues.

This paper argue that the divergence of conclusions on the validity pecking order have been driven primarily because of statistical tests, contexts and methodological strategies employed. For example, Shyam-Sunder and Myers (1999) conclude that the pecking order is a good descriptor of broad financing patterns; Frank and Goyal (2003) argued the opposite. Lemmon and Zender (2004) conclude that a pecking order—which delineates financial distress costs—is a good descriptor of financing behaviour; Fama and French (2005) conclude the opposite. Frank and Goyal (2003) suggests that the pecking order better describes the behaviour of large firms, as opposed to small firms; Fama and French (2005) suggests contradictorily. Finally, Bharath, et al., (2008) suggests that firms facing low information asymmetry account for the bulk of the pecking order’s failings; Jung et al., (1996) showed the opposite.

Shyam-Sunder and Myers (1999) indicated that the pecking order offers a good description of financing demeanours than the trade-off theory, after presenting an empirical model in which net financing need is matched approximately dollar-for-dollar by net debt issues in their sample of large firms during the 1970s and 1980s. Though Shyam-Sundar and Myers’ test has been criticized for its potential bias arising from equity issuances (Chirinko and Singha 2000) and equity issuances are far from rare (Frank and Goyal, 2003; Fama and French, 2005). However, Fama and French (2002) found that some firms followed pecking order while others followed the trade-off model and none of them could be rejected. Concerning the work of Shyam-Sunder and Myers (1999), Frank and Goyal, 2003 showed that pecking order theory performs poorly among small and high growth firms where it is
expected to perform well as they face higher asymmetric information problems. Furthermore, Frank and Goyal (2003) argued that when smaller firms and more recent data are included in Shyam-Sunder and Myers’ analysis, the pecking order is rejected.

Lemmon and Zender (2004) and Leary and Roberts, (2005) accounted the value of maintaining financial slack for future investment to avoid financial distress in Frank and Goyal’s broader sample. The Pecking order did not offer a reasonable description of the financing behaviour. However, there is a support for the pecking order theory among firms that do not have debt capacity concerns. According to Singh and Kumar (2012) Indian firms exhibit trade-off over pecking order behaviour while making their financing choices. However, these studies did not account for debt capacity concerns while testing the pecking order hypothesis.

Seifert and Gonenc (2008) studied firms from the US, UK, Germany and Japan for the period 1980 to 2004. Their results found little support for pecking order theory for American, British and German firms. Japanese firms on the average did follow pecking order theory. Moreover, Clark, Francis and Hasan (2009) studied firms from 40 countries and found support for the dynamic trade-off theory; this derail the existence of pecking order for capital structure. Although majority of the empirical work has been done on the developed economies, very few studies have been done on the emerging economies.

This paper predicts that listed firms in Kenya are expected to behave differently than the firms in the developed economies simply because of accounting differences, auditing differences and narrower range of financial instruments. It has been argued for example that the legal protection and investor protection laws are different in emerging economies as compared to the developed ones (La Porta et al., 2000; Aguilera and Crespi-Cladera, 2016 ; Larrain et al., 2017; Larcker, &Tayan, 2015). Among the emerging economies too, the capital structure financing differs due to different history and development of the capital and debt markets. Each market is unique and should be analysed in its own economic, legal and institutional framework. Booth et al., (2001) studied 10 developing economies and found that within them the country specific factors mattered. The validity of pecking order argument among emerging market firms has been absence or little and no one has ever tested whether listed firms in Kenya follow the pecking order while making their financing choices and under the presence of agency control hypothesis. Thus, this paper, do not seek to test description of financing behaviour only as a variable but instead extend it by analysing whether Pecking order hypothesis responds to over-investment of free cash flow of publicly listed firms in Kenya. Hence this paper therefore, hypothesized that;

Hypothesis 3b; Pecking order hypothesis responds to over-investment of free cash flow of publicly listed firms in Kenya

RESEARCH METHODOLOGY

Data, Models and Measurement of the Variables

The study’s sample comprised data of 39 public shareholding firms listed on Nairobi security Exchange of Kenya over the period 2008 to 2016. Following the general convention in the literature, the
paper excluded all financial firms (banking industry) due to their unique financial structure, regulatory requirements and accounting standards. Only those firms which were listed for the whole period of the study and for which requisite financial data are available for all periods have were considered. Applying these criteria, we were left with a final sample of 39 firms for a total of 305 firm-year observations. For each of these, the paper followed the methodology of Richardson, (2006) to test for free cash flow and overinvestment. Richardson, (2006) defined total investment as, \( I_{\text{TOTAL}} \), as the sum of all outlays on capital expenditure, Acquisitions and research and development less receipts from the sale of property, plant and equipment.

According to Richardson, (2006) total investment expenditure is broken into two main components, the required investment expenditure to maintain assets in place, \( I_{\text{MAINTENANCE}} \), and investment expenditure on new projects, \( I_{\text{NEW}} \). Then decompose \( I_{\text{NEW}} \) into expected investment expenditure in new positive NPV projects, \( I_{\text{\*NEW}} \), and abnormal (or unexpected) investment, \( I_{\varepsilon\text{NEW}} \). However, given the nature and the status of Voluntary Corporate Disclosure by Kenyan Companies and the extent of applying international financial reporting standards (IFRS), this paper adopted only new positive NPV projects, \( I_{\text{\*NEW}} \), and abnormal (or unexpected) investment, \( I_{\varepsilon\text{NEW}} \). The abnormal component of investment can be negative or positive. Negative (positive) values correspond to under-(over-) investment. The focus of this paper is on the over-investment of free cash flow. Hence, the study will focus on firms with positive values for \( I_{\text{\*NEW}} \). Free cash flow on the other hand was computed by adding the over-investment, net payments to shareholders, equity, principal payments to debt holders, debt, net change in financial assets, financial asset, other investments and miscellaneous cash flows.

To test pecking order of capital structure the study utilised the methodological approach of (Shyam-Sunder and Myers, 1999; Frank and Goyal, 2003). Their empirically tests indicates that it is financing deficit, \( (\text{DEF}it) \) itself that matters and a unit increase in any of the components of \( (\text{DEF}it) \) must have the same unit impact on net debt issued \( \Delta (Dit) \). Shyam-Sunder and Myers, 1999 further argued that after an Initial Public Offering (IPO), equity issues are only used in extreme circumstances. Thus to Shyam-Sunder and Myers, cash dividends ( \( \text{DIV}t \) ) is equal to net investment ( \( I_t \) ) and net investment ( \( I_t \) ) is equal to change in working capital (\( \Delta W_t \)) and change in working capital is equals to cash flow after interest and taxes (\( C_t \)) and cash flow after interest and taxes is equals to 1. The regression analysis of Frank and Goyal, (2003) is a regression of leverage on four factors namely, tangibility of assets, market-to-book ratio, sales and profitability. It is notable that the factors of Frank and Goyal Frank and Goyal, (2003) is about the firms historical costs or accounting values, which can be summed up by cash flow after interest and taxes denoted as \( (C_t) \) by Shyam-Sunder and Myers. Therefore, the model specification of testing pecking order hypothesis in this paper will be;

\[
\Delta D_t = \alpha + \beta \ C_t + \epsilon_{it}
\]

where \( \epsilon_{it} \) is a well-behaved error term, lastly the role of debt pay-out and dividend pay-out on free cash flow and overinvestment was tested using the total amount of dividend paid per share in the accounting year Kumar, (2006). Considering the nature and the role of debt pay-out as monitoring tool in alleviating overinvestment, this paper considered the measures of current ratio- a company’s ability to pay short-term and long-term obligations to test the role of debt pay-out as a control mechanism toward the use of free cash flow.
The paper compromised variables that have been shown in prior research to be determinants of overinvestment decisions which includes shareholders’ activisms leverage, board composition, firm size, firm age, past stock returns and prior firm level investment (e.g., Barro 1990; Bates, 2005; Hubbard, 1998; Lamont, 2000; Baldeniuse et al., 2014; Gantchev, 2013).

To avoid inter-industry effect because of unique data set, the paper deemed useful to perform a sub-samples regressions, as per industry or sectors to enable accurate prediction and to supplement analysis of full sample, such methodology have also been utilised by Cai, (2013). Prior empirical model have been generalising the results and information on the existence of overinvestment and free cash flow Richardson, (2006) pecking order hypothesis (Shyam-Sunder and Myers, 1999; Chirinko and Singha 2000 and Frank and Goyal, 2003) the free cash flow and debt monitoring hypotheses (Gul, &Tsui, 1997) and corporate governance and firm cash holdings (Harford, et al., 2012).

Table 1. Presents the data on free cash flow and overinvestment the values of all variables regressed by the industry that have been listed in NSE firms for the period 2008-2016

| Industries in NSE          | obs | Coefficients | t      | P>|t| | R-sq | [95% conf. Inter] |
|----------------------------|-----|--------------|--------|------|------|-------------------|
| Agricultural industry      | 51  | .855         | 3.93   | 0.000| 0.2735| .415 | 1.294 |
| Automobile industry        | 24  | 1.33         | 1.05   | 0.308| 0.691 | -1.35 | 4.20 |
| Commercial industry        | 78  | .255         | 2.89   | 0.005| 0.109 | 079 | .4324 |
| Construction industry      | 40  | 1.690        | 6.60   | 0.000| 0.584 | 1.168 | 2.212 |
| Energy and petroleum       | 36  | -5.42        | -2.21  | 0.035| 0.153 | -10.4 | -.397 |
| Investment industry        | 20  | .023         | 0.15   | 0.883| 0.217 | -.316 | .3626 |
| Manufacturing sector       | 56  | 1.188        | 5.15   | 0.000| 0.360 | .723 | 1.652 |

Descriptive statistics, Standard error and heteroscedasticity tests were not reported for the sake of brevity.

Results in table 1 above reports that publicly traded firms in Kenya, overinvest with the exception of automobile industry and investment service industry. The empirical analysis of the results in table 1 shows that there is overinvestment of free cash flow. The effect that free cash flow have on overinvestment in agricultural industry is ($\beta=0.855$, $P=0.000$), commercial service industry is ($\beta=.255$, $p= 0.005$), construction industry ($\beta= 1.690$, $p= 0.000$), Energy and petroleum industry ($\beta=-5.429$, $p= 0.035$), manufacturing industry ($\beta=1.1880$, $p=0.000$), automobile industry ($\beta= 1.331$, $p>0.005$) and Investment service industry ($\beta=.0232 ,p>0.005$). The result depicts that overinvestment is extravagant in manufacturing industry and construction industry. The analysis really suggests that managers in firms with free cash flow engage in wasteful expenditure, management entrenchment, and non-optimal expenditures by accounting manipulation. From the results it is notable that the availability free cash flow does not lead to overinvestment in Automobile industry and Investment service industry. In energy and petroleum industry the relationship between free cash flow and overinvestment is negative. The finding in energy and petroleum industry contradict the theory of free cash flow which state that the presence of internally generated cash flow in excess of that required to maintaining existing assets in place and financing new positive NPV projects creates the potential for those funds to be squandered (Jensen, 1986). The prediction of the reported finding in Energy and petroleum industry suggests that firms in this particular industry attempts to improve seriously the NPV of project invested.
To test hypothesis (2a, b and 3a, b), the paper used exponential regression model to approximate a nonlinear function by a linear function. The model linearizes a nonlinear equation using Taylor series expansion around some initial values of the parameters - debt pay-out and free cash flow. The linearized equation is then estimated by NLS and the initially chosen values are adjusted. The iteration can continue until the difference between successive parameter vectors is small enough to assume convergence, second-degree approximation - a quadratic function. The model specification of the nonlinear regression for employed by the paper to test hypotheses 2a, b and 3a, is as follow:

\[
\text{Dividend pay-out} = \beta_0 + \beta_1 \times \beta_2^\text{free cash flow} \tag{I}
\]

\[
\text{Dividend pay-out} = \beta_0 + \beta_1 \times \beta_2^\text{overinvestment} \tag{II}
\]

\[
\text{Debt pay-out} = \beta_0 + \beta_1 \times \beta_2^\text{free cash flow} \tag{III}
\]

\[
\text{Debt pay-out} = \beta_0 + \beta_1 \times \beta_2^\text{overinvestment} \tag{IV}
\]

Where \(\beta_0\) is the constant term \(\beta_1, \beta_2^\) are partial derivatives of the function.

Table 2 present exponential regression analysis of nonlinear relationship of dividend pay-out and free cash flow regressed by the industry that have been listed in NSE firms for the period 2008-2016

| Industry                | Coefficient | t     | P>|t| | R-sq | Iteration | Residual SS | [95% Conf.Interval] |
|-------------------------|-------------|-------|------|------|----------|-------------|--------------------|
| Agricultural Industry   | /b1| -956.2328 | /b2| 9980805 | ** | ** | 35.43 | 0.000 | 0.097 | 166 | 232210.1 | ** | ** | .9251709 | 1.03644 |
| Automobile Industry     | /b1| 1.076058 | /b2| 1.60219 | 0.12 | 0.07 | 0.902 | 0.943 | 0.023 | 24 | 133.1673 | -16.8529 | 4.46793 | 19.0051 | 4.78837 |
| Commercial Industry     | /b1| 71.7279 | /b2| 999567 | ** | ** | 2085. | 0.000 | 0.109 | 43 | 767.1309 | ** | ** | .998613 | 1.00052 |
| Construction Industry   | /b1| 69.65769 | /b2| 1.002931 | 108.0 | 281.6 | 0.000 | 0.000 | 0.177 | 21 | 452.1172 | 68.35309.9957232 | 70.9623 | 1.01014 |
| Energy & petroleum       | /b1| -6.1774 | /b2| 7.7978 | -0.34 | 2.36 | 0.738 | 0.025 | 0.386 | 33 | 183.3323 | -4.33618 | .1066703 | 3.1007 | 1.4528 |
| Investment Industry     | /b1| -2.238919 | /b2| 1.042532 | -0.05 | 1.51 | 0.958 | 0.149 | 0.467 | 12 | 42.87286 | -91.2135 | -41.1873 | 86.7357 | 2.49693 |
| Manufacturing Industry  | /b1| -7.83583 | /b2| 8735852 | -1.77 | 10.92 | 0.082 | 0.000 | 0.387 | 28 | 694.5351 | -16.6913 | .7130766 | 1.01973 | 1.03409 |

/b1 | and /b2 are partial derivatives of the function of the analysis
Parameter /b0| taken as constant term in model is not indicated in the table
** is unobservable statistics
Number of observables in each industry is the same as that in table 1 above

The empirical results from exponential regression model in table 2 key out the general pattern of dividend pay-out and free cash flow of listed firms in Kenya. The model (table 2) indicates that the first derivative /b1| of construction industry is significant suggesting dividend pay-out and free cash flow is linear thusly the paper concludes that the dividend pay-out and free cash flow do not relate in majority.
of the firms listed in NSE availability of cash do not matter on pay-out. Furthermore, the coefficients \( /b2| \) of the study (table 2) indicate that the derivatives of the function are significant in some firms and the existence of non-linearity between dividend pay-out and free cash flow is indicated by; the runs of iterations, that is the number the model takes to linearizes dividend pay-out and free cash flow to assume convergence, the second-degree approximation or a quadratic function. For instance the exponential regression statistics in table 2 suggests that pay-out count on free cash flow and their relationship is non-linear in many companies that are listed in NSE- agricultural industry, commercial industry, construction industry, energy sector and manufacturing industry

Basing on the empirical analysis of the model, table 2 \( /b3| \) this paper could argue that, many companies at the NSE declares dividend payout basing on availability free cash flow and the pay-out increases with the increasing cash flow to a point where the declared payout starts declining. Notably, according to Fabozzi and Drake, (2009), Drake and Fabozzi, (2010), companies often experience a lifecycle with at least three stages that are defined with respect to growth: an early, development stage with high growth, a maturing phase with moderate growth, and a declining phase with little, no, or negative growth. This behaviour usually occurs due to several emerging factors such as substitutability of debt, squeezed earnings, reorganisation of business models and a drive to expand etc. The statistic from the model in automobile and investment sector indicate pay-out do not relate to free cash flow.

Table 3. Present exponential regression analysis of nonlinear relationship of dividend pay-out and overinvestment regressed by the industry that have been listed in NSE firms for the period 2008-2016

| Industry                        | Coefficient  | t    | P>|t| | R-sq | Iteration | Residual SS | [95%Conf. Interval] |
|--------------------------------|--------------|------|-------|------|----------|-------------|---------------------|
| Agricultural Industry          | /b1|0.000018 | -0.00| 1.000| 0.991| 0.554| 2223| 23.3751 | -1.7028 | 1.70282 |
|                               | /b2|9.803131 | 0.01 | **   | **   | **   | 182.44 | 1.70282 |
| Automobile Industry            | /b1|0.000197  | 1.17 | 0.253| **   | 0.058| 6814| 17.9569 | -1.0001 | 0.000054 |
|                               | /b2|3.119925  | **   | **   | **   | **   | 1.70282 |
| Commercial Industry            | /b1|1.757702  | **   | **   | **   | **   | **   | **   | **   |
|                               | /b2|9.996213  | 2043.6| 0.000| 0.100| 34   | 6370.19 | 0.98647 | 1.00059 |
| Construction Industry          | /b1|-121.929  | -124.1| 0.000| 0.364| 31   | 950.395| -123.91 | -119.942 |
|                               | /b2|9.977001  | 513.57| 0.000| 0.364| 31   | 950.395| -123.91 | -119.942 |
| Energy and petroleum industry  | /b1|0.0182109 | 0.01 | 0.994| 0.05 | 0.011| 289 | 58665.5| -4.5610 | 4.59748 |
|                               | /b2|2.20321   | 0.05 | 0.962| 0.000| 0.083| 38  | 49.5345| -0.90426 | 94.8328 |
| Investment Industry           | /b1|21.78258  | 51.51| 0.000| 0.074| 19   | 2162.86| -7.7484 | -0.61947 |
|                               | /b2|1.004317  | 89.62| 0.000| 0.074| 19   | 2162.86| -7.7484 | -0.61947 |
| Manufacturing Industry        | /b1|3.905196  | -2.04| 0.047| 0.57 | 0.074| 19   | 2162.86| -7.7484 | -0.61947 |
|                               | /b2|4.609199  | 0.57 | 0.568| 0.000| 0.083| 38  | 49.5345| -0.90426 | 94.8328 |

\( /b1| \) and \( /b2| \) are partial derivatives of the function of the analysis

Parameter \( /b0| \) taken as constant term in model is not indicated in the table

** is unobservable statistics

Number of observation in each industry is the same as that in table 1 above
The results in table 3 shows that dividend pay-out responds to overinvestment in commercial industry and investment industry \((\beta=0.996213)\) and \((\beta=21.78258 \text{ to } 1.004317)\) respectively. The statistics indicate a positive relationship, signifying that pay-out intensify overinvestment supporting the argument of (Jensen1, 986) that dividend pay-out as agency costs of free cash flow leaves managers with control over the use of future free cash flows and they can promise to pay out future cash flows by announcing a permanent increase in the dividend. Consequently this may reduce the inefficiency of marginal investments (Rafael La Porta et al., 1998). The coefficient on the construction industry reports that dividend pay-out responds to overinvestment between \((\beta=121.929 \text{ and } \beta=0.997700)\) this empirical analysis is theoretically supported by Easterbro (1984) and Jensen (1986) that, the pay-out of cash flows to shareholders through dividends, can lower agency costs.

Table 4, present exponential regression analysis of non-linear relationship of debt pay-out and free cash flow regressed by the industry that have been listed in NSE firms for the period 2008-2016

| Industry                     | Coefficient | t   | P>|t| | R-sq | Iteration | residual SS | [95%Conf.Interval] |
|------------------------------|-------------|-----|-----|------|----------|-------------|-------------------|
| Agricultural Industry        | b1 | 5.893 | ** | ** | .00 | .09 | 7 | 8.8845 | .92505 | 1.0367 |
|                              | /b2 | .9808 | 35.30 | 0.00 | 0 | 92 |
|                              |     |     |     |     |     |     |     |     |     |     |
| Automobile Industry          | /b1 | -.00014 | -0.01 | .99 | 0 | 8 |
|                              | /b2 | 7.24e-12 | 0.00 | 3 | 0.05 | 83 | .17973 | -.0035 | .00352 |
|                              |     |     |     |     |     |     |     |     |     |     |
| Commercial Industry          | /b1 | 1.7577 | ** | ** | .00 | 0 | 40 | .48132 | .9986 | 1.000 |
|                              | /b2 | .9962 | 2043.6 | 0.00 | 0 | 109 | 34 |
|                              |     |     |     |     |     |     |     |     |     |     |
| Construction Industry        | /b1 | -.16429 | -1.54 | .13 | 0.44 | 356.757 | .084211 | .01205 | .01205 |
|                              | /b2 | .85906 | 8.13 | 1 | 4 | 10 | .07997 | .6448 | 1.073 |
|                              |     |     |     |     |     |     |     |     |     |     |
| Energy and petroleum Industry | /b1 | -11.334 | -0.05 | .96 | 0.07 | 61.042 | .23641 | .00352 | .00352 |
|                              | /b2 | 1.0107 | 4.86 | 0 | 1 | 24 | .587 | 1.433 |
|                              |     |     |     |     |     |     |     |     |     |     |
| Investment Industry          | /b1 | 2.7119 | ** | ** | .00 | 0.37 | 138 | .15461 | .9920 | 1.003 |
|                              | /b2 | .99773 | 366.52 | 0.00 | 5 | 4 |
|                              |     |     |     |     |     |     |     |     |     |     |
| Manufacturing Industry       | /b1 | 8.7560 | ** | ** | .00 | 0.48 | 118 | 3.8398 | .9951 | 1.000 |
|                              | /b2 | .99779 | 743.22 | 0.00 | 2 | 44 |

b1 | and /b2 are partial derivatives of the function of the analysis
Parameter /b0| taken as constant term in model is not indicated in the table
** is unobservable statistics

Number of observation in each industry is the same as that in table 1 above
Table 4 reports various specifications of debt pay-out and free cash flow. The model reports that the debt pay-out and availability of cash is non-linear in publicly traded firms in Kenya. The positive coefficients reported by the model /b2| in all the industries confirm the second-degree approximation of debt pay-out and free cash flow, thereby supporting the sense of high non linearity between debt pay-out and free cash flow among listed firms in Nairobi security exchange.

It has been indicated that the, issuance of debt without retention of the proceeds is likely to reduce agency costs associated with free cash flow. And the required payments under debt contracts reduce the cash flows management have available for non-value maximizing behaviour and so restrict that behaviour (Jensen, 1986, 1989; Stulz, 1990; Bugshan, 2005). Furthermore, the debt market also provides management discipline (Billett, et al., 2015). However, the result of this paper maintain that though debt pay-out is related to free cash flow, it will arrives at a point where the rates of change is not constant- the optimal point. Therefore, this paper contend that debt payment, serves as a control for agency problem to a certain extend where debt issuance serve no purpose. The analysis of the paper conforms with the argument of Jensen, (1986, pg.5 ) that “ the debt pay-out does not imply it will have positive control effects and these effects will not be as important for rapidly growing firms with large and highly profitable investment projects but no free cash flow. Such organizations will have to go regularly to the financial markets to obtain capital. At these times the markets have an opportunity to evaluate the company, its management, and its proposed projects”.

Table 5. Present exponential regression analysis of non-linear relationship of debt pay-out and overinvestment regressed by the industry that have been listed in NSE firms for the period 2008-2016

| Industry                  | Coefficient | T     | P>|t|  | R-sq | Iteration | Residual SS | [95% Conf. Interval] |
|---------------------------|-------------|-------|------|------|---------|-------------|----------------------|
| Agricultural Industry     | /b1|-1.297569 | -2.45| 0.018| 0.150| 68       | 18.82475    | -2.3641 -0.1205       |
|                           | /b2|0.0019076 | 0.27 | 0.785|         |            | -2.2310       |                      |
| Automobile Industry       | /b1|-4.4164   | -4.66| 0.000| 0.843| 13        | 2.986807    | -6.3854 -0.5601       |
|                           | /b2|0.01409    | 0.42 | 0.680|         |            | -2.4475       |                      |
| Commercial Industry       | /b1|-20.2653  | -2.75| 0.007| 0.162| 22        | 6062.236    | -34.926 -0.00038      |
|                           | /b2|2.10e-06   | 0.10 | 0.919|         |            | -5.6044 -0.000043   |
| Construction Industry     | /b1|-34.2654  | -4.92| 0.000| 0.819| 15        | 177.8325    | -48.366 -0.04830      |
|                           | /b2|0.0135837  | 0.44 | 0.65 |         |            | -20.164      |                      |
| Energy and petroleum      | /b1|341.383    | 45.13| 0.000| 0.041| 4         | 58652.25    | 326.009 -0.967656     |
|                           | /b2|998325     | 66.15| 0.000|       |            | 356.757      |                      |
| Investment Industry       | /b1|-5.15076  | 1.34 | 0.198| 0.204| 25        | 39.71847    | -13.272 -1.10e-06     |
|                           | /b2|3.00e-08   | 0.06 | 0.956|       |            | 2.970       |                      |
| Manufacturing Industry    | /b1|-32.3203  | -0.01| 0.996| 0.056| 15        | 2322.781    | -12646. -20.352       |
|                           | /b2|1.05516    | 0.10 | 0.922|       |            | 12582.2     | 22.4629               |

/b1 | and /b2 are partial derivatives of the function of the analysis
Parameter /b0| taken as constant term in model is not indicated in the table
Number of observation in each industry is the same as that in table 1 above
The paper employed the exponential regression model to predict the effect of debt pay-out on overinvestment, since the paper established that debt pay-out exhibit non-linear relationship table 5. The model provide significant evidence that debt pay-out reduces overinvestment of NSE firms to a certain level. In agricultural industry debt pay-out reduces overinvestment by $\beta = -1.297$ to a point where it become insignificant at $\beta = 0.0019076$, in automobile $\beta = -4.4164$ to $\beta = 0.01409$ where it become insignificant, Commercial industry $\beta = -20.2653$ to $2.10e-06$ where it become insignificant, construction industry $\beta = -34.2654$ to $0.0135837$ where it become insignificant investment industry $\beta = -5.1507$ to $\beta = 3.00e-08$ where it become insignificant. Only Energy and petroleum industry showed that debt pay-out issuance increases overinvestment between $\beta = 341.383$ and $\beta = .998325$ which it can be assumed that the energy and petroleum diversify more on profitable NPVs project.

Given the asymptotic nature of empirical analysis in table 2, table 3, table 4 and table 5, to maintain consistency and reliable analysis of the data, the paper deemed the exponential regression model fit to predict the respond of pecking order hypothesis on overinvestment of free cash flow since the model is able combine the coefficients of the first and second derivatives. The model specification is as follows:

$$\Delta \text{NET DEBT ISSUED}_{it} = \beta_1_{it} *(1 - \beta_2_{it}\text{^overinvestment of free cash flow}) + \epsilon_{it}$$

where $\beta_1_{it}, \beta_2_{it}$ are the $\beta_1, \beta_2$ are partial derivatives of the function.

Since it has been indicated that it is financing deficit, (DEFit) itself that matters and a unit increase in any of the components of (DEFit) must have the same unit impact on net debt issued $\Delta (Dit)$, and the equation of the model being equal to one (Shyam-Sunder and Myers, 1999), the paper assumed that the effect of overinvestment of free cash flow should be less than 1. The paper assumed that the bias towards larger firms in the industry if it exists, does not affect the pecking order tests (Shyam-Sunder and Myers, 1999).

Table 6. summarizes the basic present exponential regression test of pecking order hypothesis and overinvestment of free cash flow regressed by the industry that have been listed in NSE firms for the period 2008-2016.

| Industry                  | Coefficient $\beta_{1it}$ | Coefficient $(1-\beta_{2it}\text{^Overin'})$ | Std error | t     | P>|t| | R-sq |
|---------------------------|---------------------------|---------------------------------------------|-----------|-------|------|------|
| Agricultural Industry     | /b1| 14.44424                     | /b2|.6286496                                | 5.363874  | 1.005323 | 4.42 | 0.000 | 0.592 |
| Automobile Industry       | /b1| 1.06707                      | /b2|.0020384                                | 1.064902  | .0129189  | 5.19 | 0.000 | 0.797 |
| Commercial Industry       | /b1| 26.91663                     | /b2|.8731194                                | 3.41519   | 4.823819 | 5.58 | 0.000 | 0.353 |
| Construction Industry     | /b1| 7.177671                     | /b2|.855966                                 | 1.03382   | .6750563  | 10.63 | 0.000 | 0.789 |
| Energy and petroleum      | /b1| 108.7962                     | /b2|.8628131                                | 14.92541  | 26.70165  | 4.07 | 0.000 | 0.471 |
Defining the Frontiers of Global Business Research Across Emerging Countries

<table>
<thead>
<tr>
<th>Industry</th>
<th>$b_1$</th>
<th>$b_2$</th>
<th>$\beta_1$</th>
<th>$\beta_2$</th>
<th>$\beta_1(1-\beta_2)$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>525.7589</td>
<td>0.941318</td>
<td>529.17</td>
<td>0.10</td>
<td>0.922</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>29.9245</td>
<td>0.982723</td>
<td>13.9583</td>
<td>2.145</td>
<td>0.037</td>
</tr>
<tr>
<td>Industry</td>
<td>982.723</td>
<td>0.517006</td>
<td>0.146014</td>
<td>67.30</td>
<td>0.464</td>
</tr>
</tbody>
</table>

$1-\beta_2t^\text{Overinvestment} = 1 - b_2$

$\beta_1t^\text{(1-\beta_2t^\text{Overinvestment})} = b_1(1 - b_2)$

$\beta_1, \beta_2$ are partial derivatives of the function of the analysis.

Number of observation in each industry is the same as that in table 1 above.

Iteration and residuals of SS tests of the model is not indicated in the table.

Table 6 above presents empirical results for the responses of pecking order hypothesis on overinvestment of free cash flow. Contrary to Shyam-Sunder and Myers (1999) the paper finds $R^2$s that is far from 1.0 in majority of the industries in Kenya, except in construction industry ($R^2=0.789$) and Investment industry ($R^2=0.637$) this predicts that in this particular firms (sectors) external funding is dominated at least by debt financing hence overinvestment level is very low. Accordingly, it is notable that the coefficient within these particular industries is very close to 1.0 as suggested by (Shyam-Sunder and Myers, 1999; Frank and Goyal, 2003). In table 6, the product of the coefficients i.e. $(\beta_1t^\text{(1-\beta_2t^\text{Overinvestment})})$'s column, the construction industry, automobile Industry and investment industry the coefficients reported is ($\beta= 1.03382$), ($\beta= 1.064902$) and ($\beta= .941318$) respectively.

The model reported explanatory power below the average in the automobile, commercial industry, energy and petroleum and in manufacturing industry predicting low debt financing. The coefficients further indicates that among the listed firms in NSE, it is the manufacturing that pecking order hypothesis do not responds to overinvestment of free cash flow, this strongly increases the confidence of the results since it is in this particular industry the earlier model of the paper table 5 reported that debt pay-out don’t responds to overinvestment. Overinvestment of free cash flow greatly influences the descriptions of pecking order; beyond the threshold of existence of pecking order hypothesis in energy and petroleum ({$\beta= 14.92541$}). However, the influence is insignificant; implying that overinvestment of free cash flow has nothing to do with the patterns of sourcing funds for investments. Moreover, the empirical tests shows that of overinvestment of free cash flow influence significantly the patterns of financing in agricultural industry ({$\beta= 5.3638$}) and commercial industry ({$\beta= 3.41519$}). Accordingly, the empirical results of pecking order and overinvestment of free cash flow envisions that if firms overinvest they would plan to finance anticipated deficits with debt. Thus the paper suggests that the pecking order of capital structure is influenced by the overinvestment of free cash flow this rule out the assumption of Myers and Majluf (1984) model that managers only undertake positive NPV projects.

**CONCLUSION**

This paper presents evidence on the pecking order of financing and the effect of free cash flow on implied over-investment of traded Kenyan firms. The paper carried out the exponential regression analysis by the industries that have been listed in NSE firms for the period 2008-2016 with the exception of financial institutions. The evidence in this paper suggests that over-investment is a common problem with the exception of automobile industry and investment service industry in traded Kenyan firms. There is also evidence to suggest that dividend pay-out count on free cash flow and their relationship is nonlinear in many companies that are listed in NSE. On the same note, the empirical statistics of the
paper offer little support on the impact of dividend pay-out on overinvestment. Though the model of the study suggest at pay-out increase overinvestment up to a certain point then it start reducing the level of overinvestment in commercial industry and investment industry supporting the arguments raised by Rafael La Porta et al., (1998). On the contrary, the construction industry showed that dividend payout responds to overinvestment supporting the argument of Easterbrook (1984) and Jensen (1986) that the pay-out of cash flows to shareholders through dividends can lower agency costs.

Additionally, the paper finds out that the association of debt pay-out and free cash flow is nonlinear. It is argued that debt reduces the agency costs of free cash flow by reducing the cash flow available for spending at the discretion of managers. This paper argue that debt, serves as a control for agency problem but there is no guarantee of complete control effect on the availability of free cash flow. In relation to overinvestment the results of the paper demonstrates that debt pay-out reduces overinvestment of NSE firms to a certain degree. And only Energy and petroleum industry showed that debt pay-out issuance increases overinvestment which it can be assumed that the energy and petroleum industry diversify more on profitable NPVs

Finally, the empirical tests of pecking order and overinvestment of free cash flow indicates that the pecking order of capital structure is influenced by the overinvestment of free cash flow. The analysis of the paper further finds R²’s is far from 1.0, in majority of the industries in Kenya, contrary to Shyam-Sunder and Myers, (1999). Furthermore, the model reported that the explanatory power is the below average in the automobile, commercial industry, energy and petroleum and in manufacturing industry, predicting a low debt financing when overinvestment of free cash flow is considered.

REFERENCES


APPENDIX I

Figure 1.1 Dividend payout and free cash flow in agricultural industry: Exponential regression model

Figure 1.2 Dividend payout and free cash flow in Automobile industry: Exponential regression model
Figure 1.3 Dividend payout and free cash flow in Commercial industry: Exponential regression model

Figure 1.4 Dividend payout and free cash flow in Construction industry: Exponential regression model
Figure 1.5 Dividend payout and free cash flow in Energy and petroleum: Exponential regression model

Figure 1.6 Dividend payout and free cash flow in investment services industry: Exponential regression model

Figure 1.7 Dividend payout and free cash flow in manufacturing industry: Exponential regression model
APPENDIX II

Figure 2.1 debt payout and free cash flow in Agricultural industry: Exponential regression model

Figure 2.2 debt payout and free cash flow in Automobile industry: Exponential regression model
Figure 2.3 debt payout and free cash flow in Commercial industry: Exponential regression model

Figure 2.4 debt payout and free cash flow in construction industry: Exponential regression model
Figure 2.5 debt payout and free cash flow in Energy and petroleum industry: Exponential regression model

Figure 2.6 debt payout and free cash flow in Investment industry: Exponential regression model
Figure 2.7 debt pay-out and free cash flow in manufacturing industry: Exponential regression model
Chapter #--- 16

An Intellectual Journey into the Historical Evolution of Marketing Research in Services Marketing for Libraries

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ABSTRACT

The main purpose of this research paper is to discover the historical development of marketing research in service marketing for libraries. The historical exploration of library service marketing literature is followed using diverse secondary sources. Libraries need to be looked at from the marketing perspective, with the purpose of encountering the customer necessities and identify the role of a library in the globalized era. Service marketing research has been an interesting area of research for most of the academics over the years and theoretical evolution has to be looked at very closely, in order to adopt the libraries to meet and exceed the expectations of the users. Libraries need to have a strong customer relationship approach as a value creator to the society at large. For that purpose, the level of service quality at a library has been identified as one of the critical areas for the success of libraries. This paper discusses the historical evolution of marketing research in services marketing for libraries and it concludes various propositions and conceptual models used for assessing the quality of library service. The study will provide an important foundation for the future research that can be conducted with
respect to quality of library services. Providing a high quality service has converted a key factor in the Library and Information Science in the modern business environment today. Readers of the libraries are supposed to obtain an efficient as well as an effective library service from the staff. However, librarians and other professionals too are challenged to provide a high quality service level. Along with the new development in information technology, satisfying user need has become a major challenge for libraries. Therefore, it is very vital to consider the service quality of libraries in order to meet the user satisfaction and developing user loyalty.

**Keywords:** Service Quality, Service Marketing, Library Service Marketing, Models of Service Quality, Service Orientation, Evolution of Service Quality, SERVQUAL, Promotion, Library and Information Services, Marketing Strategies, Marketing Services, Service Industries, Marketing Environment, LIBQUAL

**INTRODUCTION**

The word “service” is a confused phenomenon, which traditionally has been hard to describe (Lovelock, Vandermerwe& Lewis, 2001). The service part makes up the main part of the present economies across developed countries and in the created nations around the globe (Lovelock, Vandermerwe and Lewis, 2001; Pollard, 2005 Lovelock and Wirtz, 2011). In addition, the measure of the service part is significant not just in the developed economies Lovelock, Vandermerwe and Lewis, 2001). There are different explanations behind that radical change and several explanations exist because of varying designs of government possession and guidelines. Further, development of rental and leasing businesses, technological innovations, companies as service providers, development of service chains, franchise networks, privatization, pressures to progress efficiency, the service quality movement, internationalization and globalization, etc. have been the major factors for the radical change (Lovelock, Vandermerwe and Lewis, 2001; Lovelock and Wirtz, 2011).

The beginning of service marketing enabled significance of consumer loyalty through the service quality (Mosahab, Mahamad and Ramayah 2010; Gummesson and Grönroos, 2012; Lee, 2013). The notion of service quality has been doubtfully built up by the subject of service and marketing for companies supporting competitive benefit with retention and customer satisfaction (Skalen, 2009; Ismail, et al., 2009; Mosahab et al., 2010; Freitas and Costa, 2012; Ruiz, Castro and Diaz, 2012; Lee, 2013). Numerous service constructions have been appeared since early 1980s.

These service structures are founded on diverse standards (Chase, 1978; Schmenner, 1986; Wemmerlov, 1990, Lovelock, 1983). Another investigation by Gebaver et al. (2006) proposed a practical identical characterization for business services as well as services are separated into three facilities customer support services, customer services and product-related services. Different examinations on service framework plans and characterization are explained by Gebaver et al., 2006; Edvardsson et al., 2005; Schmenner, 2004; Mayer et al., 2003). While catching the idea of a service regular attention, connections, exercises, performance and procedures (Lovelock and Wight 1999; Solomon Vargo and Lusch, 2004a) with the purpose of examination, a service might be considered in three distinctive routes namely, 1) as a procedure; 2) as an answer for clients' issues; and 3) as an advantageous result for clients. In these points of view (service as a process) as observed by Lovelock (1991, p. 13), who characterizes service as "a procedure or execution instead of an object". This opinion is furthermore preserved by Grönroos (2001). Gummesson (2007) explains that services are active exercises and procedures, though 'goods' are static things. Then (services as an answer for clients' issues)
is introduced by Grönroos (2001), whose perspective of services focuses around the consumers, where services are given as answers to clients' issues. From this viewpoint, the benefit is conceptualized as a movement of an intangible nature that generally takes place throughout the connection between the client and service employees to give answers to clients' issues (Grönroos, 2001).

Another viewpoint of service as a useful result is about by Vargo and Lusch (2004a, 2004b). Service is the principle function of business ventures: it is a utilization of specific abilities – procedures, through deeds, and activities for the advantage of another substance or the entity itself. There are momentous contrasts amongst manufactured goods and services (Ghobadian, Speller& Jones, 1994). Presently a main change has taken place in the idea of service industry and the service at present has accomplished its autonomy and development as separated from physical goods. Thus service ventures are basically vary from manufacturing industries.

Morris and Johnston (1987) opposed that the specialist giving the organization should first investigate particular customer requirements by then change the administration based on the study. Nevertheless, the performances of one group of customers inspire other customers' opinion of service quality. Intangibility of service: Basically, most of the services are intangible. The absence of tangible characteristics explains that it is problematic for the manufacturer to define the service and for the customer to determine its prospective qualities.

The customer cannot understand, touch, smell, or feel the creation previously procured. Hence, the customer frequently expects symbols of quality: for instance: reputation; informal by word of mouth; correspondence; availability; physical effects; and so forth. Perishability of administrations: Services are consumable and unable to store in an era for utilization at a later date. First of all, distribution of service frequently covers some procedure of interaction between the service provider and consumer. It is problematic to guarantee uniformity and consistency of behavior. Furthermore, it is difficult to arrange and control this feature of service distribution. In consequence, whatever the firm proposes to distribute may be completely diverse from what the consumer obtains. Secondly, service processes are based on customers to identify their information needs. The reality of the information and the efficiency of the service supplier to understand this information have an important effect on the customers' sensitivity of administration quality. Finally, expectations and significance of the customer may differ every time he or she uses the service. Furthermore, significance and prospects may vary throughout the dissemination of the service.

The performance of educational facilities at libraries needs to be upgraded from the users' viewpoints because of the fact that the users are identified as the primary customers from the marketing perspective. Identification of the process of library service distribution is consequently vital for assessment of their opinions on the quality of services (Oluwunmi, et al., 2016). It is undoubtedly accepted that customer satisfaction is a fundamental element of any association in libraries. Library, an old-style setting and some features of the services have been transformed due to the emergence of numerous information suppliers such as internet, vendors, Google and Amazon. New arrangements of information, books, electronic access to learning and related organization can be passed from numerous perspectives and through the media.

According to Velnamby and Sivesan, (2013) library presents numerous novel services either adapting present services into e- services such as the use of information searching to improve the quality
of library services. Khan and Kamal (2016) described that libraries accept a significant fragment to market their information services for the benefit of their users, to use novel technologies and to anticipate the styles. Libraries and information centers have core service value creation helping organizations creating novel technical storage, processing, retrieval and services. Consequently, it is vibrant for service suppliers to regularly pay attention to the performance of library facilities and service quality, particularly library services for consistent development from the users' point of view.

Chen (2016) stated that, most essential fragment of a library is to give generous, accurate and dominant service to users. Furthermore, the services of a library are influenced by user capabilities and perceptions. For instance, their assessment of the atmospheres, access to a varied range of information resources, facilities, size of collections, staff attitudes and related reading exercises affect the library service dissemination significantly. Moreover, to have enhanced library service quality and user satisfaction, libraries need to have an efficient and effective library service (Mohindra and Kumar 2015). Moses et al., (2016) included the fact that service quality assessment is done by diverse researchers and they have suggested varied models such as, siteQual, LibQual, webQUAL, E-SQual, DigiQULA and Servqual, etc. Consequently, a professional environment and the appropriate library environment can increase customer satisfaction. In libraries; marketing is required for increasing associations between the users and the library.

This type of marketing assists the organizations' fundamental objective carrying greatest quality information and deliver information to the society at large while expanding the net benefits. Libraries are developing associations where assets and labor, expand gradually. Therefore, it requires new practices, advanced tools. Basically, it is necessary that librarians have satisfied the clients' goal of building up the image of their libraries. Library administrations implement marketing aspect of each one of the exercises of library and it has extended the goal of clients’ satisfaction (Jessy and Rao 2016). Marketing perspective for libraries is essential for numerous explanations (Gupta, 2016). Nowadays, libraries need to deliver a higher quality services in order to attract library users and for the institutional enhancements, with the requirements of the users in mind.

Evolution of Service Quality

Usually, there are a number of two diverse conceptualizations found in the service quality literature. As understood by Brady and Cronin (2001), the principal is from the Nordic point of view, which was created by Grönroos (1984), who originate that the measurements of service quality in worldwide terms comprise of technical and functional quality. Technical quality emphasizes the result from the particular service over the connections with the service provider in fulfilling the clients’ essential requirements, which specifies the “what” reason (Grönroos, 1984, 1998).

However, the functional quality is identified with the procedure measurement, which assesses the way of conveyance of the individual service from the specialist organization and it indicates the “how” reason (Grönroos, 1984, 1998). Afterward, the service quality model was improved to contain a third measurement, namely, image (Akhtar, 2011; Rahman, Khan and Haque, 2012). Image was utilized as a filter for perception of quality on the service organization to demonstrate neutral favorable or unfavorable (Grönroos, 1984, 1998). With regards to technical quality, there are five features in emphasis: employees’ technical solutions, knowledge, employees’ technical ability, computerized systems and machine quality. With regard to functional quality, there are seven features in emphasis.
They are customer contact, accessibility, internal relationship, attitude, appearance, service mindedness and behavior (Grönroos, 1998; Woodall, 2001; Akhtar, 2011; Rahman, Khan & Haque, 2012). Image has a close and direct association, which is centered on the service provider (Akhtar, 2011).

The second point of view on service quality was created by Parasuraman, Zeithaml, and Berry (1988) and is known as the American viewpoint (Sayed, 2013). Brady and Cronin (2001) discussed that Parasuraman et al. (1988) has utilized terms that define benefit of service features, for example, reliability, responsiveness, empathy, assurance, and tangibles (Brady and Cronin, 2001; Sayed, 2013). Parasuraman et al. (1988) built up the idea of perception and expectation of service quality by making the Gaps Model of Service Quality. It was clarified the thought by enlightening that the Gaps model which is based on the customers’ expectation and perception (Parasuraman et al., 1985). Parasuraman et al. (1985) investigated the measurements of service quality and established a GAP model that gives a significant outline describing and determining service quality. They focused on an experimental examination and constructed the Service Quality GAP Model. The dimensions of GAP model were demonstrated as the Knowledge Gap (GAP 1): Customer expectation-management perceptions gap; The Policy Gap (GAP 2): Management perception-service quality specifications gap; The Delivery Gap (GAP 3): Service quality specifications-service delivery gap; The Communications Gap (GAP 4): Service delivery-external communications gap; The Service Quality Gap (GAP 5): Expected service-perceived service gap (Parasuraman et al., 1985; Lovelock, 2011). Lovelock (1994) included the 6th gap to the model as the Perceptions Gap between perceived service and service delivery.

Then the gaps showing, ten factors of service quality that customers used when understanding the quality were termed (Parasuraman et al., 1985) Reliability comprises regularity of presentation and loyalty and gives precise service in opportune time. Responsiveness incorporates the readiness or position of employees to offer service. Ability implies the knowledge the service personnel and skillfulness staff. Access implies availability and simplicity of contact. Courtesy includes respectfulness and friendliness of administration work force. Communication retains client educated, for instance clarifying the service and its cost. Credibility covers reliability and trustworthiness. Security includes physical wellbeing and economic security. Expressive the Customer is particular necessities and giving them individualized administration. Tangibles determine the physical proof of the service. Service quality has been intellectualized with various quantities of measurements and for the most part, it has been clarified with a few dimensional models.

Rust and Oliver (1994) suggested a three dimensional model which was not tried theoretically. In this model, service quality is an element of service environment, service product and service delivery. Hedvall and Paltschik (1991) recognized service quality measurements as readiness and capacity to serve, and physical and intellectual access. Haywood-Farmer (1988) examined a service quality model containing three fundamental characters, for example people behavior, conviviality, physical facilities and professional decision. These features were identified with Parasuraman et al., (1985) service quality elements. Physical services are identified with Tangibles; People Performance and Friendliness are identified with Reliability, Responsiveness, Access, Courtesy, Communications determinants; and Specialized Decision is identified with Competence, Credibility, Security and thoughtful the consumer determinants. Parasuraman et al. (1988) created SERVQUAL scale which is a forced display for estimating service quality. In SERVQUAL model, there are five measurements and 22 elements showed in seven-point Likert scale. The five measurements of SERVQUAL are: tangibles, reliability,

**Definition of SERVQUAL dimension**

Table 1. (Source Adapted: Parasuraman, Zeithaml and Berry – 1988)

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>“The appearance of physical facilities, equipment, personnel and communication materials”</td>
</tr>
<tr>
<td>Reliability</td>
<td>“The ability to perform the promised service dependably and accurately”</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>“The willingness to help customers and to provide prompt service”</td>
</tr>
<tr>
<td>Assurance</td>
<td>“The knowledge and courtesy of employees and their ability to convey trust and confidence”</td>
</tr>
<tr>
<td>Empathy</td>
<td>“The provision of caring, individualized attention to customers”</td>
</tr>
</tbody>
</table>

Developed from a SERVQUAL adaptation for libraries, based on statistical studies, it reduced the five SERVQUAL dimensions to just three and then was renamed them in order to meet the needs of library service quality evaluation: the affect of service; Information Control, and Library as place, as shown in figure 1.

Figure 1: LIBQUAL+®’ dimensions of service.
Source Adapted: Cook and Maciel – 2010.

**An overview of services**

Diverse service frameworks have been emerging since early 1980s. Then service structures depend on various fundamentals (Chase 1978; Lovelock 1983; Schmenner 1986; Wemmerlov 1990) Chase (1978) states the segments by the extent of client interaction in the transmission of the service.
Schmenner (1986) categorizes services using two measurements, with the degree of collaboration and customization on one alliance and the level of workforce on the other. However, Lovelock (1983) suggested characterization of services into number of four characteristic classifications, based on service institute is really preparing as well as how it can accomplish that assignment.

Among these number of four service framework systems, Liu and Wang (2008) categorize the arrangements of the past characteristics of services constructed on the outlines notions, i.e. continuum scheme, separate entry arrangement and matrix arrangement. Additional investigation by Gebaver et al. (2006) proposed a similar characterization for business administrations, where services are separated into three gatherings: product-related services, customer services and customer sustenance services. Different investigations on service arrangement plans and arrangement are investigated by Mayer et al. (2003) Schmenner (2004) Edvardsson et al. (2005) and Gebaver et al. (2006). A service organization might benefit individual client or on the other hand it might benefit their belonging. In addition, the servicing might be physical as in the case of acquiring washing machine, the client additionally gets services such as maintenance, repair and installation. On the other hand, the servicing might be intangible as in situation of information, education, museums, securities or banking.

Concept of Service quality for Library assessment

There has been important attention in the measurement of service quality basically in the library setting (Jayasundara, 2011). Satisfaction is a dynamic component in service quality. SERVQUAL has been recommended as a tool which would contribute decision makers to get the accurate parts in an effort to increase the services. Consequently, service quality has been a ration consideration from the investigators since it is significant for an organization’s lowest line (Azam et al. 2014; Dahari et al., 2011; Tham et al., 2017). Most of the time, customers compare what they assume to get with and what they really obtain throughout the post obtaining period of the service acquisition procedure. Before customers’ acquisition of a service, they have a prospect about service quality that is based on separate requirements, previous involvements, word-of-mouth commendations and a service providers’ promotion. After purchasing and consuming the service, customers match its expected quality with what they really received (Lovelock and Wright, 1999).

Currently, through improved rivalry, service quality has converted a common part for scholastic readings and has been renowned as a focused benefit and helpful connection with satisfied clients Zeithmal (2000). As indicated by Saghier and Nathan (2013), quality is a deeply rooted concept in the administration. Moreover, there are various explanations and methods of service quality; nevertheless there is no agreement to a solitary definition. The definition of service quality was more developed as the common calculation of a certain management firm that results from different that company’s implementation and the client’s common requirements of how firms in that industry ought to achieve (Chidambaram, &Ramachandvan, 2012). The notion of library as a non-profit organization is rapid fluctuating. Different inside as well as outside issues are restructuring the role of libraries in the society. The concentration is moving from the Size of the library collection to the services being presented by the library. Libraries have conceptualized to see their library users as 'Customers'. In the present knowledge economy, library services are gradually being renowned as marketable items (Adeloye, 2003). It is necessary for each library to monitor its service quality; though, this essential mission may be Service quality monitoring for library is very difficult. To monitor service quality in the library, it is
necessary to understand the essence and different physiognomies of library services, as follows (Einsto Olga, 2009):

1. Presently, library services are transforming towards web environment.
2. It is challenging to forecast main library services which are necessary in the forthcoming.
3. The objective of a library is not to create an income however, to fulfill users Information needs.
4. Libraries contest with every supplementary in financial resources.
5. Library services usually do not have a clear value, so libraries contest not by charge, but somewhat by quality of their services.

The nature of library functions and service is a mechanical quality which assesses library from the viewpoint of effectiveness and management of different library functions. The library services and functions are particular qualities which evaluate library from the opinion of various library works out and administration. Then, library is a service facility for the organization. It gives services to the clients and thus, the nature of quality of service is the most imperative factor in the whole library tasks. In any case, the natures of any services are not tangible.

Therefore, it is somewhat problematic for estimation and cannot be neglected. In this manner, it is hard to evaluate the quality of whichever service. In the fields of library science, a few efforts are made to assess library service quality. Quality has become the key term for any production or service after the Second World War. In the library and information science literature numerous ideas have originated from different disciplines. In that capacity, quality of library services should be assessed and monitored frequently. Generally quality is decided by the customer of the service beneficiary and subsequently relies upon the happiness of library clients. The notion of library as service quality has originated from the philosophy of marketing. Consequently, library service quality research has an important impact on marketing management. Further, in the library assessment of library client wants and desires is fundamental. In this manner, fulfillment of clients ended up essential factor in measuring the efficiency of the library services. The researchers and the scholars in the field turned their concentration towards fulfillment of clients. Nevertheless, it was seen that the fulfillment is a result of the desired expectation from the service quality. The actual use of library relies upon the quality viewpoints which are on the other hand subject to qualitative data expected straightforward from the library users.

Thus, in the present day, a majority of library management choices are client focused. Such information covers qualitative perspectives such as, attractiveness of library building, cleanliness of library, attitude of staff, and functionality of furniture, and so on. Service quality was characterized in different meanings but for the idea of service quality for library assessment is "to analyze the difference between a client's desires and the client's apparent sense to honest performance." (Calvert, 1997) Philip J. Calvert and Peter Hernon specified that: "Most ordinarily, benefit quality is characterized as far as decreasing the hole between client desires and genuine administration gave ". Despite the fact that there is uncertainty between the idea of service quality and fulfillment, Peter Hernon determined that "benefit quality spotlights on the collaboration amongst clients and specialist co-ops, and the hole or contrast between assumptions about administration arrangement and recognition about how the administration was really given. Fulfillment, then again, does not include whole investigation" (Peter Hernon, 2002).
Table 2: Library Service quality Studies and the dimensions

<table>
<thead>
<tr>
<th>Author</th>
<th>Year</th>
<th>Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jayasundara, Ngulube</td>
<td>2010</td>
<td>Staff approachability, Complaint responsiveness, Cultural sensitivity, Courtesy of the staff, Personal attention to customers, Being informed about new services, Supportive atmosphere, Follow-up service, Proper coordination by the staff, Staff knowledge ability, Promptness of the staff, Contemplative environment, Physically challenged friendly facilities, Reflective and creative place, Accessibility to buildings, Helpful directional signs, Comfortable and inviting place, High quality information resources, Collection completeness, Convenient access to collections, Diversified general readings, Collection comprehensiveness, Current information, Needs-oriented resources, Good sanitary facilities, Convenient opening hours, Good ventilation, Good functional furniture, Good lighting, Quick re-shelving, Quietness in the library, Air-conditioning, Access to computers, Audiovisual equipment in good condition, Modern equipment, Error-free records in the systems, Effective resource sharing, Archival access, E-journal access, Remote access, Reasonable fine structure, Customer education programs, Transactional confidentiality, Library guides, Well-organized Web site, Useful library, Web site, Needs well-oriented Web site, Accurate OPAC, Easy OPAC, Up-to-date OPAC (50)</td>
</tr>
<tr>
<td>Shafiq Ur</td>
<td>2012</td>
<td>Affect of Service, Information Control, Library as Place (3)</td>
</tr>
<tr>
<td>Sohail and Raza</td>
<td>2012</td>
<td>Reliability, Responsiveness, Assurance, Access, Communication, Tangible (6)</td>
</tr>
<tr>
<td>Awan and Mahmood</td>
<td>2013</td>
<td>Access, Reliability, Responsiveness, Assurance, Communication Empathy (6)</td>
</tr>
<tr>
<td>Velmamby and Sivesan</td>
<td>2013</td>
<td>Staff approachability, Complaint responsiveness, Courtesy of the staff, Personal attention, Supportive atmosphere, Staff knowledge, ability, Promptness of the staff, Reflective and creative place, Convenient access to collection, Collection comprehensiveness, Current information, Access computer, e-journal access, Customer educational program, Convenient opening hours, Error free record in the system, Helpful directional, Signs Need oriented resources, Air condition, Audio visual equipment (23).</td>
</tr>
<tr>
<td>Pourahmad, Neshat, and Baghi</td>
<td>2016</td>
<td>Affect of service (AS), Library as place, Information control (3)</td>
</tr>
<tr>
<td>Dahanet et al.</td>
<td>2016</td>
<td>Library staff, Library services, Library collection Library as place (4)</td>
</tr>
<tr>
<td>Dash &amp; Padhi</td>
<td>2016</td>
<td>Library Staff, Library Collection, Library services Library infrastructure / environment (4)</td>
</tr>
<tr>
<td>Rehman, S.U.</td>
<td>2016</td>
<td>Affect of service (AS), information control (IC) and library as place (LP) (3).</td>
</tr>
<tr>
<td>Oluwunmi, et al.</td>
<td>2016</td>
<td>Tangibility, Responsiveness, Reliability, Assurance, Empathy (5)</td>
</tr>
<tr>
<td>Mosses et al.</td>
<td>2016</td>
<td>Affect of service, Library place, Information control, Usage, Satisfaction (5)</td>
</tr>
</tbody>
</table>

Source: Developed by the researcher for this study
Origin and history of LIS marketing

The term marketing takes on numerous aspects to numerous individuals since it involves various exercises geared towards an objective. It has been characterized in various methods by people and expert bodies. Kotler (2000) characterized marketing as an arrangement of exercises by which interest for services, ideas and goods are succeeded to facilitate exchange. Marketing is to identify as the control, analysis and planning of a carefully formulated program intended to carry about voluntary interactions with target markets to achieve organizational objectives (Kotler, 2000). He included further that marketing depends deeply on planning the organizations ‘putting in terms objective markets' requirements and needs and on using powerful pricing, distribution and communication to inform, service and motivate the markets. As per Kotler and Armstrong (2006), marketing is the organization’s successful management of exchange associations with different customers keeping in mind the end goal to accomplish the organizations’ objectives. This is a general way to deal with marketing as it demonstrates its wide extension and applicability to variety of management exercises such library administration. From the previous, it turns out to be clear that the fundamental focal concept of marketing is the customer base while fulfillment of the clientele is its main objective. As well as, the essence of marketing as a management instrument and method is to discover what the clients' desires are and to set out techniques towards meeting those requirements. In libraries, marketing includes describing a target audience and arranging particular procedures keeping value specific library services. (Busari et al., 2015). By the 1920s the library development had begun in various nations. A number of national and international professional associations (with IFLA, 1927) appeared amid this period and their work enhanced the general circumstance of libraries and librarianship world over.

There is confirmation that school libraries, special libraries and different libraries began appreciating marketing related exercises. The library user is best, and is the focal point of the library; in this way the entire organization (facilities, rules and regulations, procedures, resources) moves toward customer focused. Taking everything into account, between the 1920s until the early 1970s, beside special libraries information services, archives and did not see much, if any, necessity to market their services and products. Most marketing interrelated documentation in the field of librarianship had been introduced under such names, as client needs, performance measurement, client training, and economics of information, and, selling, public relations, efforts toward promotion and connected notions (Gupta & Savard, 2010). Marketing isn't novel to the library field and it is as long-standing as recent librarianship and the basis of marketing goes in 1870s. The methodologies of library specialists like SR Ranganathan, Melvil Dewey and others were marketing focused. Indeed, even Ranganathan's Five laws have been originated in today's marketing notions ((Besant and Sharp, 2000). Ranganathan's Five Laws with the promoting idea of library services and information in the under mentioned method (Jain et al, 1999b):

(a) Books are for use (Take full advantage of the use of information underscores on the possibility that
(b) Every reader his/her book (Every reader is major aspect and his/her requirement must be fulfilled)
(c) Every book its reader (Discovery a reader for each book)
(d) Save the time of the reader (Establish information material in a way that the reader discoveries the
needed information quickly)
(e) A library is a growing organism (Highlighting is on thorough and transformative development)
Nevertheless, the notion of marketing in libraries arrived when Philip Kotler formally spread the marketing idea in non-profit organization in 1970s and the idea was honed in 1980s when the impression of services marketing arisen. There have been numerous adjustments in marketing of library services with the progression of time. As indicated by Freeman and Katz (1978), till the early 1970s, most libraries did not see quite a bit of marketing. Most marketing related documentations were named with the idea of client needs, client training, and economics aspects of information.

Throughout the period of this examination, long time concepts and theories for marketing of goods, for example, 4Ps model led in marketing of library and information services literature. The requirement for client center was felt however promoting libraries was the principle concern within this period. Nevertheless, till nowadays the service quality idea began challenging the 4P method. Currently, the focal point of the library and information services marketing is on connection marketing (Besant and Sharp, 2000), image building internal marketing and customer loyalty. Consequently, the marketing idea has transformed from retailing idea to product improvement and client centered notion. Ideas like relationship management, customer services and service quality played a dynamic part in growth of marketing from hall concept idea to entire organization notion. The fundamental philosophy fundamental the requirement for library and information science marketing can be concluded up as (Jose and Bhat 2007):

1. **To emphasize on the client:** As discussed above, nowadays the client has options. Marketing impacts the libraries to reaffirm and understand who their clients are and what are their requirements. Similar to any service organization; a library is for its clients. Subsequently marketing supports to accomplish high levels of consumer satisfaction. The improved consumer satisfaction will bring about the expanded ability to use and pay for the services obtainable (Nikam, 2003).

2. **To enhance the image of the library:** In the past individuals used to think about libraries as storage facilities of books and different resources. However, at present libraries are becoming lively organizations. Information and Communication Technologies (ICT) make it workable for the libraries to contact their clients as at no other time in the history. Promoting their services can assist the libraries in rethinking themselves and finding their correct place in the society/organization in which they work.

3. **To build interactions with the commercial world:** Regularly, libraries are the principle doors for the business world going to the educational world. Libraries can support their organization in establishing the present connections and discover the novel associates.

4. **Cost retrieval:** The cost of the library resources both printed and electronic is expanding at a rapid level. Further functioning costs, such as keeping of library resources, furniture and other basis, are additionally expanding. Nevertheless, in the majority of the cases, the library spending budget is either decreasing or remains constant. Consequently, there is a requirement for the libraries to procure income for fueling resources into the resources. There is a vast market for library and information services/products in this current information economy. Successful marketing systems makes feasible for the libraries to promote their services and products. Today the client has numerous choices with respect to getting prompt information.

The fast development of the internet has particularly changed the information standard. In order to remain important, libraries need to market their services according to the market objective. Therefore, a library that knows the marketing idea will be next to its clients (Adeloye, 2003). Conversely, the notion of marketing in libraries arrived when Philip Kotler formally spread the marketing idea in non-profit
organization in 1970s and the idea was improved in 1980s when the idea of services marketing developed.

CONCLUSION, DISCUSSION AND MANAGERIAL IMPLICATIONS

Librarianship is multidisciplinary. Librarianship and marketing may appear not to have a sort of interdependent relationship. A critical investigation of the above, nevertheless, would expose that the two ideas have certain aspects in particular users of services and products they offer or satisfaction of customers and items they offer. As well as, products/goods and services are offered in marketing and libraries to address the requirements of their target client groups. (Busari et al., 2015). In the past few decades, marketing standards have turned into a fundamental piece of our everyday lives; both professionally and personally most of us are not aware of these impacts when we purchase a bottle of soft drink, a car or prescription for medication.

We are affected by the advertising endeavors of internet service providers, book vendors, and database conglomerations in the library profession. Marketing standards have been successfully connected to a varied arrangement of circumstances, including the nonprofit organization (Kotler and Andreasen, 1987). "There is now extensive, international literature on library marketing" (Shontz, Parker, and Parker, 2004, p. 64). Libraries must continue and succeed since they have a part to play in the community. The library is not identified as a money-making association as it is worth and subsistence cannot be determined by profit (Martey, 2000). Marketing of library services is the successful implementation of the considerable number of activities connected with growing satisfaction of clients by giving more significance to them. It is a complete answer for library and information service center. There have been huge advancements in marketing of library and information services everywhere the world (Guptha, 2016). Nowadays, we live in a competitive world. The library and information services segment works in a situation which is experiencing consistent advancement and change. Library professionals are considerate that the distribution of effective and efficient services must be established on strategic planning. The capacity of organizations and businesses to make potential users aware of their products or to promote their services can mean the distinction amongst extinction and success (Kotler, 1997). Today's essential element of libraries is marketing knowledge excellently. Snoj and Petermanec (2001) provide the following explanations for the reason behind libraries to have marketing approaches such as to increase their organizational position and image to diverse stakeholders, to develop new services or change current ones to satisfy their library users and increase their implementation in overall like timely obtaining of books.

The notion of marketing for non-profit organizations was first presented by Kotler and Levy in 1969. According to him, a nonprofit organization such as library is fundamentally involved in the production of services than goods. Services are separate in environment mainly due to the features of being inseparable, intangible, perishable and variable. Therefore, there is a need of various methods towards service marketing of goods (Zeithaml, Parasuraman, Berry 1985). Inside various sort of services, Information service isn't just measured as an important service, but also as a marketable service (Eagleton, 1992). Information services /products, like some additional product, are necessitated in the market and the demand is pretentious by factors like favorite, expectations, price, income, technology, seasons, price of other goods and populations (Kanaujia, 2004).
Service marketing philosophies is emphasis on customer performance, customer satisfaction, and that features of the service experience that interest and maintains customers, and allow a focus on the whole group of customers or on sections inside that pool. Service marketing theories offer the manager a structure inside which to improve service structures, to train personnel, to progress assessment approaches to regulate achievement, and to plan marketing methodologies (Gupta, 2003). According to Josh and Bhat in 2007 libraries are faced as never before to continue applicable to the community to which they are proposing their services. Nowadays, the library user has numerous choices with regard to retrieving suitable information. The quick development of internet has particularly transformed the information pattern. This research provides information on the service quality as well as information on the service quality and development of service quality in the field of library science. Librarians are paying high attention to find suitable methods to reply to the modern necessities, fulfill their aims, encounter the requirements of both current and possible users, and connect the library’s significance. It has become perfectly vibrant that for libraries to subsist, the establishment of services should encounter the necessities of current developments, concerning the identified and varying demands of a further challenging user. This study has revealed that marketing deals a varied range of actions and tools that may promotion librarians in dealing with a varied diversity of matters in the present socio-economic setting regarding their part, utilization and image.

Numerous librarians still tend to connect marketing with profit, bringing about their service to utilize it as a tool (Weingand, 1999; Sass, 2002; Gupta, 2003; Shontz et al., 2004; Garoufallou et al., 2009). Libraries, these days, are looked with development of technological deviations their service improvement and arrangement. Numerous authors highlight the requirement for adjustment to the computerized condition, which has made an all the more demanding client culture for all library types around the world (Dodsworth, 1998; Gambles and Schuster, 2003; Gupta, 2003; Wakeham, 2004; Garoufallou et al., 2008; Schwamm et al., 2009).The focal point of all service distribution must be on the general population being served. Libraries are essential to consider an honest impression of the items they give – not simply books or spaces, but rather life experiences and solutions.

Encouraging the service is an essential component of service conveyance. Numerous libraries have products and services of library users are uninformed of their accessibility. Libraries in reacting to novel user requirements should plan strategically, think innovatively improve their facilities, design deliberately, market and promote the products provided by the physical places of service delivery, enhance their offices and develop new products.

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Chapter #--- 17

An Exploration of Global Five Star Hotel Branding with a Sri Lankan Perspective

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ABSTRACT

In the field of marketing identifying and satisfying the social needs is a fundamental process that rigorously combined with the global five star hotels branding. Also the tourism industry and the hospitality industry directly exhibit the correlations with the global five star hotels branding world widely. Hence at the market place these two industries transparently fortifying the consumer preference and accumulation toward the global five star hotels brand. In marketing literature very few researchers have unequivocally explored the branding of global five star hotels that associates with hospitality services rather than physical goods. It does not indicate the less importance of branding the global hospitality industry. However, brand development seems crucial in hospitality services than to products due to its disparities among employees’ expertise. The intrinsic attributes in global five star hotels’ hospitality services accelerate particular challenges to the marketers and request an adaptation of branding and application of advanced marketing strategies that usually employed for physical goods.
The perceiving manner of global and Sri Lankan tourists or consumers’ on the determinants of their preference for global five star hotel brands and verify the types of global five star hotels hospitality services that associated for branding the global five star hotels, will be scrutinized multi-methodically. In simply brand preference, brand associations, and services types will be scrutinized. Further this proposed model and research will be expanding for enhancing the academic interest in rather unexplored area of hospitality services in literature when branding the global five star hotels.

**Keywords:** Global Branding, Global Five Star Hotel Industry, Global Hospitality Industry and Tourism Industry in Sri Lanka.

**INTRODUCTION**

1.1 Overview

The purpose of this study is to identify elements and clarify the path of branding the global five star hotels. According to the content analysis researches that published between 1994 and 2014 have used several suitable keywords to introduce the five star hotels as “luxury hotels”, “upscale hotels”, “deluxe hotels”, “high-end hotels”, and “four- or five-star hotels”. That extremely focused on luxury hotel-centered topics. The researchers primarily categorized and have identified nine groups that mediating with the five star hotel industry as in marketing, human resources (HR), finance, strategic management, technology, service quality, food science, tourism and others sections. Hence mass market of the global five star hotel brands is based on the Meta market [collective of several markets which associate together] as marketing channels. When in the open economy branded products have crucial demands because of the existing effort of time the brands achieved strongly. The physical branded product is tangible and the characteristic of it can be decided than a service which is provided by intangible and not visible. Also when exploring the global five star hotels branding basically it sustains with services that the hoteliers provide. Hence the hotel trade is centered on hospitality services and there is a shortage of dynamic researches on hospitality services branding. In fact throughout this study identify the contribution of the global hospitality industry and tourism industry that catering on global five star hotel brands with a perspective in Sri Lanka

In fact, today the marketing managers’ keen on implementing the hospitality services branding to develop the consumer satisfaction and reach beyond the standard of branding in the global five star hotels industry. Hence what is branding and intrinsic attributes of the services will be emphasized throughout this empirical research.

The historical background proves that the hospitality industry, always represent an integral part of providing a world-class customer service that strengthens the customer relationships which are an invaluable asset to a hotel or any hospitality venture. Currently, services in the hospitality industry go beyond smiles or a simple “thank you” to create a dynamic and unforgettable experience for customers to stay ahead on competition in the hotel sector. Also, service in hospitality industry might mean more than customer service. Services are segregating back of the house and non-customer facing activities, but they all contribute the overall experience of customers. The customers’ separate into external customers as guests and internal as staff and stakeholders. Hence competition in the hospitality industry that makes high-quality customer service indispensable. When clarifying the services in the hospitality industry “Service is an act of respect, kindness and love. Service is the heart of hospitality industry. This will help the customers to get comfortable as they feel”. An excellent customer service goes the
extra mile to ensure that customers are happy and well taken care of. Also a satisfied customer is a loyal customer. So, hoteliers must take them to the center of attention – at all times – and they will certainly be happy. Hence Judging the Customer’s Needs are very important without their request to supply the necessities. E.g. if a family staying at hotel has children, then should provide them necessary children supplies without a need of their request for everything. As well as measure the customer mood also supportive for impressing the clients to offer what they want actually. So, personable service is a sure way to improve the client’s mood.

Largest Hotel Chains across the globe would agree that the customer services gain the competitive advantages. Service in the hotel industry is even more important as a service prototype of the hospitality industry for evaluation. However customer experience goes round about the customer service they received. When defining the purpose of service in the hotel industry feedback is a crucial part of customer service. The feedback from the customers is highly important know whether your business approach is actually working. A famous Quote of Bill Gates would set things up here. “Your most unhappy customers are your greatest source of learning”.

Customer service, offers the customer an opportunity to measure how the service providers are performing. It allows customers to communicate their experience both bad and good. Relevant to the feedback, service provider will know what do they maintain and update. Hence the information book helps to improve the quality of customer service in the hospitality industry. According to the time of the customer on holidays service provider or hotelier could help them by planning their stay in a better way to entertain the time and can be recommended. Additionally, the time is the key to success. If the service provider aren’t able to provide on-time services to the valued customers then it will hurt the business. Hence it is important to give individual priority to each customer. The customer satisfaction develops a loyal customer to come back again and will suggest the services of the hotel to their friends and family members even. Following the etiquettes of services in the hospitality industry should ensure that all services are being supplied on time. This is including both on-call and in-person services. When communication with customers it is important to maintain a level of respect and provide proper follow-up to make sure that the customers are enjoying their stay at the hotel. If they have any complaints, get them sorted out at the earliest is the key requirement to reach higher level.

Hotel customers are generally seeking an energetic service and memorable experience. In fact service in the hospitality industry allows hoteliers to meet and surpass the customer expectations for fresh beginning that ensures patronage of a lifetime. When in hospitality it is essential to end occasions or meeting on a positive note. When the customers come into your sight always smile and greet them is necessary. When addressing them with their names and maintaining a good sense of humor makes the meeting pleasant. That ensures the understanding and improvement of customer service in hospitality business. At present the hospitality industry that affiliated to the hotel industry has emerged as one of the largest business domains in the world. The success of the hospitality industry and five star hotel industry customer services is the key and their target group is the customers. If the customers get something without asking, it makes them feel special. These services assist to maintain global five star hotel businesses a good environment, loyal customer base, growth and expansion of the trade.

The hospitality industry and global five star hotel industry is composed of a wide set of services. This can include theme parks, event planning and transportation etc. Accordingly what kind of distinctions attracts the consumer perception on global five – star hotel brands? How do the consumers
perceive the five–star hotel hospitality services brands? And how do the different types of five–star hotel hospitality services brands enhance to stipulate the consumer perceptions are being investigated to receive the solutions. It builds the foundation to the consumer favorable hospitality services and minimizes the repulsion that the consumers receive. As a result of that cumulative characteristic of hospitality services will become visible and branded. This research orients empirically to analyze the hospitality services that supply by the global five star hotels brands for illuminating the field of global five star hotel branding. The global and Sri Lankan tourism industry even interferes in enormously to attract the guests to accommodate and spend their vacations at global five star hotels world widely. Hence its influence is higher for global five star hotel branding.

LITERATURE REVIEW

2.1 What is a Brand?

According to the theme of this research the fundamental requirement is to define “What is a brand?” The word of “brand” is derived from the Old Norse word “brandr”, which means “to burn” (Keller 1993). The general characteristics of brand are, it includes a name, sign, logo or design. If not it combines with all of them. Hence when a marketer builds a name, symbol or logo to launch a new product, it will be the origin of a branded product. In order to that the brand can be identified as one of the most valuable intangible assets of a company. The brands identify the maker of a product and allow consumers to assign responsibility for its performance to the maker or distributor. Brands perform a number of functions for both consumers and firms. Hence it is a promise between the firm and the consumer. It means to set consumers’ expectations and reduce their risk. Therefore brand is a signal of quality product and will be an asset to the owners or the company. The American Marketing Association [AMA] defines a brand as a “name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition” (Keller, Paramaswaran & Jacob 2012: Keller 1999, p.4). When defining a brand can be a legal instrument, a logo, a company, shorthand, a risk reducer, an identity, an image in consumers’ minds, a value system, or a personality. As a result brands provide numerous benefits for the consumers and manufacturers. “Ultimately a brand is something that resides in the minds of consumers” (Keller, Parameswaran, Jacob – 2012). In another way a brand product reveals the consumers “who’ the product is? What is the importance of the product? And what is the reason to care about? These reasons secure the consumers and develop the consumer loyalty, preference on brand products and impose the idea to switch from other product to the branded products.

2.1.1. History of Branding:

It extends up to the sixteenth century. At the period the whisky distillers exported their products under the name of “producer burned”. Hence on the top of the wooden barrels they exported whisky named “Branded.” This made the whisky specific and distinguished to identified and separated from the other products that exported by the different traders who were in the same field. It assisted the consumers to avoid buying the alternative counterfeit products and ensured the satisfaction of consuming. The consumption of cheaper products that includes low – cost raw material and earning lucrative income were prevented accordingly. The twentieth century branding became central to competition in the marketplace (Aaker 1991).
2.1.2. Categories of Brand Names:

The individual brand names, people’s names, company names, Retailers brands based on their store name, names that based on the places, animals or birds are some of the brand names. To develop brand names some indicated the words that inherent to their product meaning, and some added prefixes, suffixes and abstract images. In Sri Lanka Hilton Hotel, Hotel Intercontinental, La Shangri-La Hotel, Hotel Marriott, Kingsbury and Chain of Heritance Hotels are some of the well-known five star hotel brands. “A brand can retain intellectual property right, giving legal title to the brand owner (Keller, Parameshwaran, Jacob 2012).” Hence selecting a name for a new product is such an important, art and a science. Generally a brand name is chosen by considering 6 main characteristics. They are memorability, likability, meaningfulness, transferability, adaptability and safeguard ability in mind. The brand awareness and brand image may interfere to strengthen the memory of consumers for enhancing the brand knowledge. When a product has a registered trademark it will safe guard the brand name and the patent of it to defend the manufacturing process. Brand mantras are powerful devices that high lights the points of difference. They provide guidance about what products to introduce under the brand.

2.1.3. Defining a Brand Mantra:

It is a three to five word articulation of the heart and soul of the brand and is closely related to other branding concepts like “brand essence” and “core brand promise”. Its purpose is to ensure that all employees within the organization and all external marketing partners understand what the brand is most fundamentally to represent with consumers so they can adjust their actions accordingly (Kotler & Keller 2017 p.308).

2.1.4. Building a Brand:

It is a long term process of investing, advertising, packaging, and promoting. And “Each brand represent a level of quality” (Chunawalla – 1997 p.262). A strong bond is being given by the seller to the consumer to provide specific products and services. The brand reflects the value that governs the producer and a certain culture that spring up. It projects the personalities that anyone could afford. Those characteristics are the essence of the brand. The Shangri-La hotel brand displays the prestige, financial capability of a person, and the power of modern technology. But the brand of three star hotels stands for economy and affordable price. And the benefit value of some products can be varying from time to time. Although there is no possibility to decide that the Shangri-La hotels can be bought at a price of three star hotels. The reason is the Shangri-La hotels have built its value throughout many years. “Actually it has become the building blocks of brand strategy” (Chunawalla 1997).Branding is the process of endowing products and services a power of a brand. And concisely a brand resides in the minds and hearts of consumers. On this purpose branding strategies to be successful and brand value to be created. The consumers’ must be convinced there are differences among brands in the product or service category. Brand differences relate the attributes or benefits of the product or service category (Kotler & Keller 2017 p. 326). Successful brands are seen as genuine, real, and authentic in what they sell or provide to the customers. A successful brand makes itself an indispensable part of its customers’ lives.

Building a strong brand is both an art and a science. It requires careful planning; a deep long-term commitment, and creativity designed and executed marketing. A strong brand commands
penetrating consumer loyalty and heart of the great product or service. “Also building a strong brand is a never ending process (Kotler & Keller 2017 p 323).” And the brand cannot be imitated by other competitors easily. “Literature suggests the strong brands are characterized by perceived quality and deep customer relationships” (Aaker and Joachimsthaler 2000; Berry 2000). At the market a strong brand performs actively for increasing the profits or lucrative income and augments the market share. The improvement of consumer loyalty assists the manufacturers to overcome their random failures. Hence these strong brands are valuable capital to a company and it promotes the company liability. The brand is indicating the high degree of brand preference and a clear sign of brand loyalty. The major four steps of creating a strong brand in concisely as follows:

1. Ensures the identification and association in consumer’s mind as a specific product class or consumer need.
2. Holds firmly in consumer mind linking to the tangible or intangible brand association with assured properties.
3. Stimulate formal consumer answers to the brand identification and significance.
4. Turn brand response to construct intensive, energetic and loyalty link in between the consumer and the brand.

These four attributes of a brand leads the consumer to inquire another basic four questions about the brand. The brand identity, as who are you? And the kind of association or relationship would like to have? The answers for these questions provide definitions for creating a strong brand and clarify the attributes of the strong brand.

2.1.5. Brand Equity:

The intrinsic worth or value of the brand in terms that amount of money a consumer is willing to pay for it in preference to its competitors (Chunawalla 1997). Brand equity is the added value endowed to products and services with consumers. It may be reflected in the way consumers think, feel, and act with respect to the brand, as well as in the prices, market share, and profitability it commands (Kotler & Keller 2017 p. 327). Same as that brands perform valuable functions for global five star hotels. First they simplify product handling by helping organize inventory and accounting records. Brand loyalty provides predictability and security of demand for the hotels or firms, and it creates barriers to entry for other class of the hotels to enter the market. Loyalty also can translate into customer willingness to pay a higher price – often even 20 percent to 25 percent more than competing brands (Kotler & Keller 2017).

2.1.6. Services Branding:

The world of commerce is made up of a basic agricultural sector, a manufacturing sector, and a services sector. The services sector under take activities which aid the trading and commercial activities (Chunawalla 1997 p. 276). Service is any act or performance one party can offer to another that is essentially intangible and does not result in the ownership of anything. The services are intangible; no one can carry it physically and could receive only the effect of it. Hence the consumption also happens at the same time that the service provides. Because of that intrinsic attributes of services are un.preserved. It cannot store like a tangible good. According to the nature of services the two people may offer two different services relevant to their standard. It made difficult to assess the services or standardize. Hence branding has considerably obligated in physical goods than services in recent years.
It was the reason to search an adaptation of the branding and marketing techniques usually employed for physical goods (de Chernatony and Riley 1999; Berry 2000). “Branding has been described as the cornerstone of services marketing for the twenty-first century” (Berry 2000, p.129). And the brand development became much crucial and more important in services than to products. Increasingly, manufacturers, distributors, and retailers are providing value-added services, or simply excellent customer service, to differentiate themselves. Many pure service firms presently use the internet and online to reach customers.

Being justified the services branding researchers revealed “directly applying marketing principles developed for physical goods to services would not only be wrong. Marketers who done the packed good businesses, opinion was brand building on products and services mainly similar. And marketers who were in services business expressed when explicate branding between services and packed goods, there are more differences than similarities. But another research done on the nature and principles of services branding identified that the main principles for branding goods and services are appearing similarly (De Chernatony and Riley 1999). The quality of services is intangible. Also it’s depending on the expertise or skills that a person has gained. Hence the services which provide are unique from person to person. The service firms can receive greater advantage from the brand symbol for creating an opportunity to establish their services. And “branding a service is an effective way to signal to consumers that the firm has designed a particular service offering is special and deserving of its name (Keller, Parameswaran, Jacob 2012 p.16). Anyway branding has become competitive weapon for services. As well as brands upheld the retailers’ image, positioning and link with unique brand associations.

When the companies find harder to differentiate their physical products, they turned to the service differentiation, whether that means on-time delivery, better and faster response to inquiries, or quicker resolution of complaints. Top service providers know these advantages well and how to create memorable customer experiences by better satisfying the customers’ needs (Kotler & Keller 2017 p.431). The bureau of labor statistics reported that the service – producing sector will continue to be the dominant employment generator in the future economy, adding about 18 million jobs between 2010 and 2018, or about 88 percent (88%) of the expected increase in total employment. By 2020, the goods – producing sector is expected to account for 11.9 percent (11.9%) of total jobs down from 12.4 percent (12.4) in 2010 and 16.8 percent (16.8) in 2000. Manufacturing lost overwhelming 5.7 million jobs from 2000 through 2010. These numbers and others have led to a growing interest in the unique opportunities of marketing services (Kotler & Keller 2017 p. 431).

According to the census and statistics department [CSD] of Sri Lanka data the tourist establishments and employees in the industry have doubled in the past four years. The data displays, both direct and indirect employment numbers, in the review period grew by 106.09% from 172,790 to 335,659, while the number of tourist establishments increased by 74.47% from 1,444 to 3,383.

Tourist numbers in the review period increased by 103.94% from 1,045,227 to 2,050,832. Today Sri Lanka’s third largest foreign exchange earner after remittances and garments is tourism. The expatriate community who works in the Middle East (ME) is the country’s largest foreign exchange earner. Remittances in the past four years grew by 21% from $ 1,257 million to $ 7, 242 million, with Middle East remittances comprising 53.7% $ 3,889 million of the entire total for last year. Accordingly, the hotel industry became most significant field which linked with tourism industry to study and identify...
the prominences that illuminate the trade further for its existence. Basically these two sectors depend on by providing the services rather than product supply. Hence throughout this research systematically study deeply an exploration on the global five star hotels branding aspects with a perspective in Sri Lanka. And the contribution of tourism and hospitality industries to enhance the global five star hotel branding will be forwarded suitable suggestions.

When considering the all-purpose services: In simply they process “service factory” providing services to the “goods factory”. In the retail sector service representatives, such as cashiers, clerks, sales people, and customer service representatives, are also providing a service (Kotler & Keller 2017 p. 432).

Basically the word of branding that developed during the past centuries facilitated the consumers to specifically identify the good one from another. That illuminates the potential that the brand has among other products or services. To minimize the frustration of consumers on services that they receive and advance the services relevant to their aspiration give a reputation for the organization is the opinion of traders. This perception attempts to supply the branded products and deliver the quality of services to consumers (Kotler and Armstrong 2016 p252- 259).

Branding a service also a specific signal to the consumers to identify the quality of service that is being supplied and differentiate the services from another service. The service providers also target the audience and communicate effectively in attractive ways and strengthen the consumer preference and loyalty through various mediums. Advertising for building a brand is different form brand to brand. Hence across this research identifies the product oriented services and facilitating performances of services. A strong brand has many advantages. It is sustainable, and justifies the consumers the importance of it to prefer and choose a quality product or service from other competitors.

When defining the quality experts expressed it as “fitness for use”, “conformance to requirements” and “freedom from variation”. Americans define “quality is the totality of features and characteristics of products or service that bear on its ability to satisfy or imply the needs”. This is obviously a customer – centered definition. “In simply the seller has delivered quality whenever its product or service meets or exceeds the customers’ expectations (Kotler and Keller 2017)”. A company which satisfies most of its customers’ needs most of the time is called a high – quality company This research will differentiate conformable quality and performance quality, product and service quality, customer satisfaction, and company profitability are intimate connected. Higher levels of quality result in higher levels of customer satisfaction, which support higher prices and (often) lower cost. It has shown a high correlation between relative product quality and company profitability.

2.1.7. Range of Service Offerings:

* Services are equipment- based or people – based: services vary as unskilled or professional
* Service companies can choose different processes to deliver their service. Such as restaurants offer, cafeteria- style, fast food, buffet, and candle light service formats.
* Some services need the client’s presence.
* Services may meet personal services or business services.
* Service providers differ in their objectives (profit or nonprofit) and ownership (private or public) (Kotler & Keller 2017 p. 433).
The hotel industry has dedicated to provide different services to their guests or visitors with all of offering that noted above. Hence identifying the prominences and strategies that relevant for all of those areas are significant.

Distinguish five categories of service mix; (Kotler & Keller 2017 p. 432)

1. A pure tangible good such as soap, tooth paste with no accompanying services.
2. A tangible good with accompanying services warranty or supporting services.
3. Hybrid offering, like a restaurant combining products and services.
4. A major service with accompanying minor goods and services, like air travel with supporting goods such as snacks and drinks. But the primary item is a service.
5. A pure service, primarily an intangible,

This research area even has been fortified with these hybrid offerings that mentioned above.

2.1.8. Branding Implications of Services:

The unique features of services brand such as intangibility, inseparability quality from the production, consumption and heterogeneity conditions exhibit the strategies for services brands implementation different from products brands. Berry and Parasuraman in 1991(p.93) defined as “A good is in essence an object; a services is in essence a performance”. Because these services are unable to pack, label or exhibit for services development like the products does. If anyone spends a vacation at a hotel customer will be impressed by the employees with their services. Except the services customers embrace the hotel arrangement, picturesque view that the hotel is situated, facilities they receive, salubrious weather and interior arrangements etc. Hence all of these facilities are being provided by the hotel staff for promoting their services. Those associations or impressions that the customer received will be assessed by the consumers relevant to their perception for the services brand. The assessment attributes in services brands are massive than products brands. Basically services brands have “more points of contacts with the consumers” than goods (de Chernatony and Riley 1999). E.g. when buying a bottle drink consumer takes a view by rotating the bottle around a first, then do the preference and purchase it. After paid the value consumer may transport it where necessary and then store or place it in the refrigerator before taking for consumption (Keller, Parameswaran & Jacob 1012). So it has long process of continuous contact with the services brands. In between that can face many issues that have to be solved. All these chain of process customer perceives to evaluate the services brand. The goods are at first produced, then sold and finally consumed. But most labor intensive services are sold first then simultaneously produced and consumed. This structure has been constructed the labor intensive services brand complicated and impossible to compare with the products which produce in the factories. Here consumers and employees both have to be active in the services that are provided. Hence consumers must be aware of the roles they are expected to undertake when purchasing a service; their action can affect the service delivery, and the employees too should alert whether the service provides is up to the consumers appreciation.

The employees who supply the services unable to standardize by thinking that all deliver the same kind of services. The service staff may deliver the service differently from each other and day to day. But products can standardize technologically. In the case of labor intensive services, “the brand deliverer or indeed brand walks around on two legs and inherently in variable quality and mood” (de Chernatony and
Riley 1999, p. 188). These conditions perform the heterogeneity attributes by the multiple “points of contact” the consumer of services experiences.

2.1.9. Services Branding Strategies:

At present service buyers are aware of potential variability and often talk to others or go online to collect information before selecting a specific service provider. To reassure customers, some firms offer service guarantees that may reduce consumer perceptions of risk. The three steps service firms can take to increase quality control, and to identify the services branding strategies relevant to the hotel industry.

1. Investing in good hiring and training procedures. Recruiting the right employees & excellent training, whether they are skilled professionals or low – skilled workers. Better trained people exhibit six characteristics that improve service quality: competence, courtesy, credibility, reliability, responsiveness, and communication skill.

2. Standardize the service – performance process of the organization. Behind the scenes, the hotel must skillfully help the guest from one step to the next. A service blueprint can be helpful in identifying potential “pain points” for customers, developing new services, supporting a zero – defects culture, and devising service recovery strategies.

3. Monitor customer satisfaction: Employ suggestion and complaint systems, customer surveys; also service firms can design marketing communication and information programs to develop consumers’ awareness of the brand.

2.2 Hospitality Industry

When we look into the global five star hotels industry unequivocally it is combining with the hospitality services and tourism industry rigorously. The expeditious expansion in industry displays: in February, 2013, the Forbes Travel Guide Star Awards announced 76 five-star hotels and 226 four-star hotels worldwide as the award winners. In September, 2013, the Forbes Travel Guide Star Awards updated the information that the numbers of five-star hotels and four-star hotels increased to 83 five-star and 264 four-star hotels, an increase of 9% and 16.8%, respectively, for each in just six months. This means every week one more new luxury hotel was built in the world during this time period (Based on data from the Smith Travel Research - STR). The 2013-2014 Travel & Tourism Market Research Handbook reported 2012 hotel performance metrics that the luxury hotel market had achieved an increase in all indices, including occupancy, average daily rate, and nominal revenue per available room (RevPAR). It is worth noticing that, while the average room supply remained the same at 106,300, the nominal RevPAR reached $200.75, an 8.1% increase compared with the previous year. This could be explained by a 3.3% rise in demand. Market truths about the luxury hotel industry the luxury hotel segment can be divided as follows: luxury major, luxury exclusive, and upper upscale (The World Luxury Index, 2013).

According to the world’s luxury hotels based on country of origin, 75.5% of are located in the United States and the rest of top five being the U.K., Canada, Hong Kong, and France. A recent industry report of The Global Luxury Hotels Market- Key Trends and Opportunities to 2017, some cities in the U.S. are among the leading, and fastest-growing tourism destinations. And Washington, DC, is one of the fastest-growing global tourism destinations, while New York is among the largest in terms of
inbound tourist volumes. Other cities have also reported the continuous growth in the travel and accommodation industries include Chicago, San Francisco, and Los Angeles (Miller et al., 2013).

Major economic records in the Asia-Pacific region indicated economic slowdowns over the past two years. Despite these challenges, the luxury hospitality industry in the Asia-Pacific region revealed a significant growth of 18% in 2010 and 11% in 2011 (Timetric, 2013). Major cities in Western and Central Europe and the Nordic countries continued to see growth. In 2011 higher growth was recorded as compared to 2010, despite the economic uncertainty in Europe (The World Luxury Index, 2013). The Western Europe luxury hospitality segment witnessed the 9% of growth in 2011. An overall increase experienced in 2012 for revenue per available room and average daily rate (ADR) in European region, although the occupancy rate was expected to remain largely unchanged in 2013 (Timetric, 2013).

In addition, BRIC is an acronym for four countries that have seen an incredible amount of economic growth during the past few years, namely, Brazil, Russia, India, and China. In conclusion, the global luxury travel market has recorded strong growth in 2011-2012, after a significant decline in 2009 and modest recovery in 2010 (Timetric, 2013). Apart from this consideration, consumer interest globally for luxury hotels has grown by 1.5% (The World Luxury Index, 2013). One of the key drivers for this aforementioned growth has been the increasing number of high net worth individuals (HNWIs) globally, primarily in the BRIC countries. This growth in global luxury travel is expected to continue over the forecast period to 2017 (Timetric, 2013).

The free time and the extra money are other variables that determine the demand of hospitality services. The multibillion dollar hospitality industry consists of three (3) primary areas as, accommodations, food and beverage and travel and tourism. When defining, hospitality is friendly greeting or treating the guests and hotels that encounter on guests travels aspiration come true. The hospitality industry is made up of companies that focus on customer satisfaction and leisure needs, which includes airlines, cruise ships, restaurants, event planning, companies involved in tourism, and many businesses that focused on luxury services. The various areas of the hospitality industry have one common focus on the customer. Hotels and restaurants are both rated using the AAA Diamond rating system. A five-diamond hotel or restaurant is considered top of the line, having met certain cleanliness, quality, and comfort criteria to achieve the level. There are certain services that have to be offered, such as a spa at a hotel, to be considered five-diamond. When at four-diamond or five-diamond property employees treat you exceptionally well. At a lower tier property, customer might not receive the same level of service though the employees friendly, customer have to carry the bags to the room or receive the same dining options alike five diamond hotel.

In history of hospitality industry the earliest accommodations were generally owned to families and provided not only the lodging but also food and drink for weary travelers. The primary days of leisurely travel were mostly reserved for royalty and the very affluent manner until modern transportation lowered the cost of travel to fit for the budget of the less wealthy. Accommodations generally combine with comfort, customer service, and even catering the needs of the customer.

The hospitality industry interacts with staff and the quality of the services provided, never being negative and having a good attitude at work are link with customer service. Great customer service causes the customer to feel a great experience; while good customer service just meets expectations fulfilled. If something is wrong, effectively deals with problems by apologizing to prevent future
problems. Apologize, ensure the customer feels that the hoteliers have understood their plight, serve them a new food, discount the ticket etc. However, repeated faults at another visit of the guest would not make the customer loyalty and lose the customer trust forever. Importance of happy guests imposes survival of the hospitality industry. Further new technologies, especially social media, have significantly increased the competition though there are some challenges such as terrorism that can disrupt business unexpectedly. The advanced technology made the air travel became cheaper, enabling many more people to travel new destinations around the world. The hospitality industry displayed a steady growth in the early 2000s and shrinkage in revenue from 2004 until revenue hit bottom in many countries during the period between 2008 and 2009. The tourists are the customers of the hospitality industry, and industry is thoroughly dependent on the amount of leisure time and disposable income people have. According to the industry data, the hotel industry alone had global revenue of $457 billion US dollars in 2011 and is continued to raise this figure nearly to $550 billion US dollars by the end of 2016.

As well as the hospitality industry is a key provider of jobs around the world. In 2010, the industry provided jobs for over 235 million people, and on a global scale, this is 8 percent of all the people employed. In the US alone, the hospitality industry generated 5,633,000 jobs in 2015, and this amounts to 3.8% of the total number of people employed in the US. By the end of 2016, the employment figure is expected to grow by 1.2% to 5,698,000. This upward trend looks set to continue as the industry is forecast to employ 18,493,000 people in the US by 2026. The price is also one of the determinants of making decision for preference of a place or hotel whether it is a lower star or five stars. And the interpersonal skills of employees will able to solve problems of customers. But the retention of good hospitality employees is crucial; anyway the success of the hospitality business the best path is investing in its employees. Because how efficiently employees interacts with their consumers can determine whether a visitor is a one-time guest or a repeat customer.

2.3. Tourism Industry

Tourism, means the people travel to destinations away from their home for business or pleasure, is a growing field with many opportunities. People embark on tourism to relax, visit family, take in new cultures, a part of business or professional outings. Hence tourism opportunities include employments that tourists undertake during their trips and are important of development, growth, and economic potential. The tourism industry includes below mentioned three main business-related components.
1. Accessibility: Travel and transportation arrangements,
2. Accommodations: Hotels, motels, resorts, camping spaces, cabins, and more
3. Attractions (some type of entertainment or activity): Theme parks, historical sites,
Hence tourism is a broad field mediating with many opportunities, combined with hospitality industry and global five star hotels industry which supply the services.

2.3.1. History of Tourism Industry

The industrial revolution in England and transportation made traveling easier and more common. But in the middle of the 1700s, the term hotel came to be used for lodging in Europe. However lodging facilities in America were gaining popularity as inns. And the modern hotel industry got going in the United States, with the opening of The City Hotel in New York in 1794. Before that, travelers might've stopped by a tavern-like business for a bite, to eat or drinks in Boston, the site of the first American
Defining the Frontiers of Global Business Research Across Emerging Countries

coffeeshouses. However, in 1800s opened in Paris - France these restaurants, which catered to a wealthy clientele, were vastly different than the taverns and inns that provided food to travelers.

One of the first travel excursions in 1888 went on an automobile-based trip to prove that long-distance travel was possible. When in 19th century hotels had greater amenities to attract the wealthiest of travelers and started the development of United States' first five-star hotel, located in Boston. However, the world-famous Waldorf-Astoria Hotel, as it stands today, was opened in New York City in 1931. Hence tourism had fortified the global five star hotel standards for customers’ convenience. Today it became identifying the necessity of branding the global five star hotels for catering the customers’ better services.

THEORY AND FRAMEWORK

3.1 Problem Statements:

“What prominences of hospitality services in five - star hotel industry may affect the customers to decide the global five star hotel branding? And what are the strategies that assist to develop the global five star hotel branding?”

“What are the advantages of branding the global five - star hotel   industry?”

When there is no any reputed process for categorizing the standard of global five star hotels services that provide, hoteliers can exploit the consumer’s wealth they invest on five star hotels by supplying low quality services to earn lucrative income. In fact this research will be focused on the global five - star hotel industry to identify the importance of branding them with a perspective on global and Sri Lankan five - star hotel industry.

3.2 Research Objectives:

1). First Research Objective;
To discover attributes of what differentiates the high preference global five star hotels branding from low preference global five star hotels branding in the minds of the consumer.
2). Second Research Objective;
To determine which global five star hotels branding associations are most important to consumers in determining their preference for global five star hotels brands.
3). Third Research Objective;
To identify any relationships between global five star hotels branding association and type of global five star hotels services.

3.3 Research Questions:

According to the above mentioned objectives and research back ground, have formed out the research questions below to accomplish the gap that noted;
1). What differentiates the high preference global five star hotels branding from low preference global five star hotels branding in the minds of the consumer?
2).Which global five star hotels branding associations are most important to consumers in determining their preference for global five star hotels branding?
3). Are there any relationships between global five star hotels' branding association and type of global five star hotels' services?

**CONCEPTUAL FRAMEWORK**

**Independent Variables:**
- Management & Staff
- Delaying/Postpone
- Influence of Owner/Manager
- Desire to Succeed
- Brand Equity
- Customers

**Dependent Variable:**
- G. F. S. H. Branding

**Hypotheses:**
- Hypothesis 1: Management & Staff has a positive (+) relationship with G. F. H. Branding.
- Hypothesis 2: Delaying/Postpone is negatively (-) related to G. F. H. B. services.
- Hypothesis 3: Influence of owner increases G. F. H. B. services has (+) relationship
- Hypothesis 4: Desire to succeed increases G. F. H. B. services standard has (+) relationship
- Hypothesis 5: Brand Equity has a (+) Positive relationship with G. F. H. B. services
- Hypothesis 6: Customers have (+) positive relationship with G. F. H. B. services
- Hypothesis 7: Communication moderates (MOD) the G. F. H. B. services
- Hypothesis 8: Budget Restriction has negative (-) relationship with G. F. H. B. services
- Hypothesis 9: Cultural Background is mediating to management and staff G. F. H. B. services
- Hypothesis 10: Influence of Owner is mediating to management and staff of G. F. H. B. services
- Hypothesis 11: Desire to succeed is mediating to Influence of Owner of G. F. H. B. services

Here have pointed out Conceptual framework of this research. Accordingly find out from SME level to reach five star branding level what type of prominences the hoteliers should step up or achieve.

**SIGNIFICANCE OF STUDY**

After identifying the types and attributes of global five star hotels' branding associations' consumers make with global five star hotels' brands, it is important to know how these global five star hotels' branding associations fascinate consumer perceptions on the global five star hotels' brands. Are all global five star hotels' brands associations produced equal or are some global five star hotels' brands associations more influential and fascinating than others in determining consumers’ global five star
hotels brands opinion? This research investigates this issue in exploring global five star hotels brands awareness, preference and association consequently for addressing the global five star hotels services type.

SCOPE OF RESEARCH

Fundamentally global five star hotels brands depend on by providing services. Hence the response of consumers is highly important for the existence of the trade. When defining the determinants that origin for global five star hotels brands awareness, preference and association the services they cater will be analyzed by using the multi methodologies. Ultimately discuss the basic determinants for maintaining the five star hotel brands.

ORGANISATION OF STUDY

The structure of this research first reviews appropriate literature to illuminate how the unique attributes of global five star hotel services brands influence global five star hotel branding strategies. This analysis utilizes applicable marketing literature based on goods branding to expand the limited knowledge of global five star hotels services brands development. The kinds of global five star hotels brands associations consumers make with global five star hotels services brands, and how those global five star hotel brands associations influence consumer perceptions on global five star hotels services brands associations that guide the study further. And here have displayed the conceptual model and corresponding hypotheses addressing the relationship between global five star hotels brands associations, services type and services brands preference. The below mentioned methodology and discussion develop validity and generalizability of the outcomes of this research judgments.

RESEARCH METHODOLOGY:

At first will be analyzed the previous theories which explore what is branding, services, global five star hotels brands, hospitality industry, tourism industry with a perception in Sri Lanka by occupying the library research, appropriate journals, and related books that were done by various researchers on branding and explore services they cater for their guests conceptually. Hence for the literature review has taken appropriately period of year. In addition to that research questions and research objectives will be scrutinized with the association of findings that accumulate from the employees, management staff of hotels and customers of the global five - star hotel industry. Accordingly observe and assess the various hospitality services that the employees of the five star hotels render for their consumers. The attributes of the employees’ services and services types will be explore throughout this research for branding the global five star hotels. Hence methodologically first research objective will be explored qualitatively and quantitatively and measure the related facts multi methodically with the support of simple random sampling system to prove them. Finally the third objective of this research will be analyzed descriptively and efficaciously.

4.1 Population of the Study:

This research is being organized on marketing literature and for the convenience of study glanced at global five star hotels brands and customer of it with a perspective in Sri Lanka relevant to
the simple random sampling method. Used appropriate questionnaire with the assistance of interview that held to collect data.

Accordingly chose sixty customers from more than one million populations who associate the global five star hotel brands in Sri Lanka relevant to the simple random sampling method. One sample included 12 members of a world-leading private company executives, another 12 clients of a top commercial bank in world, also 12 residents of a luxury condominium, 12 delegates of another country, and 12 PhD Students in one of universities all of these represented the wide range of skills, roles and stretched varied area in involvements. The relationship in between the hypotheses validity, research findings and the basic mechanism cooperates the reputation of services branding has expanded here.

RESULTS AND DISCUSSION

The factors of well–managed services are being explored to perform the marketing excellence. The top management commitment wanted to recognize quality, high standards, profit tiers, and systems for monitoring service performance and customer complaints in the history. On average 40 percent of customers with bad service experiences stop doing business with the relevant company or hotel. To lift the services branding, similar to the physical brand products it is essential to pay attention on brand elements that support to services. In fact service providers enhance a full range of brand elements for services brands, parking availability, furniture etc. and secondly physical aspects such as employee’s attire, their appearance, polite qualities and at last the marketing message that carries what type of physical features such as distinctive logos, symbols and brochures will be considerate.

Demand or yield management is critical. Hence the right services must be available to the customers at the right places at the right times and right prices to maximize profitability. Several strategies on service demand and supply in customer side that can be applied;

* Differential pricing will shift some demand from peak to off–peak periods.
* Nonpeak demand can be cultivated. E.g. Mc. Donald’s pushes breakfast service, and hotels promote mini vacation weekends etc…
* Complementary services can provide alternatives to waiting customers, such as cocktail lounges in restaurants and automated teller machines in banks.
* Reservation systems are a way to manage the demand level. Airlines, hotels, and physicians employ them expansively.
* On the supply side: (Kotler & Keller 2017 p.438)
* Part–time employees’ assistance can be occupied at peak time / demand.
* Peak time efficiency routines can allow employees to perform only essential tasks
* Increased consumer participation for free service providers’ time. Customers fill out their own medical records or bag their own groceries.
* Shared services can improve offerings. Hotels can maintain a link for catering services
* Facilities for future expansion can be a good investment. Develop amusement park adjoining.

Today consumers or guests highly expect the skillful services. The digital era has clearly altered customer relationships. Customers are becoming more sophisticated about buying product – support services and pressing for “unbundled services”. They increasingly dislike having to deal with a multitude of service providers handling different types of products or equipment.
The reality is that customers do not merely purchase and use a service; they play an active role in its delivery. Their words and actions affect the quality of their service experiences, value and the productivity of frontline employees. The co-production may develop stress on employees and also reduce their satisfaction, especially from customers’ cultural differences or in another ways. Anyway a study estimated that one – third of all service problems are affected by the customer. Self-service technologies gradually increase for preventing service failures that are critical in recovering the challenges. One of the biggest problems is attribution. Although many firms have well – designed and executed procedures to deal with their own failures, customers often feel the firm is at fault. But hoteliers find managing customer’s failures – when a service problem arises (Kotler & Keller 2017 p. 441)

1) Redesign process and redefine customer role to simplify service encounters:
2) Incorporate the right technology to aid employees and customers:
3) Create high performance by enhancing their role clarity, motivation, and ability:
4) Encourage “customer citizenship” so customers help each other:

These factors demonstrate that excellent service, and positive employee attitudes that strengthen the customer loyalty and employee’s job satisfaction and commitment, especially employees thrive in customer contact positions at internal drive (Kotler & Keller 2017 p. 442) the importance of the service industry has sharpened. And marketing excellence in services requires three broad areas: external, internal, and active marketing.

1) External marketing: includes preparing, pricing, distributing and promoting the service to customers.
2) Internal Marketing: describes training and motivating employees to serve
3) Interactive Marketing: describes the employees’ skill in serving the client. Clients judge service not only by its technical quality. Interactive marketing, teamwork is often key. Generally front line employees can assist greater service flexibility, adaptation, promote problem solving, closer employee cooperation, and more efficient knowledge transfer (Kotler & Keller 2017 p. 443).

To form strong services brands service providers should create and communicate strong organizational associations to maintain the qualities of series. The company credibility, expertise, likability and trust worthiness particulars combine with the associations that organization desired.

In packaged goods, the product is the primary brand but with services, the company is the primary brand. If not, some product names are important than the company names. The other is services brand name always is the company name. Even if service firms develop and launch multiple brands for their services. These different brands are essentially different organizations in the eyes of the consumer. Hence services brands are dependent variable on above mentioned attributes. But the products brands could be developed by Labeling, packaging system, and displaying activities are not applicable for the services brands. The people and the organization should link with the association of services brands for its development. Delivering high service quality suggests avoiding below five gaps that prevent successful delivery:

1. Gap between consumer expectation and management perception:
2. Gap between management perception and service quality specification: Management might correctly perceive customers’ needs not a performance standard.
3. Gap between service delivery and external communications
5. Gap between perceived and expected service: The consumer may misperceive.

Based on this service-quality model, five determinants can be identified;
1. Reliability – the ability to perform the promised service dependably and accurately.
2. Responsiveness – The willingness to help customers and provide prompt service.
3. Assurance – The knowledge and courtesy of employees and their ability to convey trust and confidence.
4. Empathy – The provision of caring, individualized attention to customers.
5. Tangibles – The appearance of physical facilities, equipment, staff, and communication materials.
The brand association of physical goods commonly measured by the strength of association, the valence of association, the origin of association, and mode of receiving information. Hence throughout this research global hospitality industry and tourism industry contribution have been discovered for exploration of global five star hotels branding.

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Chapter #--- 18

Building Corporate Image through Corporate Social Responsibility: Mediated by Stakeholders’ Attitude
(CSR Activities in Indonesian State-Owned Enterprises)

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ABSTRACT

This study investigates whether Corporate Social Responsibility (CSR) can build corporate image, mediated by the stakeholders’ attitude toward CSR. Despite the ongoing debate on the implementation of CSR, some of the companies utilize CSR as a strategic business because they believe that it can increase the company’s success, especially in building a positive attitude and corporate image. Data of 173 receivers of CSR activities by four state-owned enterprises (PT Bank Mandiri [Persero] Tbk, PT Telekom Indonesia [Persero] Tbk, PT Perkebunan Nusantara VII [Persero], and PT Tambang Batubara Bukit Asam [Perero] Tbk) were collected through using a simple probability sampling technique and analyzed by implementing a multiple regression analysis to prove the hypothesis. The results demonstrate that the effect of CSR on stakeholders’ attitude toward CSR is statistically significant and positive. The economic responsibility dimension of CSR has a positive effect, but a statistically insignificant effect on corporate image, either directly without the attitude variable or indirectly mediated by the attitude variable. The coefficient value of determination (R²), however, has a higher score when CSR dimensions affect corporate image, mediated by the attitude variable. The causative factors of the attitude variable intervening the effect of economic responsibility on corporate image that are not statistically significant are product, service quality, price, and respondents’ characteristics (income and education).

Keywords: Corporate Social Responsibility, Corporate Image, and Attitude

INTRODUCTION

In the business world, Corporate Social Responsibility (CSR) was formerly a controversial activity due to the fact that CSR activities were regarded as budget consuming activities which significantly cut profits for companies. As a result, a large number of companies were uninterested in applying CSR activities, such as the big companies in the European market (McWilliam and Siegel, 2000; Beurden and Gössling, 2008).

On the other hand, over the past two decades many companies in the world have applied CSR as an investment in their society and environment, such as the American Ford Motor Company, United
Parcel Service, Levi Strauss & Co, McDonald’s, and Bank of America (Bies et al., 2007), and some Indonesian companies such as PT. Unilever Indonesia, Tbk; PT. Sari Husada; PT. Astra International Tbk; and PT. Aneka Tambang (Hidayati, 2009). They are fully aware of the importance of CSR and consider it a part of their business strategy. More importantly, companies often include CSR in their vision and mission because it is believed that it will bring huge consequences for the companies’ development, such as social and financial benefits (Becker-Olsen et al., 2006; Ven, 2008).

CSR investment is regarded as a way to increase the social benefits in the form of establishing harmonious relationships between the company and the stakeholders. Accordingly, there will then be a reciprocal action from society or interest owners to maintain the company’s existence and create a good image for them.

In Indonesia, the implementation of CSR activity reflects development not only limited to non-BUMN but also to BUMN (State-Owned Enterprises) (Wibisono, 2007, pg. 87). Such BUMN implement CSR activities based on the government’s policy made through the BUMN minister decree Number Kep-236/MBU/2003 junto Per-05/MBU/2007, containing the principles for the BUMN to conduct CSR activities in the form of the Small Medium Enterprise Partnership and Social Responsibility Program (Program Kemitraan Usaha UMKM dan Bina Lingkungan/PKBL), such as those carried out by PT Bank Mandiri (Persero) Tbk; PT Tambang Batubara Bukit Asam (Persero) Tbk, PT Perkebunan Nusantara VII (Persero), and PT Telekomunikasi Indonesia (Persero) Tbk (based on the author’s previous survey, September 2009).

However, the implementation of CSR activity by BUMN, which simply fulfills a legal obligation and made-up business policy, is recognized as an imposed activity and is viewed skeptically, as noted by Hadi (2011, pg. 152-167); Ambadar (2008, pg. 7); and Ardana (2008). CSR activity is perceived as merely fulfilling legal obligations, and a cosmetic, artificial activity; not an activity that provides social benefits nor empowers the quality of life and prosperity of the stakeholders, meaning that it does not build the image of the company nor improve the company’s value in the minds of its stakeholders.

In addition, Vogel and Lee (2006 as cited in Suharto, 2008) mentioned that the concept of CSR has weaknesses, for example “what can and cannot be obtained by and through CSR are not carefully considered.” Lee (1987) and Shen (2006) found that the various CSR dimensions implies that the concept of CSR is still weak and vague. On the other hand, Becker-Olsen et al. (2006) and Ven (2008) stated that when CSR activities are pro-active, the company’s credibility, values, positioning, and consumers’ intention to buy will increase.

Other experts, such as Brown and Dacin (1997); Ellen et al. (2000); Ven (2008); and Chattananon et al. (2008) supporting the research results of Balabanis et al. (1998) and Varadarajan and Menon (1988), suggested the positive relationship between a company’s CSR actions and consumers’ attitudes toward the company and its products. Moreover, Becker-Olsen et al. (2006) and Bhattacharya and Sen (2004) argued that consumers’ attitudes toward the company and its products have a significant positive impact on brand reputation or company image and on consumers’ attitudes in buying the company’s products.

However, the positive impact of CSR on the customer attitude will weaken and decrease if consumers believe that the products being offered are bad quality. To overcome this, the company is
expected to divert the company’s core business into creating high-quality products. Nonetheless, consumers are not ready to pay for expensive products of high quality whenever they have a strong commitment to the company as a consequence of good CSR activities (Bhattacharya and Sen, 2004).

Furthermore, Hill and Becker-Olsen (2005) explained that CSR initiatives that are well conducted do not always make a positive contribution to attitudes, perceptions, and intention to buy. The implementation of CSR is supposed to be appropriate to the stakeholders’ need, with a genuinely good objective and not considering CSR initiatives as a mean to support promotion. Similarly, the research of Kolodinsky et al. (2010) suggests that CSR activities have a negative influence on attitudes by using personal moral philosophy (with 3 predictors: ethical materialism, ethical relativism, and spirituality of business students).

Meanwhile, Temporal and Trott (2005, pg. 37) suggested that if CSR activities are well developed, relationships of emotional (affective) attitudes can be created between stakeholders and the company, the impact of which is on brand-awareness that is usually measured through the company’s image, and this gradually builds brand loyalty (Andreassen and Lindestad, 1998) or brand equity as a valuable asset for the company (Aaker, 1992a, 1992b, 1996a, 1996b).

On the other hand, Maignan et al. (1999) noted that although CSR research enrichment has been conducted, empirical evidence for the relationship between CSR and consumers’ attitudes remains limited. Kotler and Lee (2005, pg. 10-11), discussing CSR within the perspective of marketing and consumers’ attitudes, revealed that CSR has several impacts, namely: increasing sale and market share, strengthening brand positioning, improving the company’s image, optimizing the ability to attract, motivate, and maintain consumers (consumers’ loyalty), reducing operational costs, and boosting both the investor’s interest and financial analysts. Furthermore, they stated that CSR will not directly increase sales, but when it is accurately and appropriately implemented to meet stakeholders’ interest when facing difficulties, the company’s image will swiftly skyrocket.

The positive image of a company will become a valuable asset in maintaining its existence when facing crises. Nevertheless, other research findings demonstrate the reverse: that CSR has a significant impact on the company’s negative image/reputation in certain conditions, such as the research conducted by Nunez (2007).

Thus, the controversial research findings have discouraged companies from implementing CSR activities, although CSR activities are believed to bring positive impacts for consumers’ attitudes and the company’s image. These reasons have motivated the author to analyze and attempt to answer the following question: “Do the stakeholders’ attitudes positively mediate the effect of CSR on a company’s image?”

LITERATURE REVIEW AND HYPOTHESIS

The conceptual model of this research can be seen in Figure 1. CSR has a complex relationship and a positive effect on business activity, including the positive corporate image. Lindgreen et al. (2009) revealed that CSR is perceived to have a positive impact on corporate image and customer and other stakeholder satisfaction (such as employees, suppliers, and local communities). Even in a hyper competitive market, CSR has an effect on corporate image in the minds of the stakeholders, which in
turn creates customer loyalty (Suharto, 2008). Moreover, Pirsch et al. (2007) stated that the CSR program is an effective strategy in reducing the skepticism of the stakeholders, and also increasing the positive corporate image and customer loyalty. This idea is supported by the conclusions of Fombrun and Shanley (1990), Lewis (2001), and Rindova and Fombrun (1999), who argued that the greater the contribution to the company in improving social welfare, the greater the reputation or corporate image will be.

Wibisono (2007) revealed that one of the effects of CSR for companies is to maintain and boost the reputation and corporate image. Destructive actions will inevitably lower the reputation of the company; in contrast, a positive contribution will definitely boost the positive image and reputation of the company in order to support it success.

Findings of the United States-Based Business for Social Responsibility/BSR study (Jamali, 2006) concluded that some of the benefits gained by the company which has already applied CSR are: to build brand image and corporate image or reputation, to increase financial performance, and to improve the sales as well as customer loyalty.

![Diagram of Corporate Social Responsibility](image)

**Figure 1. Conceptual model of this research**

Kotler and Lee (2005, pg. 14) noted that CSR has the ability to enhance the corporate image. The positive corporate image will be a very valuable asset for the company in getting competitive advantage as long as an economic crisis occurs.
Meanwhile, the forum of the World Business Council for Sustainable Development on Corporate Social Responsibility (WCBS, 2001 in Jamali, 2006) revealed that most companies have been running CSR activities because they believed that CSR has many benefits, including: increasing the company reputation or corporate image, creating employee and customer loyalty, leading to the improvement of sales volume, as well as getting recognition and support from the stakeholders, especially eliminating the negative issues that might hurt the company.

Drumwright (1996), Brown and Dacin (1997), Murray and Vogel (1997), Maignan and Ferrell (2001), Sen and Bhattacharya (2001), and Sen et al. (2006) revealed that there are several effects if the company employs CSR, which are an increase in profit, consumer loyalty, trust, and positive attitudes, as well as fighting against the stakeholders’ impression of a negative corporate image.

Carroll (1979, 1991, 1999) who proposed a comprehensive CSR dimension (economic, legal, ethical, and philanthropic responsibility) that is well-known and the most used by other researchers, stated that economic responsibility is driven by profit motives, so that the economic responsibility is the main driver of the three other dimensions: legal responsibility involving business compliance with applicable laws and regulations, followed by ethical responsibility. However, for certain companies, philanthropic responsibility is the main objective to create the image or positive reputation in the mind of the stakeholders; actively getting involved with CSR activities of the company to create public welfare and increase the goodwill toward the company is therefore encouraged.

**Hypothesis 1:** Each dimension of CSR (economic, ethical, legal, and philanthropic responsibility) has a direct positive effect on corporate image.

The implementation of CSR has a positive effect on the stakeholders’ attitudes toward the CSR activity, as previously stated by Brown and Dacin (1997) and developed by other researchers such as Murray and Vogel (1997) and Creyer and Ross (1997). Murray and Vogel (1997) especially hypothesized that the CSR has an effect on consumer attitudes, including beliefs about honesty and trust of the company, the response of consumers, truth in advertising, and pro-environmental and pro-labor attitudes, and causes an improvement in the company's support in employing potentially productive and quality labor. In line with this, some academics have suggested that CSR can influence the attitudes and perceptions of stakeholders, and this can then contribute to corporate image, such as Hidayati (2009); Pomerening and Dolfingicar (2009). Temporal and Trott (2005, pg. 37) suggests that if the CSR activity is well developed, it will lead to an emotional attitude (affective) of the stakeholders toward the company which will have an impact on brand awareness. Therefore, it will also build positive corporate image. Sen et al. (2006) suggested that the companies which implement the CSR activity gain a more positive attitude and a stronger image from the stakeholders than the companies which do not implement the CSR. This then will brings about brand improvement. Chattananon et al. (2007), supporting Balabanis et al. (1998) and Varadarajan and Menon (1988), stated that "a societal marketing program” as part of a CSR concept, influences positive consumer attitudes toward CSR and builds the company image. Ven (2008) states that CSR has a positive effect on consumer attitudes on the company brand, thus it creates a more powerful reputation for a brand or corporate image and affects the consumer behavior in purchasing the company products (Becker-Olsen et al., 2006; Bhattacharya and Sen, 2004).

The economic dimension of CSR is essential in influencing the attitudes of shareholders since they are able to obtain returns for their investments. Firms have the economic responsibility to be
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Profitable in order to gain long-term financial returns for their investors (Xiao, Yoonjoung & Lee 2017). On the other hand, ethical CSR pertains to the manner in which business is conducted by following all ethical principles. Ethics are central to the investors since it enables them to trust their management to deliver on their promises (Flora, Chen, & Boyd 2016). Legal CSR can be appealing to investors since the business conduct is aligned to laws and regulations. Thus, shareholders do not need to waste resources battling legal suits. According to Lim & Greenwood (2017), philanthropic responsibility triggers a sense of community from the beneficiaries, who support the business in its endeavors. The increased support base could influence the attitudes of investors if it translates to a widened scope of stakeholders, especially customers.

**Hypothesis 2**: Each dimension of CSR (economic, ethical, legal, and philanthropic responsibility) has a positive direct effect on attitudes.

Economic CSR triggers an indirect effect on corporate image since the company is seen to have a good financial standing (Tsutsui & Lim 2015). Public image is essential since it highlights the manner in which an entity is appreciated by its stakeholders. The trust of investors to bank their money in a business is proof of the ethical element of CSR. An organization that runs ethics performs within the expectations of its stakeholders. In fact, people like to be associated with such an entity (Xiao, Yoonjoung & Lee 2017). Thus, a positive corporate image is created by exhibiting core values, such as transparency and integrity. Philanthropic responsibility means that the organization is ploughing some of its resources toward helping other people in the community in which it was built. Based on the strong support that varied beneficiaries receive from the company, it is possible that it will develop a positive image (Wang, Chen, Yu, & Hsiao 2015). When the organization is run well by adhering to all rules and regulations, unnecessary legal suits are avoided and bad publicity is averted.

Shareholders’ attitudes are directly linked to the corporate image of a company. For instance, when attitudes are positive, only good evaluations and recommendations can be given regarding an entity. The corporate image depends on the perceptions that people have concerning an entity. These perceptions are built on the operations and success levels of an organization relative to the expectations of varied stakeholders (Wang, Chen, Yu, & Hsiao 2015). Thus, when these expectations are met, a positive image about the entity is formed.

**Hypothesis 3**: Each dimension of CSR (economic, ethical, legal, and philanthropic responsibility) has a positive indirect effect on corporate image through the mediating effect of the attitude variable.

**RESEARCH METHODOLOGY**

The respondents of this research, that have been receiving the CSR program for the last 3 years, are from 4 State-Owned Enterprises (PT Perkebunan Nusantara VII [Persero], PT Telekomunikasi Indonesia [Persero] Tbk, PT Tambang Batu Bara Bukit Asam [Persero] Tbk, and PT Bank Mandiri [Persero] Tbk. Simple random sampling was used in this research (Hair et al., 2009, pg. 313). The response rate of respondents is 86.50 percent from 200 samples, achieved by using two methods of collecting data: online and offline. When the offline method was applied, interview with the respondent samples was also used.

The measurement uses prior instruments such as CSR items developed by Salinones et al. (2005) and attitude items by Jun et al. (2008) formed from the cognitive and affective dimension, referring to the concept from Schiffman and Kanuk (2007, p. 284) and Assael (2004, pg. 216); also the cognitive
measurement related to CSR attributes is modified according to Bhattacharya and Sen (2004) and corporate image items by Lee (2004). All measurements apply a 7 point scale.

70 items formulated from 3 constructs (CSR, attitudes, and company’s image) are examined through the construct validity test using factor analysis and reliability test with Cronbach alpha. The test results show that just 65 items are valid, consisting of 14 valid items out of 15 items of the CSR dimension, 30 valid items out of 31 items of the company’s image, and 21 valid out of 24 attitude items. These valid items are measured by the loading factor value of more than 0.5 on the communal matrix (Hair et al., 2006, pg. 128). The coefficient result of Cronbach alpha shows that all valid items are reliable, surpassing the reliability instrument criteria 0.70 (Hair et al. 2006, pg. 137).

**RESULTS**

The results of the factor analysis show that the dimension of the company’s image as the dependent variable (Y2) and the attitude (Y1) as the mediating variable form only one factor. However, the results of the factor analysis on the CSR dimension demonstrate two factors. The first factor is formed from the dimension of ethics, legal, and philanthropic responsibility, and is then stated as the social and environmental variable. The second factor is formed from economic responsibility. In short, there are two independent variables: 1) social and environmental responsibility (X1) and 2) economic responsibility (X2), as stated by Ketola (2008). Therefore, the model forms four substructure equations to check in particular the mediating effect of attitude, referring to Baron and Kenny (1986). The model of the empirical research can be seen in Figure 2.

1. Substructure I: \[ Y_1 = 3.817 + 0.208X_1 + 0.171X_2 \]
2. Substructure II: \[ Y_2 = 1.799 + 0.065X_1 + 0.430X_2 + 0.245Y_1 \]
3. Substructure III: \[ Y_2 = + 0.467X_1 + 0.114X_2 \]
4. Substructure IV: \[ Y_2 = + 0.347Y_1 \]

**Figure 2: Empirical Research Results, Expanding the Existing Conceptual Model**

Notes: NS = Not Significant; S = Significant

**DISCUSSION**
In the stakeholder theory perspective, Freeman (1984) stated that the relationship between the company’s social performance and economic performance is not a tradeoff - both can run together. This means that if the CSR concept from Carroll (1979) is regarded as the basic concept, then the CSR application from the point of view of economic, social and environmental responsibility (legal, ethics, and philanthropic responsibility) should be balanced, so that most stakeholders are satisfied with the company. Consequently, the company has a better chance of succeeding (Post et al., 2002).

The results of this study support the stakeholder’s theory, although the particular result for the economic responsibility dimension on the company’s image has a statistically insignificant positive effect either directly without mediated, or indirectly mediated, by the attitude variable. The insignificant effect of the economic responsibility is possibly due to the company motive in implementing the CSR. The company motive in implementing CSR is perceived by the stakeholders for the sake of the company only, rather than for the social benefit. This perception can be seen from the agreement statements of the respondents: all respondents said the company applies CSR to get the maximum profit and to improve the economic performance of the company in the long run. The other statements on some indicators show that: 1) The company focuses on meeting the social responsibility to its suppliers: only 1.73%; 2) The company focuses on meeting its social responsibility to its distributors: only 1.16%; 3) The company focuses on meeting its social responsibility to other agents: only 1.16%; 4) The company appreciates the ethical principles in establishing a relationship to stakeholders that prioritizes achieving a superior economic performance for the stakeholders: only 0.58%.

Furthermore, when examining the CSR instrument based on Salmones (2005), it is clear that this CSR instrument does not cover the economic activity relevance to the economic needs of the stakeholders that can improve the stakeholders’ wellbeing, unlike the CSR instrument proposed by Jackson dan Apostolakou (2010). Jackson dan Apostolakou (2010) proposed a CSR measurement to cover the aspects of corruption, risk management, and customer relationship in fulfilling the needs of customers for their wellbeing or the stakeholders’ relationship to improve social welfare. An example of fulfilling the customers’ needs is offering high quality products and services with affordable prices and safe products or services for consumption, as argued by Sen dan Bhattacharya (2001), Bhattacharya and Sen (2004), Becker-Olsen et al. (2006), Anselmsson dan Johansson (2007), and Marin et al. (2009). On the other hand, when the company implements CSR activity because of social benefit, the stakeholders’ attitude towards CSR becomes more positive, as stated by Becker-Olsen et al. (2006) and Sen et al. (2006), so this brings about the positive company image. Therefore, it is better for the company to implement CSR with the balance motive between company benefit and social benefit in order to achieve the sustainable development of the company and welfare society in the long term. This statement supports the idea of Silva et al. (2007) that the main company motive in implementing CSR recently is to improve the company profitability, together with the social benefit improvement that is relevant to the stakeholders’ needs.

Another factor explaining the insignificant effect of economic responsibility on corporate image comes from the social and economic condition of the Indonesian stakeholders who still require poverty empowerment and the improvement of health and education of the society; the development of infrastructure, and the values of culture of the Indonesian society to be met, which prioritizes social causes or charity, as stated by Lindgreen et al. (2009). This condition implies that if a company merely focuses on its activities to achieve great benefits and to achieve superior economic performance without considering the balance of social and environmental responsibility to all stakeholders – the community,
public, workers, suppliers, distributors, and others - then the CSR activities on the economic dimension will not have a significant positive impact on the company’s image. Social and environmental responsibility is also necessary not only for society in general, but also for suppliers, distributors, community, and other agents through the cooperation of CSR activity to the suppliers, distributors, and other agents, so that it can strengthen the company’s image or build the brand image of the companies that apply CSR and are concerned with the core business, such as those proposed by Varadarajan and Menon (1988).

The insignificance of the economic responsibility effect on the company’s image, either mediated by the attitude variable or not, also occurs due to the negative attitude of the stakeholders toward the aspects of CSR program implementation that are closely related to the core business. The negative attitude of the stakeholders can be seen from the disagreement statement regarding the stakeholders’ obligation to pay more for the products or services of the company applying CSR. The stakeholders would like to pay more for the product or services of the company applying CSR as long as the quality of the company’s products or services is high. This result supports the study of Bhattacharya and Sen (2004) which found that consumers tend to buy a company’s product that applies CSR as long as the products or services of the company are of high quality, and at affordable prices.

The negative attitude to paying more for the company’s products and services applying CSR is assumed to be influenced by the income and education factor. The research findings demonstrate that the highest income is Rp2,000,000 whereas the lowest income is Rp300,000 (most respondents are farming employees). As seen from the most distributed income data of as much as Rp2,000,000, respondents tend not to automatically buy and use the products or services of a company applying CSR with a high price category due to their limited income. Education background is suspected to influence the strengthening of the CSR effect on a company’s image, which is significantly positive. This finding is similar to those of Cacioppe et al. (2008). The research findings imply that a professional manager with high education background will use the company’s services and buy the company’s stocks if that company applies CSR. Therefore, the company’s CSR activity has an effect on the company’s rising reputation, supported by social and environmental responsibility.

The hypothesis that states that the CSR dimension (economic, social, and environmental responsibility) has a direct, significant and positive impact on attitude is supported by the data estimation in this research. However, the impact value is lower compared to the direct CSR dimension effect on the company’s image. The result of this study supports the empirical studies of Ven (2008), Chattananon et al. (2007, 2008), and Balabanis et al. (1998).

When examined further, the result showing the insignificant effect of economic responsibility on the company’s image without direct mediation by the attitude variable supports the findings of Podnar and Golob (2007) that economic responsibility does not have a significant statistical impact on the support for CSR image. CSR image in this research is a part of the company’s image measurement. Therefore, this result supports Podnar and Golob’s findings (2007). However, the dimension of social and environmental responsibility has a statistically significant positive effect on the company’s image when mediated or without mediated by the attitude variable, with the highest influence value (0.430) when compared to the economic responsibility variable (0.065). This finding supports the empirical findings of Creyer and Ross (1997), Bhattacharya and Sen (2004), Becker-Olsen et al. (2006), Chattananon et al. (2007, 2008), and Walker and Kent (2009), suggesting that the greater contribution
the company makes in improving social welfare, the greater the attitudes and the better the company’s reputation and image.

**MANAGERIAL IMPLICATIONS**

When considering to implement CSR, corporate management needs to set their focus on the social and environmental responsibility aspect for the stakeholders who have low income and middle education levels in order to gain a positive attitude and more advantages from the societal perspective through corporate image development. This implication comes up here because the social and environmental responsibility variable has a significant, positive effect on corporate image. Income factor and education level in this research actually lead to the strengthening of the positive economic responsibility effect on corporate image.

Other managerial implications to build more successful corporate and or brand image through the implementation of the CSR are First, to build a partnership in implementing CSR among companies or other partner organizations that are either profit or non-profit (suppliers, distributors, other agents, NGO, or government agencies, and educational institutions), related to the core business of the companies, as conceptualized by Varadarajan and Menon (1988), so that the stakeholders have a willingness to buy and use the products and services from companies applying the CSR activity. The alliances between the communication of CSR activities and brand also can be developed by applying the Cause-Brand Alliances concept (Alcaniz et al., 2010) or Cause Related Marketing concept (Varadarajan and Menon, 1988). Applying the Cause-Brand Alliances concept can be done together with communicating CSR activity through using effective communication media in order to attract more customers or stakeholders, so that the strengthening of the corporate image will increase. The utilization of communication media to communicate CSR activity can be useful to build awareness and the impression or image of the company from the perspective of consumers or stakeholders, as in the ideas in Ligeti and Oravec (2009), Hawabhay et al. (2009), Herstein et al. (2008), Gregory (2007), Jones et al. (2005) and Maignan and Ferrell (2001), and can even increase the value of brands, like the ideas from Jeong (2004), Jones (2005), Ven (2008), Pomerling and Dolnicar (2009), and Chomvilailuk and Butcher (2010).

Second, the manager needs to create and offer high quality products and services as well as provide cheap prices that are affordable for consumers, in order to gain the positive and significant effect of the implementation of the CSR dimension.

**CONCLUSIONS**

This research examined the CSR dimension effect - that refers to the concept of CSR dimensions by Carroll (1979, 1991, 1999) - on corporate image, through the mediation of the attitude variable in the stakeholder theory perspective. An interesting finding in this research is the simplification of the CSR variable, which was originally based on Carroll’s division into four dimensions, then simplified to be two dimensions or variables that actually strengthen the definition of CSR, as described by Ketola (2008) in that CSR usually comprises in these areas: environmental, social and economic responsibilities.
The economic, social and environmental responsibility variable has a positive significant effect directly on attitude. But when the economic, social, and environmental responsibility variables were being regressed either directly with corporate image or indirectly with the attitude variable, the economic responsibility variable has a positive effect, but not a significant one. Otherwise, the social and environmental variable has a significant, positive effect on corporate image.

The results further reveal that the attitude to qualified products, including services and price, are the factors causing the economic responsibility, either mediated by attitude or not, to not have a significant effect. This finding is consistent with the finding of Bhattacharya and Sen (2004). Another driving factor that resulted in the effect of the economic responsibility variable not being significant for corporate image is the result of the CSR indicators that focus not only on the negative attitude of the stakeholders regarding paying more for the company’s products without the guarantee of high quality, but also on the firm’s motives to earn more profits and superior economic performance improvements without balancing the social benefit concerns of stakeholders (public, government, workers, consumers, community, suppliers, distributors, and other agents). This means that the firm’s motives can also be a variable influencing the effect of economic responsibility on corporate image, consistent with the findings of Folse et al. (2010).

This research has a limitation in the use of the sampling frame. The limited number of samples does not meet the requirement of this research using SEM models in order to examine the relationship model among CSR construct, attitude, and corporate image, so this research uses a regression analysis. The ideal sample number to examine the accuracy of the relationship model among the constructs is at least 5 times the observed items, i.e., 5 times 70 items: 350 respondents; however, the respondents used in this research were limited to 173 (Hair et al., 2006, pg. 196). The sample of respondents only focused on the receivers of the CSR program from the state-owned companies, whereby its application still depends on the rule of law state ministries in the form of the PBKL program and mostly focused on partnership development to support the economic development of SMEs (Small Medium Enterprises), proved by the number of entrepreneur respondents with a relatively low-income.

The results of this research demonstrate the need for future research to examine the further effect of CSR on corporate image through the use of other variable effects of quality product and service, and price in addition to the attitude variable, such as the conceptual model of Poolthong and Mandhachitara (2009). More studies are also necessary to examine the effect of CSR on the corporate image by adding moderator variables of respondents’ characteristics, such as income and education, and even the cultural value of the stakeholders. Further studies are necessary to develop the CSR concept to be robust, given that it is still considered to be weak and blurred (Lee, 1987; Shen, 2006). It also suffers from the variety of CSR definitions and lack of theoretical integration (Votaw, 1973; DeFillipi, 1982; Preston, 1978; Post, 1978 as cited in Quazi and O'Brien, 2000)

The use of setting sample on a more varied scope of the company is not only limited to state-owned companies, but also utilizes samples from the other private companies with the proper size of adequate samples and analysis model necessary for further study. The use of samples in future research should also involve a representative sample of the population from the other characteristic of stakeholders, such as workers or employees and managers, according to the definition of the dimension of economic responsibility by Muller and Kolk (2009) and Schwartz and Carroll (2003). Also, in accordance with the stakeholder theory perspective, the samples used should involve other kinds of
Defining the Frontiers of Global Business Research Across Emerging Countries

stakeholders, that not only belong to the consumer and the public, but also to the groups of workers and others such as the community, suppliers, investors, and government (Freeman, 1984; Heath and Norman, 2004; Abreu et al., 2005; Munilla and Miles, 2005; Papasolomou et al., 2005).

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APPENDIX

Table 1  Multiple Regression Result “The effect of Economic and Social and Environmental Responsibility on Attitude”

<table>
<thead>
<tr>
<th>Model I</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.817</td>
<td>.412</td>
<td></td>
<td>9.256</td>
<td>.000</td>
</tr>
<tr>
<td>X₂ (SER)</td>
<td>.162</td>
<td>.074</td>
<td>.171</td>
<td>2.187</td>
<td>.030</td>
</tr>
<tr>
<td>X₁ (ECR)</td>
<td>.144</td>
<td>.054</td>
<td>.208</td>
<td>2.661</td>
<td>.009</td>
</tr>
</tbody>
</table>

Sources: Multiple Regression Analysis, Under SPSS Application, 2014
Dependent variable: Attitude (Y₁)

Table 2  Multiple Regression Result “The effect of Economic and Social and Environmental Responsibility on Corporate Image Through the Mediating Variable of Attitude”

<table>
<thead>
<tr>
<th>Model II</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.799</td>
<td>.416</td>
<td></td>
<td>4.322</td>
<td>.000</td>
</tr>
<tr>
<td>X₂ (SER)</td>
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<td>.063</td>
<td>.430</td>
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<td>.000</td>
</tr>
<tr>
<td>X₁ (ECR)</td>
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<td>.046</td>
<td>.065</td>
<td>.939</td>
<td>.349</td>
</tr>
<tr>
<td>Attitude</td>
<td>.219</td>
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<td>.245</td>
<td>3.699</td>
<td>.000</td>
</tr>
</tbody>
</table>

Sources: Multiple Regression Analysis, Under SPSS Application, 2014
Dependent Variable: Corporate Image (Y2)

Table 3  Multiple Regression Result “The effect of Economic and Social and Environmental Responsibility on Corporate Image Directly”

<table>
<thead>
<tr>
<th>Model III</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.646</td>
<td>.360</td>
<td></td>
<td>7.343</td>
<td>.000</td>
</tr>
<tr>
<td>X₂ (SER)</td>
<td>.431</td>
<td>.065</td>
<td>.467</td>
<td>6.661</td>
<td>.000</td>
</tr>
<tr>
<td>X₁ (ECR)</td>
<td>.077</td>
<td>.047</td>
<td>.114</td>
<td>1.627</td>
<td>.106</td>
</tr>
</tbody>
</table>

Sources: Multiple Regression Analysis, Under SPSS Application, 2014
Dependent Variable: Corporate Image (Y2)
Table 4  Multiple Regression Result “The effect of Attitude on Corporate Image”

<table>
<thead>
<tr>
<th>Model IV</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
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<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
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<td>.388</td>
<td></td>
<td>9.177</td>
<td>.000</td>
</tr>
<tr>
<td>Attitude</td>
<td>.337</td>
<td>.070</td>
<td>.347</td>
<td>4.834</td>
<td>.000</td>
</tr>
</tbody>
</table>

Sources: Multiple Regression Analysis, Under SPSS Application, 2014
Dependent Variable: Corporate Image (Y2)

Table 5  Model Summary of Multiple Regression Analysis

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>Model I</th>
<th>Model II</th>
<th>Model III</th>
<th>Model IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>0.312</td>
<td>0.570</td>
<td>0.529</td>
<td>0.347</td>
</tr>
<tr>
<td>R Square</td>
<td>0.098</td>
<td>0.324</td>
<td>0.270</td>
<td>0.120</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.087</td>
<td>0.312</td>
<td>0.261</td>
<td>0.115</td>
</tr>
<tr>
<td>Std. Error of the Estimate</td>
<td>0.54100</td>
<td>0.45608</td>
<td>0.47279</td>
<td>0.51821</td>
</tr>
</tbody>
</table>

Sources: Multiple Regression Analysis, Under SPSS Application, 2014

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ABSTRACT

The paper examines the twin deficits hypothesis in Nigeria using quarterly data covering the period from 1985 to 2015. In contrast to previous studies on Nigeria, the existence of twin deficits is investigated through autoregressive distributed lag (ARDL) model. Our results suggest that fiscal deficit improves the current account deficit. In other words, the paper provides evidence for the twin divergence hypothesis and therefore, adds to demonstrate that the twin deficits hypothesis should not necessarily gain universal acceptability over the twin divergence counterpart. The dynamics between the current account and budget account variables are also affected by macroeconomic activity. However, given the implications fiscal and current account deficits have for economic prosperity of developing countries, the paper concludes that policy makers should focus on addressing the impact of current account deficit on net employment (i.e. the difference between jobs lost from trade deficit and jobs created from foreign capital inflows). This is crucial as the net employment effect may not favor the Nigerian economy which is import dependent.

Keywords: current account deficit, fiscal deficit, twin deficits hypothesis, ARDL approach, Nigeria

INTRODUCTION

Persistent fiscal and current account deficits present a major policy concern to countries of the world irrespective of whether the country affected is developed or developing. This is because large fiscal deficits may lead to crowding-out of private investment if they cause interest rates to rise. Similarly, a large current account deficit could lead to a decline in competitiveness, a transfer of wealth to foreign nationals and a depletion of foreign exchange reserves, possibly triggering a currency crisis. From the traditional open economy macroeconomic perspective, there are three main reasons to expect a
positive relationship between the fiscal deficit and the current account deficit, the “Twin Deficit” hypothesis. First, an increase in the fiscal deficit may induce an increase in the interest rate that causes capital inflows and an appreciation of the exchange rate, with an unfavorable effect on the current account. Second, an increase in the fiscal deficit may lead to an increase in the demand for imports, causing a worsening of the current account. And third, a worsening of the current account deficit will reduce tax revenue and thus increase the fiscal deficit. In contrast to the traditional Keynesian view, the Ricardian equivalence hypothesis of Barro (1974 and 1989) argues that the fiscal deficits and the current account deficits are unrelated. Kim and Roubini (2008) argue for a negative relationship, a “Twin Divergence” hypothesis.

The term “twin deficits” was conceived in the 1980s in the US when both the US current account deficit and the budget deficit increased significantly. As a result of this co-movement, a significant portion of the deterioration in the external balance was attributed to the emergence of huge budget deficits. This causal relationship is known as the twin deficits hypothesis (Salvatore, 2006). However, the nature of any causal link between the current account deficit and government budget deficit raises an important question in international finance that has long been of interest to the government sector and academic circles alike. It is often argued that the two deficits are both strongly and positively related, and have become known as the “twin deficits”. However, the relationship between the budget deficit and current account deficit is complicated, depending on the behavior of the private sector savings/investment gap, since the well-known national account identity states that the current account deficit is equal to the sum of the private sector deficit (the difference between private sector investment and saving) and the public sector deficit (the difference between government investment and government saving).

Moreover, the existence of a positive relationship between current account deficits and budget deficits has long been debated in the literature, since large trade deficits were observed with massive federal budget deficits in the U.S. economy, especially in the first half of the 1980s and 2000s. But, existing empirical evidence on the twin convergence hypothesis is mixed. Early works based on simple single equation models, report a positive relationship between the two deficits, supporting the hypothesis (twin deficits). More recent studies often use vector autoregressive (VAR) models. Siddiki (2009) and Ogbonna (2014) finds no significant association between the deficits. Corsetti and Müller (2006), Muller (2008), Kim and Roubini (2008) and Sobrino (2013) report a negative relationship. Thus, the result of empirical studies on the topic produced mixed results.

In Nigeria however, a striking feature of its fiscal operations since the second half of the 1970s is persistent and rising budget deficits. The ever-rising government deficit, particularly since 1986 has attracted the attention of economists and policy makers alike. Concerns about the magnitude and management of budget deficits become greater when it is recognized that this fiscal disease is unsustainable. Developments in the external sector also reveal that periodic deficits in the current account have characterized Nigeria's balance of payments profile. Statistically, the current account deficit deteriorated since 1970s, though large surpluses were relatively recorded in some years. A close inspection of the available data demonstrates some degree of association between budget deficit and the current account deficit, a reflection of the expansion in domestic absorption that could not be satisfied from domestic supply.

Although a number of authors have acknowledged this observed sequence, specific investigations into the effects of government deficit on the current account balance in Nigeria are sketchy at best. It is the intention of this study to examine this phenomenon, covering the period from 1986 to 2015 in order to
examine the validity or otherwise of the Keynesian proposition of twin deficit hypothesis in Nigeria. Attempt will also be made to provide some measures of the extent to which variations in budget deficits explain variations in current account balances over time.

LITERATURE REVIEW AND THEORETICAL FRAME WORK

2.1 Theoretical Literature Review

The question of a relationship between budget deficit and current account imbalance has two basic theoretical foundations: the first is the twin deficits hypothesis proposed by Keynes and second is the Ricardian equivalence proposition (REP) propounded by Ricardo.

2.1.1 The Twin Deficits Hypothesis

The Twin Deficit Hypothesis is grounded within the traditional Mundell-Fleming paradigm. Keynesian proponents argued that fiscal expansion has an effect of raising absorption. This will push up the appetite for foreign goods and ultimately diminish the surplus in the current account balance. Fiscal expansion has also a crowding-out effect on the domestic market which raises the interest rate and the resultant capital flows will lead to appreciation of currency. Domestic goods will appear to be expensive in the eyes of foreigners, thus exports will diminish and the current account worsens.

The Feldstein chain’s argument is that, an increase in the government deficit pushes the interest rates up, which in turn attracts foreign capital and strengthens the domestic currency driving the current account balance into deficits. This appears to have been the most important explanation for the controversial twin deficits phenomenon (Xie & Chen, 2014). The transmission channel leading to twin deficits can be explained by two theories. The first theory is based on a Keynesian mechanism. This assumes that budget deficits stimulate consumption spending (domestic absorption) and therefore national income, and lead to an increase in the trade deficit. According to the second theory, based on the Mundell–Fleming model, larger budget deficits put upward pressure on interest rates and lead to an appreciation in the real exchange rate. An increase in interest rates triggers capital inflows and causes a deterioration of the trade balance. This transmission mechanism is known as “the Feldstein chain” after Martin Feldstein’s first explanation of this channel in 1984 (Salvatore, 2006).

According to the twin deficit hypothesis, large budget deficits are supposed to lead to higher current account deficits as implied by most standard Keynesian macroeconomic models (e.g., the Mundell–Fleming model and Keynesian absorption theory). However, the link, in a Mundell–Fleming framework and under flexible exchange rates, is as follows: an increase in the budget deficit would induce an increase in the real domestic interest rate, which in turn attracts foreign capital and results in an appreciation of the domestic currency, leading to a current account deficit (Salvatore, 2006). Under fixed exchange rates the fiscal stimulus generates higher real income or prices, and this worsens the current account balance (Panagiotis et al., 2009). According to Keynesian absorption theory, an increase in the budget deficit would induce domestic absorption and hence import expansion, which will also increase the current account deficits (Hatemi & Shukur, 2002). Therefore, a significant portion of the deterioration in the external balance is attributed to the emergence of huge budget deficits. Empirically, there is a causal relationship running from budget deficit to the current account deficit based on Granger's (1969) definition.
Meanwhile, against this, Forte and Magazzino (2013) argues that the government of a country may resort to fiscal policy to adjust its external position. That is, the government in this case has the goal to eliminate the current account imbalances and uses the budget deficit as an instrument to achieve it. This leads to a reverse causality nexus, running from the current account to the budget deficit. This is referred to as the Current Account Targeting Hypothesis (CATH) in the literature. Empirically, the causal relationship runs unidirectional from the current account deficit to the budget deficit.

Finally, the twin-deficit issue is also related to the degree of international capital mobility and to the Feldstein and Horioka puzzle. If in fact saving and investment are not highly correlated, reflecting high capital mobility, then the government budget deficit and the current account deficit are expected to move together. Implicit here is that the bidirectional causality (or a feedback relationship) runs from the government budget deficit to the current account deficit, and vice versa (Salvatore, 2007).

### 2.1.2 The Ricardian Equivalence Hypothesis

Contrary to the Keynesian viewpoint, the Ricardian Equivalence Hypothesis or the Barro–Ricardo Equivalence Theorem (BRET) postulates that an exogenous increase in the budget deficit (a decline in public savings) will lead to an instantaneous equal increase in private savings (Kim & Roubini, 2008). Any model incorporating the Barro-Ricardian equivalence would suggest that a substitution of debt for taxes by the government that increases the fiscal deficits would be financed by increased private saving, rather than increased net foreign borrowing or current account deficits. Therefore, the BRET predicts no causal relationship between the budget and current account deficits. Empirically, as for the finding of no causality in either direction, this, the so-called neutral relationship, would signify that the budget deficit does not affect the current account deficit and vice versa.

The Ricardian Equivalence Hypothesis (REH) therefore, denies any correspondence between the budget deficit and the current account imbalance. This concept is of the view that since people are rational, they know that the reduction in taxes, resulting from the government expansionary fiscal policy of tax cut, is temporal and so they will save the extra disposable income to pay for the future higher taxes. This suggests that the national savings will not be affected because the decrease in government savings represented by increased fiscal deepening will be equitably compensated by the additional precautionary private savings for expected future increase in taxes.

According to Elif and Gul (2001) this hypothesis suggests that the equilibrium levels of current account, interest rates, investment and consumption will not be affected by changes in the level of budget deficit. This assertion can be regarded as an extension of the Permanent Income Life-Cycle Hypothesis including government expenditure, taxes and debt, which indicates that a change in the level of budget deficit will not change the lifetime budget constraint and real wealth of the consumer. As a consequence of intertemporal consumption behavior, according to the Ricardian equivalence proposition, temporary changes in the level of government expenditures and marginal tax rates are much more important than the ways of financing it.

In a nutshell, the Recardian Equivalence Hypothesis as argued by (Barro, 1989) supports the absence of any causal relationship between current account and budget deficits. According to this hypothesis, an intertemporal shift between taxes and budget deficits does not matter for the real interest rate, the quantity of investment or the current account balance. This means that government deficits are neutral and a twin deficit situation can only arise by coincidence (Barro, 1989). The driving force behind
the current account is the response of consumption to various shocks to the economy (Kaufmann, Scharler, & Winckler, 2002).

### 2.2 Empirical Literature Review

This section elaborates on the relevant empirical literature on the twin deficits hypothesis. Generally speaking, the empirical studies testing the relationship between fiscal and current account deficits have produced mixed results. Given this, we review the literature following five strands of the empirical findings as also done in the cases of Kim and Kim (2006); Lau and Tang (2009); Lau et al., (2010); Anas (2013) and Sakyi and Opoku (2016).

The first strand of the empirical literature finds support for the Twin Deficit Hypothesis (see Abell, 1990; Saleh et al., 2005; Salvatore, 2006; Forte and Magazzino, 2013), whilst the second strand lends support to the RecardianEquibalence Hypothesis (see Rahman and Mishra, 1992; Wheeler, 1999; Kiran, 2011; Tosun et al., 2014). The third strand finds support for the Twin Divergence Hypothesis (see Cavallo, 2005, Corsetti and Muller, 2005; Kim and Roubini 2008, Tosun et al., 2014). The fourth strand finds unidirectional (one-way) causality that runs from either current account to fiscal deficits or fiscal to current account deficits (see Anoruo and Ramchander, 1998; Hatemi-J and Shukur, 2002; Pattichis, 2004; Marinheiro, 2008; Sobrino, 2013). In the final strand a bi-directional (two-way) causality is found between fiscal and current account deficits (Darrat, 1988; Mukhtar et al., 2007; Ganchew, 2010; Omoniyi et al., 2012; Alam et al., 2014).

Exploration into the literature has shown that several reasons including country specificity, sample size (i.e. time span and countries considered), and methodology (estimation techniques) used have been cited for the difference in the results (Mukhtar et al., 2007; Bose and Jha, 2011; Ratha, 2012; Sobrino, 2013). In relation to the country specific studies, the methodological approaches adopted have been centred on the use of the autoregressive distributed lag (ARDL) bounds test for cointegration (see for example, Saleh et al., 2005; Ratha, 2012; Tosun et al., 2014), the Johansen cointegration approach (see for example, Kaufmann et al., 2002; Panagiotis et al., 2009; Merza et al., 2012; Mohammadi and Moshrefi, 2012), other cointegration approaches (see for example, Enders and Lee; 1990, Wheeler, 1999; Kim and Roubini, 2008; Kiran, 2011; Anas, 2013) and causality tests (for example, Darrat, 1988; Kim and Kim, 2006; Lau and Tang, 2009; Sobrino, 2013). Regarding panel studies, the panel fixed and random effects, the generalized method of moments (GMM), and panel cointegration estimation methods (for example, Bartoloni and Lahiri, 2006; Lau and Baharumshah, 2006; Miteza, 2012) have been used. In recent years however, issues related to testing for structural break(s) have to some extent become even more important (Holmes, 2010; Suresh and Tiwari, 2014).

### 2.3 Empirical Evidence from Nigeria

In Nigeria however, it’s fiscal and current account operations has presented a clear picture of a twin problem of budget deficits and current account disequilibrium since the 1970s and that historical data suggest that there may be a link between these macroeconomic variables, a number of authors have also acknowledged this observed sequence although specific investigations into the effects of government deficit on the current account balance in Nigeria are sketchy at best. Some of the few studies include the work of Olanipekun (2012) which investigated the relationship between budget deficit and current account deficit in Nigeria from 1960 to 2008. Ordinary least square was first explored
to determine the effect of budget deficit on current account balance in Nigeria, an error correction model was estimated as a follow up to co-integration analysis. The empirical findings of the work show that there is a bidirectional relationship between budget deficit and current account balance as revealed by the Granger causality test. Thus, the finding supports the twin deficit hypothesis.

Eberechukwu and Maxwell (2012) examined the determinants of current accounts balance in Nigeria with emphasis on oil-related variables, using the Johansen-Julius VAR co-integration estimation, the impulse response function and the variance decomposition analysis. The results showed that oil price, oil balance and oil revenue were positively related with the current account, with only oil wealth having a significant negative impact in the long-run. They found that the impact of oil price on the current account balance was only significant in the short-run. The variance decomposition analysis indicated that the variance in the current account was better explained by own shocks followed by shocks to oil price, oil balance and fiscal balance.

Oladipo et al (2012) examined the phenomenon of twin deficits in Nigeria for the period 1970-2008 with time-series data using econometric techniques. The results showed there is a bidirectional causality between budget deficits and trade deficits in Nigeria. The study concluded that an appropriate policy measures to reduce budget deficits could play an important role in reducing trade deficit and complement this with budget-cut policies via a coherent package that focus on policies for export promotion, productivity improvement and exchange rate, among others.

Finally, Olasunkanmi (2013) examines the effects of fiscal policy shocks on the current account as well as the dynamic interactions among fiscal policy shocks and current account with the other macroeconomic variables: real output, real interest rate and exchange rate for Nigeria over the periods 1980:1-2010:4. The identification of fiscal policy shocks is achieved via structural VAR approach proposed by Blanchard-Perotti (2002). The results of this study indicate that the expansionary fiscal policy shock has a positive effect on output, exchange rate and negative impacts on current account balance and interest rate. By implication, this study suggests that fiscal policy can stimulate economic activity through expenditure expansions at a cost of lower interest rate and exchange rate appreciation in the medium term and a sustained current account balance will enhance output via fiscal consolidation.

Nevertheless, it is obvious that, the review of the related empirical literature investigating the twin deficits hypothesis above yields inconclusive results. It is evident that the mixed results on the significance of positive relationship between fiscal and current account deficits can be attributed to the differences in the characteristics of the countries and sample periods as well as the estimation techniques. Early studies, corroborate the positive and significant relationship between fiscal and trade deficits in the US based on the estimation of single equation models. Recent studies covering different countries and different periods have extensively utilized VAR models and co-integration tests in order to uncover the dynamics of the relationship between fiscal deficit and the current account deficit, their empirical findings are highly mixed.

Moreover, the literature has shown that several reasons including country specificity, sample size (i.e. time span and countries considered), and methodology (estimation techniques) used have been cited for the difference in the results (Mukhtar et al., 2007; Bose and Jha, 2011; Ratha, 2012; Sobrino, 2013). In relation to the country specific studies, the methodological approaches adopted have been centered on the use of the Johansen co-integration approach (for example, Kaufmann et al., 2002; Panagiotis et al.,
2009; Merza et al., 2012; Mohammadi and Moshrefi, 2012), other co-integration approaches (for example, Enders and Lee; 1990, Wheeler, 1999; Kim and Roubini, 2008; Kiran, 2011; Anas, 2013) and causality tests (for example, Darrat, 1988; Kim and Kim, 2006; Lau and Tang, 2009; Sobrino, 2013). Regarding panel studies, the panel fixed and random effects, the generalized method of moments (GMM), and panel co-integration estimation methods (for example, Bartoloni and Lahiri, 2006; Lau and Baharumshah, 2006; Miteza, 2012) have been used. In recent years however, issues related to testing for structural break(s) have to some extent become even more important (Holmes, 2010; Suresh and Tiwari, 2014) and the autoregressive distributed lag (ARDL) bounds test for co-integration (for example, Saleh et al., 2005; Ratha, 2012; Tosun et al., 2014).

2.4 Theoretical Framework

Theoretically the analysis and the understanding of the relationship between fiscal and current account deficits following the Keynesians, derived their basis from the national income identity (NII). The NII for an open economy is given as;

\[ Y = C + I + G + (X - M) \]  

Where \( Y \) is gross domestic product (GDP), \( C \) is household consumption expenditure, \( I \) is investment expenditure, \( G \) is government expenditure, \( X \) is total exports of goods and services and \( M \) is total imports of goods and services.

Thus, current account is defined as;

\[ (CA) = X - M + NF \]  

Where \( NF \) is net factor income from abroad. That is the difference between the country’s income receipts from abroad and its payments abroad.

According to the NII national saving (\( S \)) in an open economy can be expressed as;

\[ S = I + CA \]  

\( S \) is further divided into private saving (\( Sp \)) and government saving (\( Sg \)). \( Sp \) is that part of individuals’ income left after adjusting for taxes (\( T \)) and consumption expenditure. It can be expressed as;

\[ Sp = Y - T - C \]

\( Sg \) is the difference between public receipts (government) from taxes, expenditure on goods and services (\( G \)) and transfers (\( R \)). This can be expressed as; \( Sg = T - G - R \)

With this definition of the \( Sp \) and \( Sg \), equation (2.3) can be rewritten as;

\[ S = Sp + Sg = Y - T - C + (T - G - R) = I + CA \]  

We can further rewrite equation (2.4) as;

\[ Sp + (T - G - R) = I + CA \]
The above equation can be simplified and expressed in terms of CA as;

\[ CA = Sp - I + (T - G - R) \]  \hspace{1cm} (2.6)

Therefore, equation (2.6) implies that CA depends on the saving deficit (represented by the difference between private savings and investment) and the fiscal deficit (represented by the difference between government revenue through taxes, and government expenditure on goods and services and transfers).

From equation (2.6) above, two possible conclusions can be drawn; first is what happens when it is assumed that the difference between Sp and I is constant over time. If this is the case, then fluctuations in the fiscal side \((T - G - R)\) of equation (2.6) could cause fluctuations in the current account side, and thus, either (i) the assertion of Twin Deficit will hold (see Dudley, and McKelvey, 2004; Salvatore, 2006; Suresh and Tiwari, 2014) or (ii) the assertion of twin divergence will hold (see Cavallo, 2005; Corsetti and Muller, 2005; Kim and Roubini 2008; Tosun et al 2014). Based on this, it can be understood that the relationship between fiscal and current account deficits are interrelated.

The second inference is drawn if the relationship between Sp and I is not stable as assumed afore. If this happens, then changes in the fiscal side (i.e. \(T - G - R\)) of equation (2.6) could be offset by changes in the difference between Sp and I and the assertion of both the twin deficit and twin divergence will not hold. In this case, fluctuations in the fiscal and current account deficits will be unrelated (see Sureh and Tiwari 2014; Sakyi and Opoku, 2016).

Therefore, the analysis in section three (model specification) will be rooted on the above analysis and equation (2.6) will form the basis for the analysis based on the assumption that the relationship between private savings (Sp) and investment (I) will remain stable over time.

**METHODOLOGY**

### 3.1 Model Specification

In order to specify a suitable model to investigate the dynamic relationship between government budget deficit and current account deficit and to examine the effect and transmission of shocks from some monetary policy variables to the current account balance in Nigeria, this section begins by rewriting our theoretical model following the Keynesian explanation of the twin deficit as explain under the theoretical framework as \( \{CA = (Sp - I) + FD\} \)

Where the current account is regarded as the sum of net private savings \((Sp - I)\) and net government savings (fiscal deficit), however, economic theory has established that private savings \((Sp)\) is positively affected by households’ disposable income \((y)\) and the rate of interest \((r)\). In the same vein, domestic investment \((I)\) is also upheld to be negatively affected by the rate of interest \((r)\), and considering the Obstfeld & Rogoff (1995)’s Intertemporal Approach to the Current Account which regards the current account as a monetary phenomenon explained by interest rates and exchange rates, and suggests that monetary policy may have implications for current account management, we add exchange rate \((x)\) into the model by Kalou and Paleologou (2012). Based on this argument, we can rewrite the equation above as;

\[ CA = f(y, r, x \text{ and } FD) \]  \hspace{1cm} (3.1)
Equation (3.1) above regards the current account as a function of output, interest rate, exchange rate and fiscal deficit respectively. Given the above, we can therefore specify our empirical model which is a modified version of Sakyi and Opoku (2016) and Alexander (2014) in the following form:

\[ CAB_t = \beta_0 + \beta_1 GDP_t + \beta_2 INT_t + \beta_3 EXR_t + \beta_4 GBD_t + \varepsilon_t \]  

(3.2)

where, \( CAB \) is the current account balance, \( GDP \) is the gross domestic product representing cyclical variables, \( INT \) is the rate of interest, \( EXR \) is the rate of exchange of the Nigerian naira against US dollar which is a typical competitiveness indicator and \( GBD \) is the overall government balance representing fiscal policy stance, \( \varepsilon_t \) is the error term. However, our model differs from those of other models in a number of ways:

1. Unlike, Sakyi and Okopu (2016) our model introduce exchange rate into the analysis which is typically a competitiveness indicator that is extensively used by studies examining the relationship between monetary policy variables and the current account dynamics such as Kim and Robini (2008)
2. Our model also, includes the rate of interest unlike that of Alexander (2014) who uses inflation rate in the model, our model includes the rate of interest which potentially influence private saving through two opposite channels; namely, a substitution effect and an income effect and hence impacts on the relationship between the two deficits.
3. The model is also enriched with an additional control variable (real gross domestic product) which is a key macroeconomic variable showing the general economic performance, and is included to control the cyclical components of the government budget deficit.

### 3.2 DATA MEASUREMENT AND VARIABLES DEFINITION

The analysis employed a number of variables proxies as indicated in section 3.1 above in order to capture and explain the dynamic relationship between current account deficit and government budget deficit and some other macroeconomic variables that do influence the relationship between the two deficits as control variables. Below is the definition and derivations of the variables:

**Current Account Balance (CAB)** - The current account balance is used as a proxy for the current account deficit and can either be positive (indicating surplus) or negative (indicating deficit) in the overall balance. It is defined as the difference between the value of exports (credits) of goods, services, income and current transfers and the value of imports (debts) of goods, services, income and current transfers. It is called the current account as it covers transactions in the “here and now” those that does not give rise to future claims. In countries like Nigeria, the trade balance (net earnings on export minus payments for import) is typically the largest component of the current account (Oseni, 2013), as such a current account deficit is usually associated with a negative net exports and vice versa. For this study the current account will be measured by current account balance as a percentage of nominal GDP as used by a number of empirical works (Attiya et al, 2011; Oseni, 2013 and Alexander, 2014).

**Government Budget Deficit**

The government budget deficit will be used as a proxy of government fiscal policy. The potential effect of changes in fiscal policy stance on private saving and the current account depends on whether
domestic households react in a *Keynesian* or a *Ricardian* fashion. Ricardian *equivalence* holds, if the impact of a fiscal policy change on the overall national saving (private and public) is zero and so is its impact on the current account position. A departure from the Ricardian equivalence may imply that an increase in public debt may not be fully offset by an increase in private savings. The Keynesian model therefore, gives rise to the so-called *twin-deficits* hypothesis, which states that higher fiscal deficits should be usually accompanied by wider current account deficits and vice versa. The government budget deficit will be measured as the overall government balance as a percentage of nominal GDP following Oseni (2013) and Alexander (2014).

**Real Interest Rate (INT)**

The rate of interest can potentially influence private saving through two opposite channels; namely, a *substitution* effect and an *income* effect. A rise in the real interest rate can conceivably increase private savings as households postpone consumption and save more today in order to facilitate higher consumption in the future. A higher real interest rate also increases the opportunity cost of investments. On the contrary, if the income effect prevails over the substitution effect, then a rise in the real interest rate on deposits may induce higher consumption (and less saving) today (Platon and Dimitrios, 2012). The rate of interest for this study will be measured by the Commercial Banks interest rate on time deposit maturing in 12 month as used by Kim and Robini (2008), Attiya et al (2011) and Alexander, (2014).

**Real Gross Domestic Product (GDP)**

Higher domestic GDP growth is often associated with lower current account balances, though this result has not proven to be very robust across countries. The basic idea here is that higher contemporaneous GDP growth rates may induce higher consumption (and lower saving) today, especially if households expect higher future income levels. Higher growth rates resulting from productivity gains may also lead to higher domestic investment (Barnes, Lawson and Radziwill 2010). Therefore, in this study real GDP is a key macro variable showing the general economic performance, and is included to control the cyclical components of the government budget deficit and is measured as used by Kim and Robini (2008) as the seasonally adjusted nominal GDP at 2005 constant price. The series will be converted into log to generate the growth rate of the real GDP.

**Effective Exchange Rate (EXR)**

The effective exchange rate (EXR) is a typical *competitiveness* indicator utilized in empirical studies of the current account. The expected sign in the corresponding relationship is negative. That is because, on a *ceteris paribus* basis, an appreciation of the real exchange rate increases the purchasing power of domestic incomes in terms of imported goods. It also increases the relative value of financial, real estate and other assets held by domestic residents. These effects tend to reduce domestic saving and increase the propensity to consume. An appreciation of the domestic currency also tends to reduce the price competitiveness of a country’s exports in international markets.
3.3 ESTIMATION TECHNIQUES

3.3.1 Unit Root Test

Before estimation of the model, tests for stationarity i.e. unit root tests were conducted on the variables to determine the stationarity or otherwise of the variables by using Augmented Dickey-Fuller tests (ADF test), Phillips and Peron (PP) test and in addition, unit root tests with structural breaks was also conducted.

Studies carried out by Perron (1989, 1997), Zivot and Andrews (1992) and Volgelsang and Perron (1998) have shown that long period data are susceptible to structural breaks and their presence if ignored may bias the standard ADF test towards non rejection of the null hypothesis of a unit root. Perron (1989) developed a procedure for testing the hypothesis that a given series (Y) occurs at time TB (i.e. break point) with the assumption that the break dates are exogenously determined. Zivot and Andrews (1992) however, develop an alternative and superior model that allows a unit root test with endogenous structural break.

3.3.2 ARDL Model and Error Correction Mechanism

Given that the series in the model are found to be a mixture of first order of integration I(1) and zero order of integration I(0) and none of the series is integrated of the second order I(2), the work employed an autoregressive distributed lag model (ARDL) introduced by Pesaran et al. (2001) because of the fact that, unlike co-integration test methods based on Johansen (1991; 1995) and the Johansen-Juselius (1990) that require all the variables to be of equal degree of integration, ARDL method is flexible in incorporating variables of different order of integrations (ie whether I(0) and I(1) or a combination, thus, insensitive to integration properties of the variable (Pesaran and Pesaran, 1997). The approach involve estimation of the following model:

\[ \Delta CAB_t = \eta_1 + \sum_{i=1}^{p} \alpha_1 \Delta CAB_{t-i} + \sum_{i=1}^{p} \alpha_2 \Delta GDP_{t-i} + \sum_{i=1}^{p} \alpha_3 \Delta GBD_{t-i} + \sum_{i=1}^{p} \alpha_4 \Delta INT_{t-i} + \sum_{i=1}^{p} \alpha_5 \Delta EXR_{t-i} + \beta_1 CAB_{t-i} + \beta_2 GDP_{t-i} + \beta_3 GBD_{t-i} + \beta_4 INT_{t-i} + \beta_5 EXR_{t-i} + ECT_{t-1} \] (3.3)

In the above equation, the terms with the summation signs represent the error correction dynamics while \( \beta \)'s corresponds to the long run relationship. The null hypotheses is that \( \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = 0 \) which indicate the non-existence of the long run relationship.

At equilibrium, the error term is expected to be zero. However, during disequilibrium this is non-zero, which is an indication of how far the system is away from equilibrium at time t. The value of ECT is called the speed of adjustment as it shows how the dependent variable changes in response to disequilibrium. When this value tends to -1, it implies that economic agents remove a large percentage of the resulting disequilibrium in each period. However, a small value (tending to 0) implies that adjustment to the long-run steady state is slow which may be because of large costs of adjustment (Pentti, 1992).
EMPIRICAL RESULTS

4.1 Traditional Unit Root Test Results

The results of traditional unit root tests on the series are reported in Table 4.1. The second column of the table shows the unit root test results at level of the variables while the third column reports the test results at first difference. It is noteworthy that two tests of stationary were carried out, namely the Augmented Dickey-Fuller (ADF) and the Phillips-Perron (PP) tests.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Level ADF τ-stat</th>
<th>PP adj. t-stat</th>
<th>First Difference ADF τ-stat</th>
<th>PP adj. t-stat</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAB</td>
<td>-3.243386*</td>
<td>-3.848315**</td>
<td>-3.905175**</td>
<td>-4.184332***</td>
</tr>
<tr>
<td>GBD</td>
<td>-2.712993</td>
<td>-3.489897**</td>
<td>-3.621782**</td>
<td>-3.848697**</td>
</tr>
<tr>
<td>INT</td>
<td>-3.430766*</td>
<td>-3.50576**</td>
<td>-4.060557***</td>
<td>-5.481394***</td>
</tr>
<tr>
<td>EXR</td>
<td>-2.532444</td>
<td>-2.121265</td>
<td>-4.896741***</td>
<td>-5.318206***</td>
</tr>
<tr>
<td>GDP</td>
<td>-0.492552</td>
<td>-0.394373</td>
<td>-3.945834**</td>
<td>-3.723823**</td>
</tr>
</tbody>
</table>

Source: Extraction from estimation output using EViews 9 econometric software.
Notes: *, **, and *** indicate rejection of the null hypothesis of a unit root at the 10%, 5% and 1% level of significance respectively. -4.041280, -3.450073 and -3.150336 are the critical values of both ADF and PP procedure at 1%, 5% and 10%, respectively.

4.2 Results of Zivot-Andrews Unit Root Test

The results of Zivot-Andrews test are presented in table 4.2 below as carried out using Stata14.0 software. The minimum t-statistic, critical values and possible break dates for all the three Zivot-Andrews models are presented in the table. It is worth noting that, when using the Zivot-Andrews test, the break date is chosen where the t-statistics for α is most significant, this is where the t-statistics from the ADF test of unit root is at a minimum. This is the break date where there is strongest evidence against the null hypothesis of unit root. The result is presented in the table below:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Model I</th>
<th>Model II</th>
<th>Model III</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAB</td>
<td>-4.353</td>
<td>-4.004</td>
<td>-5.815**</td>
<td></td>
</tr>
<tr>
<td>GBD</td>
<td>-1.407</td>
<td>-4.643**</td>
<td>-4.577</td>
<td></td>
</tr>
<tr>
<td>INT</td>
<td>-3.973</td>
<td>-4.278</td>
<td>-4.565</td>
<td></td>
</tr>
<tr>
<td>EXR</td>
<td>-7.358**</td>
<td>-2.852</td>
<td>-7.913**</td>
<td></td>
</tr>
<tr>
<td>GBD</td>
<td>-5.914**</td>
<td>-4.721**</td>
<td>-6.671**</td>
<td></td>
</tr>
</tbody>
</table>

Source: Extraction from estimation output using Stata 14 econometric software.
**indicates statistical significance at 5 percent level. While -4.80, -4.42 and -5.08 are Critical Values for models I, II and III, respectively at 5 percent level of significance.
**indicates statistical significance at 5 percent level. While -4.80, -4.42 and -5.08 are Critical Values for models I, II and III, respectively at 5 percent level of significance.

From table 4.2 above, model III is considered as the most fitted unit root test as it contains vital information which clearly explains the dynamics of the data. Thus, it can be concluded here that current account balance, government budget deficit and exchange rate series are stationary series at level by allowing for breaks in the intercept and trend term. While interest rate and GDP are found to be non-stationary with break in all the three models, this is perhaps because these series does not exhibit evidence of breaks, and ADF and PP tests suffice in that case. Although, the results obtained in the Zivot-Andrews test are slightly different from the results of the traditional ADF and PP presented earlier, both provides evidence for mixed order of integration of the series and as such suggest the use of ARDL model.

4.4 RESULTS OF AUTOREGRESSIVE DISTRIBUTED LAG (ARDL) MODEL

4.4.1 ARDL Short-run Parameters

Table 4.3 presents the short-run parameters of the ARDL tests conducted. The AIC procedure suggests a 2, 0,2,0,2, model after testing for up to 500 different models;

<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>CAB(-1)</td>
<td>1.75789***</td>
<td>0.055935</td>
<td>31.42755</td>
<td>0.0000</td>
</tr>
<tr>
<td>CAB(-2)</td>
<td>0.808641***</td>
<td>0.055241</td>
<td>14.63847</td>
<td>0.0000</td>
</tr>
<tr>
<td>GDP</td>
<td>1.32E-05*</td>
<td>7.47E-06</td>
<td>-1.766696</td>
<td>0.0802</td>
</tr>
<tr>
<td>INT</td>
<td>0.046983</td>
<td>0.05798</td>
<td>0.810321</td>
<td>0.4196</td>
</tr>
<tr>
<td>INT(-1)</td>
<td>-0.219253**</td>
<td>0.090341</td>
<td>-2.426946</td>
<td>0.0169</td>
</tr>
<tr>
<td>INT(-2)</td>
<td>-0.141774**</td>
<td>0.053637</td>
<td>-2.643236</td>
<td>0.0095</td>
</tr>
<tr>
<td>EXR</td>
<td>0.004454**</td>
<td>0.00233</td>
<td>1.911454</td>
<td>0.0587</td>
</tr>
<tr>
<td>GBD</td>
<td>-0.848264***</td>
<td>0.155961</td>
<td>-5.438959</td>
<td>0.0000</td>
</tr>
<tr>
<td>GBD(-1)</td>
<td>-1.636536***</td>
<td>0.27292</td>
<td>-5.996388</td>
<td>0.0000</td>
</tr>
<tr>
<td>GBD(-2)</td>
<td>-0.793115***</td>
<td>0.153734</td>
<td>-5.159015</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

**Source:** Extraction from estimation output using E-views 9.

*** and ** indicate statistical significance at 1 percent and 5 percent levels, respectively.

Table 4.3 above present the result of short run estimates of the ARDL model, the results indicates that, contrary to the assertion of the twin deficit hypothesis, the short-run results reveal a significant negative relationship between fiscal and current account deficits. The results lend support to
Defining the Frontiers of Global Business Research Across Emerging Countries

the Twin Divergence Hypothesis and indicate that an increase in fiscal deficit improves the current account deficit. This outcome is not surprising as empirically, evidence for the twin divergence hypothesis have been found by several authors for developing countries such as Javid et al. (2010) for Pakistan; Abbas et al. (2011) for 88 non-oil exporting countries; Misztal (2012) for Latvia; Nazier and Essam (2012) for Egypt; Calista et al. (2013) for a panel of 94 countries; Bon (2014) for ten developing Asian countries and Sakyi and Opoku (2016) for Ghana.

A probable reason for this outcome in Nigeria might be due to an investment crowding out effect resulting from an increase in real interest rate. As have being earlier discussed that, the fiscal balance of Nigeria is highly in deficit and the government is well noted to finance this deficit through domestic and foreign borrowing. In borrowing from the domestic market, the government competes with the private sector for the scarce financial resources. This consequentially leads to an increase in the real interest rate which crowds out private sector investment. Kwakye (2010) for example notes that government borrowing to fund fiscal deficits has been one of the main causes of the high real interest rate. The increase in real interest rate stimulates private saving. The situation of a reduction in private investment and an increase in private saving leads to a fall in aggregate demand which includes the demand for foreign (imported) goods. The reduction in the demand for imported goods, other things being equal, leads to an improvement in the current account deficit. A number of studies have found similar result, that public debt crowd out private investment (see Asante, 2000; Kraev, 2004; Frimpong and Oteng-Abayie, 2006). Nevertheless, testing the short-run parameters may be insufficient as far as the validity or otherwise of the twin deficit hypothesis in Nigeria. Hence, there is the need to test for long-run relationship among the variables, which is presented below.

### 4.4.2 ARDL Bound Test

In order to determine the long-run relationship for the model, ARDL bound test was estimated. This test is conducted to ensure that the variables in the model are related in the long-run. The result of the one-tail F-statistic and critical values of I(0) and I(1) bounds (for lower and upper bounds, respectively) are presented in Table 4.4 below.

<table>
<thead>
<tr>
<th>Table 4.4: Result of Co-integration Bound Test of ARDL Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statistic</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>F statistic</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Source: Extraction from estimation output using E-views 9.

***indicates statistically significant at 2.5 percent level for all bounds.

Table 4.4 above presents the result of co-integration bound test, the result provides evidence of co-integration in the model as the result reveals a higher value of one-tailed F-statistic than the critical values of all bounds at 2.50%. Hence, we can conveniently reject the null hypothesis of no co-integration in the model.
4.4.3 ARDL Long-run Form and Error Correction Results

As is clear from the bound test above that there exists a long-run relationship among the variables in the ARDL model; hence, the next task is to compute the co-integrating and long-run form of the model.

<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>GDP</td>
<td>0.000326</td>
<td>0.000144</td>
<td>-1.799305</td>
<td>0.0749</td>
</tr>
<tr>
<td>INT</td>
<td>-0.600901</td>
<td>0.373583</td>
<td>-1.608483</td>
<td>0.1108</td>
</tr>
<tr>
<td>EXR</td>
<td>0.087753</td>
<td>0.041873</td>
<td>2.095707</td>
<td>0.0385**</td>
</tr>
<tr>
<td>GBD</td>
<td>-0.095426</td>
<td>0.708377</td>
<td>-0.134711</td>
<td>0.8931</td>
</tr>
<tr>
<td>CointEq(-1)</td>
<td>-0.052007</td>
<td>0.012528</td>
<td>-4.151143</td>
<td>0.0001***</td>
</tr>
</tbody>
</table>

Source: Extraction from estimation output using E-views 9.
*** and ** indicate significance at 1 percent and 5 percent levels, respectively; and Breusch-Pagan-Godfrey test is done to ensure that the variances are homoskedastic.

As is shown in table 4.5 above, only the coefficient of real exchange rate is found to be statistically significant at 5 percent level. Moreover, the coefficient of real exchange rate covers about 8.7 percent, is sizeable enough to have a significant impact on the latter in the long-run. Conversely, other variables, namely, interest rate and government budget deficit are statistically insignificant, although the sign of the coefficients are consistent with the short run estimates, the justification of which is provided at the preceding section.

Another interesting thing is that, the error correction mechanism met all the theoretical and statistical requirements both in the sign and the size. The size is decimal less than 1 and the sign is negative which implies that the coefficient is oscillatory and converging to the long-run equilibrium path, and statistically significant at 1 percent level. However, the speed of the convergence is very slow as the coefficient corrects only 5.2 percent of the error each quarter. This implies that about 18 quarters are needed for full convergence.

CONCLUSION

The work investigated the long-run relationship between fiscal and current account deficits in an attempt to validate whether the twin deficits hypothesis holds for Nigeria or not for the period 1986 – 2015 employing relatively novel estimation techniques, namely autoregressive distributed lag (ARDL) model, and the result indicates that fiscal deficit improves the current account deficit. In other words, the work provides evidence of the twin divergence hypothesis and therefore, adds to demonstrate the fact that the twin deficits hypothesis should not necessarily gain universal acceptability over the twin divergence counterpart.

IMPLICATIONS

Given the conclusion above, the paper therefore recommends for: Increased government spending, if and only if it is seen as a short-run phenomenon, and the purpose is to spend on productive
sectors of the economy for net employment benefits. This could be achieved through (i) the provision of infrastructure (transportation, telecommunication, health, education etc.) relevant for growth and development, (ii) a conducive business environment for private sector development given the potential crowding out effect of real interest rate increases (iii) the facilitation of trade (particularly exports) to boost the exports performance and trade revenues of the country.

A tax cuts (incentives) to private sector firms, particularly export oriented ones that aim at expanding their businesses thereby creating more jobs since all other things being equal, government by lowering taxes end up running fiscal deficits without necessarily increasing its spending. The later policy option, on the other hand, could be achieved through policies that target export oriented firms that aim at expanding their businesses by creating more jobs. The resultant tax cuts will (i) boost private sector investment, (ii) improve the country’s external competitiveness as these firms correspondingly reduce the final price of their products and (iii) eventually, raise both domestic and foreign demand for locally produced goods and services. As private sector investment, employment and exports improve, it is envisaged that, these policies if effectively implemented will go a long way to reduce the domestic hardships that might be caused by the worsening of the current account deficit and improve the country’s external trade position over time.

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Technology Switching or Brand Switching: Which Phenomenon Reflects Switching Behavior Associated with Technological Products?

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ABSTRACT

Switching behavior, as explored in previous studies, has been described using several terms: (1) brand switching has been used in consumer switching research; (2) product switching has been utilized to stress the significance of product differentiation; and (3) technology switching has been barely exploited in previous studies of high-technology markets to highlight the importance of emerging technologies. This article emphasizes the difference in using brand switching and technology switching, as each refers to a different situation faced by consumers or buyers. Technology switching is more appropriate to describe switching behavior associated with high-technology products that emerge as radical innovations, whereas brand switching is more representative of behaviors associated with high-technology products that are widely available in the market with some differentiation in product capabilities.

Keywords: technology switching, brand switching, dynamic capabilities, high-technology product, competitive markets.

INTRODUCTION

The literature refers to switching behavior using different terms: brand switching, product switching, and technology switching. Brand switching is mainly used in consumer switching studies to indicate the influence of marketing and advertising strategies on switching behavior; for example, promotions, brand image, and brand awareness (Sun et al., 2003; Clarke, 2001; Fudenberg and Tirole, 2000). Product switching, on the other hand, emphasizes product differentiation, complexity, and applications (Gehrig and Stenbacka, 2004; Burnham et al., 2003; Shy, 2002, Bayus, 1991). Technology switching is used narrowly in the literature, focusing on high-technology products to stress the importance of integrated technologies for consumers’ capability (Al-Kwif and McNaughton, 2013; Pae and Hyun, 2006; Heide and Weiss, 1995).

Brand switching is the most widely used terminology to express consumer switching behavior from one product to another, or from one service to another (Athanassopoulos, 2000; Bansal et al., 2005;
Bell et al., 2005; Al-kwif and Ahmed, 2015). In many cases, it was proved that consumers switch to a new brand after they do initial screening for available alternatives and select the brand that matches their personal needs. This behavior is extensively documented in the literature for competitive markets, where we have a broad range of products and services (as different brands) to choose from (Burnham et al., 2003; Colgate and Lang, 2001). In this case, the consumer is switching from an existing brand of product or service to another product or service, which is also an existing brand in the same market (Fudenberg and Tirole, 2000; Gehrig and Stenbacka, 2004; Bansal et al., 1999). We all agree that these brands already exist in the market and are well known to consumers, and that consumer’s move from one brand to another as they feel it will satisfy or achieve more of their needs. In general, most consumers prefer to switch to a better brand, in terms of perceived quality, price, or overall value (Bell et al., 2005; Chongsansung et al., 2017; Ruyter et al., 1998). Consumers in competitive markets are assumed to have sufficient capability to collect data and compare various brands, or at least be able ask for advice from various sources, in order to switch to a better brand. No single consumer would prefer to switch to an unknown (or weak) brand in the market, which might be deficient or incompetent.

However, the situation is different in high-technology markets, where technology is rapidly changing and many new products constantly and suddenly appear as new brands (Al-kwif and McNaughton, 2011; Al-kwif et al., 2014). In these markets, consumers do not necessarily switch brands; they actually switch to a new technology (Al-kwif and McNaughton, 2013), especially when they switch to a radically innovative product. For example, in the smartphone industry, users switched from Nokia to BlackBerry to obtain a new technology that had more capabilities, not to get a better brand, because Nokia was the best brand at that time. In fact, they switched to a new brand that was unknown in the entire market, because the new technology would provide them with new technological capabilities that would allow them to achieve more competencies (Al-kwif and McNaughton, 2011; Pae and Hyun, 2006).

The same process of technology switching happened when consumers switched from Blackberry to the first Apple iPhone. In reality, they did not switch to Apple because it was a better brand in the smartphone market, but because it introduced a revolutionary new technology that was so effective in supporting consumers’ daily activities. At that time, Apple was known to be a creative company, but it was unknown in the smartphone industry until it introduced the most powerful device available. Consumers did not count on Apple as a brand to have the new product working; it was the technology itself that made the product successful in the market.

**LITERATURE REVIEW**

The process of technology switching can happen within a brand. For example, some consumers who were using Toyota cars switched to Toyota Prius, from the same company, as it was considered the best hybrid car in the auto market. These consumers decided to switch from their conventional cars to a new car that provided new technological capabilities. If the new car had been associated with another company (or brand), they would nevertheless have moved to it, because they were simply not concerned with the brand name of the company. In this case, the consumers were looking for a better technology that accomplished certain requirements. In the near future, consumers who use conventional or hybrid cars will switch to electrical cars, because at a certain point these will represent superior technology with many unique features, and not because they are associated with an attractive brand. This technology
switching could happen within the same company or from one company to another, based on various factors.

The above examples clearly illustrate the concept of technology switching and how it differs from brand switching. In brand switching, consumers look for similar products or services with improved performance, quality, or price. On the other hand, consumers who engage in technology switching are looking for new products or services that have significant improvements over the old technology (Msaed et al., 2016).

**High-Technology Products**

In competitive markets, it is hard to clearly distinguish products based on their integrated features. However, in high-technology markets, products can be discriminated based on their features and the impact of these features on consumers’ abilities. The literature shows that switching behavior for high-technology products has been studied with limited scope (Al kwifi and McNaughton, 2013), the reason being the complexity of setting up an approach to differentiate among the products’ capabilities and how they would impact consumers’ goals. Additionally, investigators need considerable support from experts in particular products to classify the characteristics of high-technology products that make certain products more attractive. These situations generate a challenging barrier to exploring switching behavior for high-technology products.

High-technology products are characterized by: (1) the rapid pace of technological change that forces intensive market research to assess consumers’ demands, (2) significant levels of technological heterogeneity, and (3) their significant ability to be distinguished on the basis of their unique combination of technologies. These characteristics echo the fact that these products tend to be information intensive and associated with high uncertainty during the purchasing process (Glazer, 1991), possibly forcing consumers to engage in wide search efforts to act on information before it becomes outdated (Glazer and Weiss, 1991). This situation makes switching behavior complicated and costly from the assessment phase to the final decision to continue activities under a new product arrangement (Weiss, 1993).

**Importance of Technology Switching**

Switching from one technology to another is an essential consideration for academic study and practical observation by firms, because it shows that particular products do not meet consumer expectations whereas others are more appealing. The undesirable side of switching behavior is indicated in a decrease in a firm’s consumer base, forcing the firm to rely on a more unstable consumer mix, thus weakening the firm’s status (Levesque and McDougall, 1996). Market statistics show that many firms lose half their consumers over five years and that consumer switching at this rate shrinks firm performance (Reichheld, 1996). This issue becomes critical in high-technology markets, where rapid technological change could lead to consecutive losses to a firm, if it were not able to stop this behavior (Al-kwifi and McNaughton, 2013).

Ultimately, technology switching can harm a firm in the short and long term, leading to reduced market share and consumer loyalty (Al-kwifi and McNaughton, 2011). Thus, understanding the factors behind technology-switching behavior is important to reduce this action and promote long-term
consumer relationships (Al-kwifi and McNaughton, 2013). The existing literature studies switching behavior in two contexts: business-to-consumer marketing and business-to-business marketing or organizational buying. In the business-to-consumer case (or consumer switching) the consumer takes full control over the switching process, from evaluating different alternatives to making a final decision. In the business-to-business case (or buyer switching), the switching process becomes more complicated, because organizational buying behavior involves complex environmental influences and different individuals’ involvement in the decision-making process (Sheth, 1973; Barclay, 1991). Research in business marketing indicates that consumer concepts may be successfully applied to organizational buyers (Durvasula et al., 1999; Cooper and Jackson, 1988); nonetheless, organizational buyers face additional barriers, and not all factors identified in the consumer switching literature are applicable in the organization case.

In this article, the literature is reviewed to explore how the term “switching behavior” is used at the consumer and organization levels, in order to define the variation in terms of the actual behavior. Then, the paper defines the new trend in research that explores technology switching for high-technology products, as it is critical to have a better understanding of this phenomenon with respect to rapidly changing technology, then utilize the dynamic capabilities theory to explain this behavior.

Switching Behavior at the Consumer Level

Substantial research has examined consumer switching behavior, which is theorized as ending a relationship with a current supplier and relocating toward a more attractive substitute (Bansal et al., 2005). It is typical that switching occurs after the first acquisition of a certain product. Research has revealed that switching behavior may happen when a consumer is unhappy with overall product performance (Heide and Weiss, 1995), discovers that advances in the product’s performance cannot be predicted in the near future (Bansal et al., 2005), and recognizes that they have the capacity to move to another, more satisfying product (Weiss and Heide, 1993).

The marketing literature mainly focuses on consumer switching within differentiated, competitive markets, and emphasizes repeatedly procured consumer products or services, such as hairstyling and banking (Jones et al., 2000), auto repairs and hairstyling (Bansal et al., 2005), TV entertainment (Lemon et al., 2002), household products (Van Trijp et al., 1996; Raju, 1984), insurance (Crosby and Stephens, 1987), mobile phones (Ranganathan et al., 2006), airlines (Klemperer, 1987), automobiles (Bayus, 1991), online services (Keaveney and Parthasarathy, 2001), retailing (Seiders et al., 2005), software programs (Pae and Hyun, 2006), financial services (Kim et al., 2003), and services more broadly (Sharma and Patterson, 2000; Burnham et al., 2003).

Previous studies have investigated consumers’ switching behavior and the motives of consumers who elect to remain with a firm despite only partial satisfaction. This behavior has been found to be the outcome of diverse factors that present switching barriers, such as service quality, switching cost, and loyalty (Ruyter et al., 1998); technology compatibility and switching cost (Pae and Hyun, 2006); service quality and consumer expertise (Bell et al., 2005); availability of attractive alternatives and switching cost (Sharma and Patterson, 2000); interpersonal relationships, switching cost, and attractiveness of alternatives (Jones et al., 2000); long-term relationships that provide high benefits and special treatment (Gwinner et al., 1998); inertia (Bawa, 1990); and switching cost (Gronhaug and Gilly, 1991). The broad
variations among these factors might be due to the nature of products under exploration and how consumers recognize the importance of each product.

In the meantime, switching cost appears to be the common factor that inhibits consumers from switching. Panther and Farquhar (2004) elucidate the intention to remain with a current product by explicit aspects that replicate a consumer’s real-life situation, including the stress of change, not having adequate time to assess substitutes, the view that all firms are almost the same, the difficulty of changing, and a long relationship with the current firm. Generally, it seems that switching costs act as a force to discourage the consumer from moving to an enhanced or more fulfilling product. Switching costs are controlled not only by financial penalties but also by many negative aspects, including the psychological impacts of losing a relationship and building new ones (Burnham et al., 2003), time and effort spent finding a better and more satisfying alternative (Kim et al., 2003; Sengupta et al., 1997), and downtime and disruption of operations before resuming them effectively under the new product set-up (Smith et al., 1999).

Jones et al. (2002) explored six dimensions to measure different switching costs: lost performance costs (perceptions of the benefits and privileges lost by switching), uncertainty costs (perceptions of the likelihood of lower performance), pre-switching search and evaluation costs (perceptions of the time and effort of collecting and assessing information), post-switching cognitive costs (perceptions of the time and effort of learning), set-up costs (perceptions of the time, effort, and expense of transmitting needs and information to new firms following switching), and sunk costs (perceptions of investments and costs to establish the current relationship). These dimensions of switching cost were significantly associated with the intention to repurchase from the same firm; lost performance costs were the most influential dimension. From previous research, we can conclude that much of the intention to remain with a current firm could be elucidated by the fact that product performance does not significantly hinder consumers’ capabilities. The remaining motivation to stay is explained by the undesirable effects of switching. In this regard, Burnham et al. (2003) showed that disappointed consumers stay with the current product and attempt to cope with its pitfalls, because the associated switching costs are high and the recovery from the conversion process is costly.

Switching Behavior at the Organizational Level

Organizations (as buyers) demonstrate the same behavior as consumers, but under certain settings. Switching behavior at this level is known to be more convoluted than otherwise due to the increased complexity of organizational requirements and their long-term relationships with other firms (Al-kwif and McNaughton, 2013). Furthermore, products utilized by organizations are more dedicated to meeting specific necessities and are more technology oriented due to the complexity of organizational objectives. Organizations are more likely to consider long-term relationships and be involved in collaborative operations with other entities, in order to generate superior advantages for both (Heide and Weiss, 1995).

As key concepts from consumer research can be applied to the organizational context (Durvasula et al., 1999), different studies have assessed organizational switching behavior by using comparable variables tailored from the consumer switching research. These studies investigated the process of switching using various types of products and services including computer workstations (Heide and Weiss, 1995), banking (Wathne et al., 2001), financial products and services (Liu et al., 2005), courier
services (Lam et al., 2004), other services (Yanamandram and White, 2006), insurance and advertising (Money, 2004), telecommunication services (Low and Johnston, 2006), and hardware (Ping, 1997).

Comparing the amount of research related to consumer and organizational switching behavior, we can conclude that the majority is devoted to consumers, which emphasizes the challenge of conducting research at the organizational level.

The choice of some organizations to stay with their current firm despite being dissatisfied was associated with different factors, which represent barriers to switching to better products provided by a new firm. These reasons have been studied as switching costs and overall relationship satisfaction (Ping, 1997); buyer value and switching costs (Liu et al., 2005); buyer value, satisfaction, and switching costs (Lam et al., 2004); service recovery programs (Durvasula et al., 2000); service quality and switching costs (Lee and Cunningham, 2006); and attractiveness of alternatives, switching costs, and interpersonal relationships (Yanamandram and White, 2006). It is obvious that the common factor among studies of switching barriers is the direct switching costs, which are anticipated to be higher in organizational settings than those at the consumer level (Claycomb and Frankwick, 2005). If switching costs were behind an organization’s intention to stay, they would produce a condition in which the organization felt locked into the providing firm (Klemperer, 1995).

Nielson (1996) offered a two-dimension typology to define switching costs. The first is called hard assets, and is loaded with items associated with fixed-possession investments and supply agreement terms. The second dimension, soft assets, is linked to the magnitude and quality of the individual-level working relationships between both organizations, and personal relationships that develop over time between organization and firm. He concluded that switching behavior is drastically affected by hard assets, which can be measured more accurately than can soft assets.

An organization constantly evaluates the benefits and costs of being associated with a certain firm and using its products; this assessment generates a value for the organization based on the relationship investment model (Barksdale et al., 1997). This value is reviewed periodically at the organizational level to become more precise and informative over time (Flint et al., 2002); it is used regularly in procuring decisions as relationships continue to improve. If this value is greater than other available alternatives, then an organization is more likely to continue using the products from the same firm (Sweeney et al., 1997); otherwise, the organization will start looking for better alternatives and ways to achieve this transition.

Technology Switching at the Consumer and Organization Levels

A limited number of studies explore switching behavior related to high-technology products (Cristelle et al., 2017; Al-Kwif et al., 2014; Al-Kwif and McNaughton, 2013; Pae and Hyun, 2006; Heide and Weiss, 1995). Most importantly, there are very few studies that use technology switching as a key term to explain switching behavior within a market (Al kwif, 2016). Al-kwif (2016) studied the influence of a firm’s innovative capacity on technology switching using global data collected over 20 years. He provided evidence that product innovations (as product features) are the main reason behind an organization’s decisions to switch to a new firm to get a better technology that achieves greater competitive advantage for the organization. Similar findings were found in other studies at the consumer and organizational levels, in which the main factor behind a choice to switch technology was the
technology advancement of the new technology, regardless of the brand name of the new firm (Cristelle et al., 2017; Al-Kwif et al., 2014).

In general, organizations monitor the performance of their current technology. If the technology becomes ineffective at supporting an organization’s acquisition of competitive advantage, the organization will try to obtain a new technology that allows it to realize its objectives. Hogan and Armstrong (2001) demonstrate that technology switching to a different firm means exchanging the old resource with a more valuable one to attain a competitive advantage. Wang and Ahmed (2007) indicate that preserving a competitive advantage entails replacing and reconfiguring resources and capabilities in response to technological changes in the surrounding environment. This discussion illustrates that switching to a better technology to upgrade internal capabilities and sustain high organizational performance can be justified as a means of renewing the dynamic capabilities of the organization to reflect urgent requirements.

The Theory Behind Brand Switching

The literature attempts to describe the brand switching behavior of consumers and organizations using a wide variety of theories, including consumer behavior (Raju, 1984), consumer satisfaction (Mittal and Kamakura, 2001), variety-seeking behavior (Van Trijp et al., 1996), relationship investment (Ranganathan et al., 2006), decision making (Lemon et al., 2002), migration (Bansal et al., 2005), consumer resource allocation (Seiders et al., 2005); organizational learning (Heide and Weiss, 1995), social networks (Money, 2004), social exchange (Liu et al., 2005), and equity theory (Low and Johnston, 2006). These theories form an acceptable solid ground to explain switching behavior, depending on the perspective each takes into account. For example, if switching behavior is considered a change in the relationship between organization and firms to acquire a higher payback, it is best elucidated using social exchange theory. If switching behavior is thought to be an attempt to try something different, then it is best interpreted using variety-seeking behavior.

However, Hogan and Armstrong (2001) suggest that switching to a new firm means more than just business exchange relationships to get a better deal. They propose a new theoretical perspective in business-to-business marketing that draws on resource-based theory. They extend this theory by looking at business relationships as a valuable asset of the buying organization to achieve a competitive advantage. In this case, the organization will try to build a business relationship that secures long-term competitive advantage and maximizes shareholder value. To understand which theory can be applied to a specific condition, it is useful to examine what happens during the switching process at the consumer and organization levels.

At the consumer level, the switching process involves a series of stages until a final decision is executed. It can be viewed as three key stages: (1) the consumer conducts different search activities to collect sufficient information about potential alternative products, (2) the consumer establishes the consideration set (Roberts and Lattin, 1991), where a detailed evaluation of the available alternatives is made to reduce them to a limited set of options, and (3) the consumer makes a final decision to select the optimal choice that fits their needs and financial constraints. For high-technology products associated with rapid change and intensive information (Glazer, 1991), consumers might find more obstacles in assessing different options, especially information that could be time sensitive and cause high uncertainty if the decision is not well timed (Glazer and Weiss, 1993). Burnham et al. (2003) found that
perceived product complexity increases the evaluation-process period, creating another switching barrier. Strebel et al. (2004) found that decision making for high-technology products requires the processing of complex and dynamic information, creating frustration that reduces the probability of making a decision to commit to a new product.

The Theory behind Technology Switching

At the organizational level, and for high-technology products, the decision to switch is made by a set of individuals after a detailed evaluation of both the existing technology and the new technologies on the market. This evaluation determines the exact capabilities of each technology and how the technology could enhance organizational resources and capabilities to maintain a competitive advantage. A technology that offers more capabilities that are critical to accomplish organizational strategies would be very attractive, and this would impact the switching decision to replace the old technology. Since an organization’s major objective is to enhance its resources and capabilities to be highly competitive in the market, the dynamic capabilities theory provides a strong theoretical foundation to describe the source of competitive advantage and explain technology switching in a rapidly changing technology environment (Al-kwif and McNaughton, 2013). In such an environment, technological capabilities are continuously altered for higher performance, and organizations are under pressure to assess their own capabilities in order to select a technology that provides superior competitive advantage.

Since dynamic capabilities theory represents a solid foundation to explain technology switching in an environment of rapidly changing technology, it is important to review the concept of dynamic capabilities and its impact on organizational competitive advantage. Eisenhardt and Marten (2000) describe dynamic capabilities as “the antecedent organizational and strategic routines by which managers alter their resource base to generate new value-creating strategies. As such, they are drivers behind the creation, evolution and recombination of other resources into new sources of competitive advantage.” More recently, Wang and Ahmed (2007, 35) defined dynamic capabilities as a “firm’s behavioral orientation constantly to integrate, reconfigure, renew and recreate resources and capabilities and, most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage.” Based on this definition, it is obvious that dynamic capabilities are not processes, but rather routines embedded in processes, where processes are defined by Wang and Ahmed (2007, 35) as “explicit or codifiable structuring and combination of resources [which] thus can be transferred more easily within the firm or across firms.” For the purposes of this research, the more descriptive definition of dynamic capabilities proposed by Wang and Ahmed is preferred, especially as it focuses on the concept of renewing and upgrading the core capabilities of the organization to maintain competitive advantage in response to technological changes in the external environment.

Collis (1994) demonstrates that dynamic capabilities control the rate of change of capabilities. Given this conclusion, Wang and Ahmed (2007, 36) argue that “dynamic capabilities are the ultimate organizational capabilities that are conducive to long-term performance.” Eisenhardt and Marten (2000) suggest that dynamic capabilities must be applied sooner and more effectively than the competitors, to create resource configurations that can be a source of competitive advantage, because they are identifiable and can be imitated by others.
Teece et al. (1997) have identified different forms of dynamic capabilities, which include: (1) integration of resources, that is, product development and decision making; (2) reconfiguration of resources, that is, resource allocation and collaboration; and (3) exchange resources, that is, strategic alliance and knowledge creation. The nature of previous capabilities varies with market dynamics. If the market is stable, these capabilities may appear as traditional routines with anticipated results. In this case, best practices are known in the industry with codified knowledge. However, in highly dynamic markets, such as in the MRI market, dynamic capabilities are more experimental and include complex processes to generate new knowledge and practices. Multiple paths can be used to reach the same dynamic capabilities, where successful organizations apply similar approaches to obtain these capabilities (Teece et al., 2000).

Despite their special contributions, capabilities and dynamic capabilities approaches have been criticized for a lack of empirical research to consolidate theoretical predictions. This is due in part to the ambiguous definition of capability terms. On the other hand, the capability perspective assumes the bounded rationality of managers, creating a wide argument for individual interpretation. Also, these approaches cannot determine the best capabilities for specific organizations in certain environments (Williamson, 1999).

DISCUSSION

Most of the reported research on switching behavior is focused on competitive market products. Variables that were used to explain this behavior can be classified under three major categories: marketplace characteristics, interpersonal relationships, and consumer characteristics. However, studies that explored technology switching for high-technology products have included a new variable to evaluate switching. This variable is linked to product innovativeness and the ability to introduce unique product features (Al-kwif, 2016). The augmented capabilities of each product increase its attractiveness in the market and encourage users to switch in order to gain increased capabilities (Al-kwif and McNaughton, 2013). This explains the continuous technology switching process that we witness in high-technology markets, with users switching to products that provide more competences and competitive advantages—for example, switching from Nokia to Blackberry and then from Blackberry to Apple or Samsung.

The literature shows there is no distinctive model to describe or predict consumer and organizational switching behavior. Each study adopted different independent variables to explain this behavior based on the industry or product under investigation (Yanamandram and White, 2006; Lam et al., 2004). Therefore, the literature contains a large number of models to explain this behavior, all of which focus on the concept of switching brand. However, this article tries to introduce the concept of technology switching as a better explanation for switching behavior associated with high-technology products, as this behavior is different from that described in previous research, conducted mainly in competitive markets with frequently purchased products. With this new concept, the goal behind switching is to get a technology with better capabilities, irrespective of the brand of the new technology.

In certain markets that are classified as mature, the only path to increased market share is motivating users to switch from competing firms (Al-kwif and McNaughton, 2013). Firms cannot succeed without repeat purchases from satisfied users, and such satisfaction is derived from product innovativeness and capabilities. Product innovativeness, in the form of new capabilities, is essential for
achieving specific goals and sustaining competitive advantage (Tripsas and Gavetti, 2000). Once a product begins to show reduced innovativeness, it becomes vulnerable to replacement by a better and more capable technology (Henard and Szymanski, 2001).

This article proposed that dynamic capabilities theory be used to provide a theoretical foundation for technology switching, where previous studies used a variety of theories under various conditions. The selected theory best explains how organizations (and individuals) strive to achieve competitive advantage in the market by switching to a new technology. Obviously, competitive advantage is derived from the way organizations manage their resources to draw on different sources of competitiveness (Wang and Ahmed, 2007).

**IMPLICATIONS**

In practice, product managers need to identify the factors behind technology switching in order to reduce this behavior by modifying their product innovation strategy. They should be able to define the key product features behind switching and work on drastically improving their product to become more attractive in the market. This will help firms to maintain long-term success by launching the right product features that reflect consumer demands. Managers should keep track of the actual product features that lead to technology switching, as the importance of these features could vary significantly over time due to rapid technological changes, which lead to major shifts in product capabilities and the ability to produce greater competitive advantages. Managers should not depend on their own observations to predict the factors behind switching, because previous research shows that consumers and firms have different perceptions of the determinants of switching (Wathne et al., 2001). This proves that observing switching behavior over time is an important feedback loop in the product innovation process.

To enhance the innovative capabilities of the firm, product managers can integrate lead users in the product development process. Lead users are recognized as the early adaptors of a given technology and have incentive to create new ideas that reflects market demands (Urban and Von Hippel, 1988). Therefore, collaboration with those users will have a vital influence on product innovativeness because they can enhance the innovation process by offering essential insights into market requirements. Lettl et al. (2006) reveal that highly motivated users are important in the early innovations phase, especially when those users have diverse competencies and are integrated into a supportive environment (Shaw, 1985), such as an open innovation process. Generally, the development of innovative products with the right features requires high levels of collaboration with the lead users, because these users have special performance requirements and quality standards that are unlike those of users in other markets.

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Chapter #--- 21

Developing an Understanding of Consumerism: A Macro-Level View

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ABSTRACT

Consumerism involves both social and consumer movements and has been studied in the fields of sociology, marketing, management, political science, and history. A critical issue, however, is that no consensus on the meaning of consumerism in those disciplines exists. In this chapter, the definitions of consumerism are reviewed so as to distinguish this work from others that have significantly different viewpoints. Another critical issue within the existing consumerism frameworks, conceptualizations, and research, is the absence of the perspective of developing countries. When studying consumerism, researchers have considered given factors such as participatory democracy, civic involvement, freedom of speech, and the sharing of power, but these conditions are not a given in many societies around the world. At the same time, the proliferation of online tools has given new meaning to consumerism. Therefore, a newly developed understanding of consumerism past present and future is due.
Keywords: Consumerism, Participatory Democracy, Civic Involvement, Freedom of speech, Macro level view, Consumerism dimensions

INTRODUCTION

Although research in consumerism dates back to the 1960s (Drucker, 1964), it proliferated in the 1970s (Buskirk & Roth, 1970; Day & Asker, 1970; Hendon, 1975; McGowan, 1978; Onah, 1979). The period of the 1960s and 1970s was “the heyday of consumer activism” (Cohen, 2010, p. 238), and it remains the benchmark by which consumerism is frequently measured. During that time, discontented consumers were able to effectively translate their discontent into substantive pressure for marketplace change in terms of more consumer protection than ever before (Day & Aaker, 1997). In that same period, marketing scholars focused on exploring the consumerism phenomena in an attempt to uncover their elements and purposes. The focus ranged from indexing consumerism issues (Haefner & Permut, 1974; Mayer, 1981), to exploring the consumerism phenomena and their goals (Buskirk & Rothe, 1970; Day & Aaker, 1970; Herrmann, 1970), studying customers’ reactions toward consumerism and their defense mechanisms (Stern, 1971), examining consumerism in relation to marketing concepts (Bell & Emory, 1971), studying the implications of consumer protection legislation for businesses and consumers (Jensen, Mazze, & Stern, 1973), and reporting survey findings on the role of race in the belief in government intervention in the marketplace (Pruden, Longman, & Shuptrine, 1973).

Compared with today’s hyper-connected world, greater efforts were required 40 years ago to mobilize consumers for consumerism actions such as protests, boycotts, calls for policy change, and demands for more government regulations (Guest, 2002; Sarkar & Kundu, 2017). Thus, consumerism was, to a certain degree, exclusively an endeavor for the most capable and committed individuals. Furthermore, the activism of key consumer-movement actors (e.g., Ralph Nader) who established consumer organizations, interest groups (e.g., labor unions), and local consumer groups was indispensable to the leadership of the movement (Mierzwinski, 2010; Mitheletti & Stolle, 2007). Consumers have some leverage that they can use to balance the buyer/seller power dyad in the marketplace to effect social change (Holzer, 2006). However, much organized work, coordination, and resources are required to create awareness about a pressing consumerism issue, to select a market-accessible target (e.g., a store), and to mobilize consumers to act (Friedman, 1996; Holzer, 2006; Shah et al., 2007). Consumerism in the pre-Internet era was driven by social actors such as self-appointed activists, consumer groups, and coalitions of interest groups (Gotlieb & Cheema, 2017; Schwarzkopf, 2011). Social actors viewed the marketplace as a battlefield that empowered consumers against real or perceived environmental issues associated with corporate practices. Concepts such as “the consumer as citizen” and “consumer sovereignty” were guiding standards for the movement (Cohen, 2010; Lyonski, Durvasula, & Watson, 2003; Schwarzkopf, 2011).

LITERATURE REVIEW

The consumerism movement in developed countries in general, and in the US in particular, has had great success in helping consumers obtain safer products (e.g., car seat belts), more information, (e.g., product labels), and better market regulations (e.g., the Consumer Product Safety Act). Although consumers’ concerns can be fragmented, the consumerism movement in numerous organizations has
distinctive concerns and interests that are well-articulated (Darley & Johanson, 1993; Herrmann, 1970, 1980; Kutaula & Gillani, 2018; Thorelli, 1988). The movement in developing countries, by contrast, is made up of consumer interests that are homogeneous and unarticulated (Stanton, Chandran, & Lowenhar, 1981). Mayer (1989) proposes two factors that explain the difference between consumerism in developed and developing countries. The first factor is market characteristics. In developing countries, there is an increased probability of (a) inadequate quality control for both imported and domestic manufactured products, (b) inadequate storage facilities and transportation, and (c) lower priorities placed on consumer rights (e.g., businesses having “no-return” policies in place). The second factor has to do with the political/legal aspect. There is a high probability that exportation and consumption standards as well as consumer policy in developed countries will be adopted by developing countries.

The lack of an organized consumer voice in developing countries has hindered consumerism at the organization level. However, at the individual level, the Internet and its social media platforms have enabled consumers to abandon their passive roles. Even as the rise of the Internet has created a new wave of consumerism, questions nevertheless persist about the changing nature of the movement groups (Gotlieb & Cheema, 2017). Despite the claims that consumerism is a transient phenomenon that lacks structure, philosophy, and organization, consumerism has succeeded in being an effective force in the business decision-making environment (Herrmann, 1970; Stolle, Hooghe, & Micheletti, 2005; Zhang, 2015). Thus, consumerism is as important today as it was in the 1970s, if not more so. The following observations about the existing literature and major structural developments in consumer cultures delineate the present gaps in the literature:

1. The vast majority of consumerism research is based on Western (i.e., developed) industrialized countries. In these countries, consumerism issues can be raised through institutional channels (e.g., Congress) and civil society (e.g., consumer groups).

2. The nature of civic participation in general and consumerism in particular is changing, especially among the younger population (Ward & De Vreese, 2011). Online technologies are facilitating more grassroots consumerism actions alongside existing traditional channels.

3. No recent empirical studies about consumerism in developing countries have been conducted. More specifically, there are no studies about consumerism behaviors in countries where consumers’ voices do not have formal agency and where civic participation is very limited, at best.

4. A theoretical model is needed to improve our understanding of consumerism as a phenomenon. The existing literature lacks such a model.

This chapter attempts in part to fill in the gaps in the consumerism literature.

**What is Consumerism?**

Consumerism is not a new concept, but it has taken many different forms over time (Roberts & Manolis, 2000; Straver, 1977). For example, in 1764, American consumers began an economic “non-importation movement” in response to British taxation policies. Reducing the consumption of British
goods would inflict harm upon British merchants, who in return could convince politicians to amend the taxation laws (Witkowski, 1989). The literature therefore suggests that discontented individual consumers, consumer groups, and self-appointed champions of consumers’ rights receive attention from the media that can aid them in causing change (Cohen, 2010; Grikscheit & Granzin, 1975; Mayer, 2012).

**Definitions of Consumerism**

Consumerism has two basic but contradictory meanings in the literature: (a) “[The] protection or promotion of the interests of consumers” and (b) “the preoccupation of society with the acquisition of consumer goods (often derogatory)” (Consumerism, n.d.). For their part, marketing scholars understood consumerism as “the protection or promotion of the interests of consumers” (Buskirk & Rothe, 1970; Day & Aaker, 1970; Herrmann, 1970; Stern, 1971). Other disciplines, such as sociology, history, mass media, and political science have more often defined consumerism as excessive consumption though. Such excessiveness has a negative connotation (Assad, 2007; Drapińska, 2017; Espejo, 2010; Lucius & Hanson, 2016).

The different conceptualizations in these multiple disciplines have created misconceptions and confusion that have slowed the development of research. For example, Orel and Zeren (2011) used a marketing scale developed by Barksdale and Darden (1972) to measure consumerism as protection or promotion of the interests of consumers. However, in doing so, they cited Assad’s (2007) sociological study about consumerism as excessive consumption and suggested that the results advanced the understanding of consumerism (Brokaw & Finch, 1995). As such, there is some confusion regarding how to define consumerism, which makes it incredibly important to examine the various definitions of the term that already exist in the literature. To meet this end, Table 1 provides an overview of various definitions of consumerism. The definitions are relatively similar except for Kotler’s (1972) and Gazda’s (1977) definitions. Besides that, there is some ambiguity in some of the definitions such as Buskirk and Rothe’s (1970) definition of consumerism as being related to a “standard of living,” which could include a variety of social issues. Other definitions include the abuse of both market and political power (McGowan, 1978), the evolving nature of consumerism (Day & Aaker, 1970), inadequacies of the marketplace (Garman, 1991), and consumer discontent (Gotlieb, 2015; Maynes, 1975).

As shown in Table 1, there is inconsistency in the definitions of who are the consumerists. Some marketing scholars broaden the definition to include government, consumer groups, and even businesses (Day & Aaker, 1970; Sheth & Mammana, 1974), while others go so far as to exclude consumers. Day and Aaker’s (1970) definition lists businesses as consumerism actors by including “a widening range of activities of government, business, and independent organizations” (p. 13). It is unclear whether the mention of business is related to the concept of self-regulation or to business association entities such as the Better Business Bureau (BBB). Furthermore, Sheth and Mammana (1974) assert that consumerism is a “. . . form of protection [for] people against . . . [the] threat from other consumers in the process of collective consumption in the modern technological mass consumption society” (p. 64), implying that consumerism can be against groups of consumers (e.g., on the issue of sustainability). Consumerism can also be viewed as an outward manifestation of individual actions. Bourgeois and Barnes (1979) define a consumerist as "a consumer active in pioneering and supporting consumer issues in order to upgrade and protect the well-being of consumers" (p. 3). Based
on all of these definitions, consumerism is referred to here as “the efforts of individuals or groups that aim to protect and promote consumer interest.”

**Table 1. Consumerism Definitions**

<table>
<thead>
<tr>
<th>Consumerism Definition</th>
<th>Source</th>
<th>Key Points</th>
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<tbody>
<tr>
<td>“The consumer looks upon the manufacturer as somebody who is interested but who really does not know what the consumer's realities are. He regards the manufacturer as somebody who has not made the effort to find out, who does not understand the world in which the consumer lives, and who expects the consumer to be able to make distinctions which the consumer is neither willing nor able to make.”</td>
<td>Drucker (1964, p. 48)</td>
<td>Market imbalance, Individual effort, focus on manufacturers.</td>
</tr>
<tr>
<td>“A widening range of activities of government, business, and independent organizations that are designed to protect individuals from practices (of both business and government) that infringe upon their rights as consumers.”</td>
<td>Day &amp; Aaker (1970, p. 13)</td>
<td>Activities to protect individuals from business and government practices, includes efforts by government organizations.</td>
</tr>
<tr>
<td>“Social movement seeking to augment the rights and power of buyers in relation to sellers.”</td>
<td>Kotler (1972, p. 49)</td>
<td>Balance the power in the marketplace. Social movement.</td>
</tr>
<tr>
<td>“. . . the phenomena whereby purchasers of goods and services are trying to attain a marketing system which makes the consumer sovereign.”</td>
<td>Magnuson (1973) as cited in Swagler (1994, p. 352)</td>
<td>Marketing change. Purchase power.</td>
</tr>
<tr>
<td>“The efforts of individuals or groups acting more or less together to solve many kinds of life problems.”</td>
<td>Hendon (1975, p. 16)</td>
<td>Individual or group efforts, solve life problems.</td>
</tr>
</tbody>
</table>
". . . generally considered to include some form of protection to people against: (i) physical threat to life, health and property, (ii) economic threat to rational and satisfying consumption benefits as a result of market imperfections, abuses, fraud and deception, and (iii) threat from other consumers in the process of collective consumption in the modern technological mass-consumption society."

Sheth & Mammana (1974, p. 64)
Consumer protection, market imperfections, threat from other consumers.

"The dissatisfaction of consumers with goods or services and the efforts to reduce these dissatisfactions."

Gazda (1977, p. 33)
Consumer dissatisfaction.

"A social movement to inform consumers so that they can make knowledgeable judgments regarding purchases of private and public goods. It is a movement to further corrective action against the misuse of both market and political power held by the suppliers of these goods. It is also a movement to make consumers aware of their responsibilities to deal openly and honorably with those from whom they purchase goods and services."

McGowan (1978, p. 25)
Promote consumer interest, consumer responsibility, and corrective action against government.

"A consumer active in pioneering and supporting consumer issues in order to upgrade and protect the well-being of consumers."

Bourgeois & Barnes (1979, p. 3)
Promote and support consumer interest.

"The efforts made either by the consumer himself, the government, and/or independent organizations to protect the consumer from unscrupulous practices of businesses in their quest for profit."

Onah (1979, p. 127)
Protect consumer effort by individual, groups and government.

"A label put on the efforts of a growing number of consumer advocates who question the inadequacies of the marketplace and the unwillingness of business and government to deal with important consumer needs and demands."

Garman (1991, p. 26)
Efforts by consumer to protect consumer from business and government.

"A citizens’ movement that will make broad-reaching social, ecological, and political demands on suppliers of goods and services."

McIlhenny (1990) as cited in Darley & Johnson (1993, p. 38)
Use consumer power to make social change.

"The use of market purchases by individuals, groups, and institutions who want to take responsibility for political, economic, and societal development."

Micheletti, Follesdal, & Stolle (2006, p. 123)
Use of consumer purchase power.
Consumers Role in Consumerism

The consumerism phenomenon has been explained as an individual form of action, as a collective, organized action by consumers and as a movement. While as highlighted previously, consumerism has been conceptualized in a variety of ways, some authors have focused on the specific role of customers when attempting to define the term. For example, Micheletti, Follesdal, and Stolle (2006) add to Magnuson (1973) (as cited in Swagler, 1994) and describe consumerism as “the use of market purchases by individuals, groups, and institutions” (p. 123). Swagler (1994) suggests that consumerism is “the phenomena whereby purchasers of goods and services are trying to attain a marketing system” (p. 352). The specific emphasis on purchasing power in non-marketing definitions of consumerism shows how consumerism contributes to other social and political causes. Consumers are often the target of political causes because they vote with their dollars and so they send a powerful message far more effective than rallies or petitions (Gotlieb, 2015; Micheletti, Follesdal, & Stolle, 2006; Zhang, 2015).

From the previous discussion about the definitions of consumerism, four critical consumerism dimensions from the commonalties can be identified (Figure 1). The first dimension is public sector consumerism, which is the dyadic relationship between consumers and governmental products and services. The second dimension is business consumerism, which is the dyadic relationship between customers and businesses. The third dimension, societal consumerism, is the dyadic relationship between countries and global entities as it relates to social justice and the standard of living. Finally, political consumerism is the dyadic relationship between special interest groups and the government as it relates to marketplace issues.

![Figure 1. Consumerism Dimensions](image.png)

As the first dimension, public sector consumerism views the customer as a citizen and examines the exchange between customers and public services. The inclusion of public sector services is evident in the definition of this term by Day and Aaker (1970) as “A widening range of activities of government, business, and independent organizations that are designed to protect individuals from practices (of both business and government) that infringe upon their rights as consumers” (p. 13). In this dimension,
governmental agencies are considered service-provider entities that have a monopoly over specific services. Gazda’s (1977) definition of consumerism, “the dissatisfaction of consumers with goods or services and the efforts to reduce these dissatisfactions,” is a typical example of the second dimension, business consumerism. Business consumerism has to do with products and services (quality, safety, warranty), price and promotion (untruthful ads), and packaging and distribution (Straver, 1977). In this dimension, consumerism efforts are targeted toward manufacturers (product safety, failure) and marketers (prices, packaging, and promotions).

The third dimension, social consumerism, is defined by Sheth and Mammana (1974) as including “some form of protection to people against: (i) physical threat to life, health and property, (ii) economic threat to rational and satisfying consumption benefits as a result of market imperfections, abuses, fraud and deception, and (iii) threat from other consumers in the process of collective consumption in the modern technological mass consumption society” (p. 54). The concerns in this dimension encompass the social implications of the previous dimension, business consumerism, therefore embodying a wider range of threats against consumers (Straver, 1977). Accordingly, terms such as corporate social responsibility, environmental responsibility, social responsibility, sustainable development, sustainability, corporate citizenship, and green marketing have been used to argue for the responsibility of businesses to the wider societal good (Hanna, Rohm, & Crittenden, 2011).

Political consumerism, the final dimension, is described best by Micheletti, Follesdal, and Stolle’s (2006) as “The use of market purchases by individuals, groups, and institutions who want to take responsibility for political, economic, and societal development” (p. 123). By using the tactic of shaming consumer brands, worker activists have successfully engaged consumers in their campaigns to expose inhumane sweatshops in the Third World (Ross, 2008). Recently, when John P. Mackey, chief executive of Whole Foods, took a public stance against what is known as “Obama-care,” the US healthcare reform act, his words were not received well by the chain’s customers. Although he retracted his statement two days later, Whole Foods stores were picketed, and calls for boycotting the chain had appeared on Facebook, Twitter, Listserv, on blogs, and on the company's own electronic forum (Sachs, 2009). Overall, these numerous, sometimes conflicting, definitions reflect scholars’ efforts to understand consumerism. On the theoretical side of consumerism, there has been only limited success in devising a model that can explain consumerism as a phenomenon that protects and promotes consumers’ interests.

CONSUMERISM THEORIES AND RESEARCH

There are two consumerism theories: Gazda’s (1977) and Hendon’s (1975). Gazda (1977) developed a descriptive theory to explain the 1970s Canadian consumer movement. As for Hendon (1975), his consumerism theory proposed that consumer movement has a life-cycle pattern reflecting different consumerism stages. He postulated that the variables defining the cycle are (a) the quality and accessibility of information provided to consumers, (b) the scope of consumer-protection legislation, (c) the clout of government consumer-protection agencies, and (d) the funding and support of consumer-education programs. However, this theory was not supported by Barksdale et al.’s (1982) review of consumer-protection policies and agendas in six countries, or Barker’s (1987) comparative study of consumerism in New Zealand, England, Australia, the United States, and Canada. Thus, the conclusion is that Hendon’s (1975) consumerism life-cycle theory has little empirical support.
Consumerism Online Actions

In the literature, consumerism concepts are shown to produce a wide variety of actions such as protests and letter-writing campaigns. Such concepts include consumer interests, causes, problems, rights, and advocacy. These concepts lend themselves to different topics within the consumerism literature. For example, consumer rights are derived from the four consumer rights identified by President John Kennedy in 1962: (a) The right to safety, including protection from the marketing of hazardous products; (b) the right to be informed, and protection from misinformation on advertising, labels, and other mediums; (c) the right to choose, with fair access to a variety of products and services at competitive prices, and where competition fails, government regulation to ensure access to all customers; and (d) the right to be heard, including a broad consideration of consumer interest in the formation of public policy (Henry, 2010). Two decades later, four more rights were added: (e) the right to satisfaction of basic needs and access to adequate food, clothing, shelter, healthcare, education, public utilities, water, and sanitation; (f) the right of redress to receive a fair settlement of just claims, including compensation for misrepresentation, shoddy goods, or unsatisfactory services; (g) the right to consumer education and to acquire the necessary knowledge and skills to make informed market decisions about goods and services, and awareness of consumer rights; and (h) the right to health, meaning the right to be able to live and work in a nonthreatening environment (Larsen & Lawson, 2013).

Today’s economy is different from the industrial economy of the past when consumerism was established. Sachs (2009) argues that the time has come for an information economy’s Upton Sinclair-like individual to awaken and rise. Information technology has considerably changed the way businesses interact with consumers and how products and services flow into the marketplace in the same way that railroads changed the marketplace in the 1900s (Abu Farha, Katsioloudes & Al-Bakri, 2018; Kucuk, 2016; Sachs, 2009). For example, social media has empowered consumers to be increasingly effective consumerists. Consumerism is concerned with all aspects of the consumer’s efforts to balance the power in the marketplace by increasing the consumer’s power relative to sellers and producers of goods and services (Kotler, 1972).

In the next section, a comprehensive review is provided of the interaction between consumerism and its macro environment.

A Macro-Level View of Consumerism

It is important to look at a macro-level view of the interaction between consumerism and pertinent marketing factors based on the individual market experience. Although, individuals may support consumerism efforts even though they are not consumers of the targeted businesses, the scope of this section is to focus on the development of consumerism within the consumer’s base. Such focus is important for marketers because consumers are the main focus of marketing efforts. The proposed consumerism interaction model builds on Brokaw and Finch’s (1995) Consumer-Marketplace Interaction Response Model. Brokaw and Finch (1995) propose that consumerism is partially a consequence of consumer discontent and consumer alienation. This conceptualization has wide support in the literature (Kotler, 1972; Maynes, 1975). Consumer discontent is conceptualized as an accumulation of consumer dissatisfaction with micro-consumerism attempts (Lambert & Kniffin, 1975; Lundstrom & Lamont, 1976).
Figure 2 illustrates this macro-level view of consumerism. The objective of Figure 2 is to distinguish between a general view of consumerism that encompasses all three dimensions (political, social, and public) and consumerism initiated by consumers. The latter view is the focus of this chapter. Consumer-initiated consumerism (CIC) corresponds to the second consumerism dimension, business consumerism, the dyadic relationship between customers and businesses. The important factors in CIC are micro-consumerism, consumer discontent, and consumer alienation.

A Macro-Level View of Consumerism

![Diagram of Consumerism](image)

**Figure 2. A macro-level view of consumerism (CIC)**

**Micro-Consumerism**

“Micro-consumerism” was coined by Brokaw and Finch (1995) and describes a purposeful complaint behavior to a marketplace entity with a high possibility that the cause of dissatisfaction may be resolved. When faced with an unsatisfactory experience, a customer will either complain to the party responsible or not. The result of the complaint could be positive (a refund) or negative (rejection). However, even when the complaint’s settlement is in favor of the customer (e.g., an apology and/or refund); it still may not result in an overall positive consumer experience. The time it requires to resolve the matter, the way the company handles complaints and the overall amount of effort the customer puts into the process all contribute to the level of satisfaction with the resolution of a complaint. For example, some complaints are quickly handled by company staff, such as over the phone or by email, and thus do not require much expenditure of resources by the consumer to be resolved. Other complaints could require much more time and effort as they are settled through courts.
Consumer Discontent

Consumer discontent is defined by Lundstrom and Lamont (1976) as “the collection of attitudes held by consumers toward the product strategies of business, business communications and information, the impersonal nature of business and retail institutions, and the broader socioeconomic forces which are linked with the business system” (p. 374). It reflects a general psychological state relative to a business rather than to a specific marketplace entity (firm or brand). According to Brokaw and Finch (1995), the formation of consumer discontent is based on the consumer’s repeated occurrences of dissatisfying marketplace interactions, or as Maynes (1975) states, “the articulation of consumer discontent” (p. 306). Thus, a discontented consumer could at any time act on his or her discontent and engage in consumerism actions toward any product/company/organization, or become an alienated consumer.

In the social-movement literature, discontent is identified as the primary force underlying a successful movement (Smith & Bloom, 1989), but in marketing, Aaker and Day (1978) mention that the problems consumers experience in the marketplace cause “a diffuse, latent discontent with the state of the marketplace” (p. 12). Historically, consumerism prevails in times of great discontent and frustration (Kotler, 1972; Smith & Bloom, 1989). Kotler (1972) identified five types of discontent: economic, social, ecological, political, and marketing-system. These types of discontent contributed to the rise of consumerism in the 1960s. Activists (e.g., those against sweatshops) and interest groups (e.g., labor unions) tapped into existing discontent in the markets by transforming these issues (social, political, religious, environmental, and public policy) to the marketplace. By transforming their off-market issues into consumer-accessible marketplace issues, they provide the consumer with an accessible target (e.g., a brand) to act on (e.g., picketing) (Friedman, 1991; Rudell, 2006).

Consumer Alienation

Alienation from the marketplace is defined as “. . . feelings of separation from the norms and values of the marketplace. Such a state includes a lack of acceptance of or identification with market institutions, practices, and outputs as well as feelings of separation from the self when one is involved with the consumption role” (Allison, 1978, p. 565). Brokaw and Finch (1995) explain alienation as “a psychological state of an individual” (p. 2), while Shuptrine, Pruden, and Longman (1977) argue that it is an intermediate psychological state between social conditions and social consequences. In this chapter, alienation is conceptualized as an enduring state of mind (Brokaw & Finch, 1995; Singh, 1991). For example, Singh (1991) states that alienation is the result of situations that constantly frustrates (dissatisfy) the consumer. That is, alienation occurs when a consumer has become discontented from being repeatedly dissatisfied with the marketplace. However, instead of becoming an alienated consumer, a discontented consumer can act on his frustrations and become a consumerist (Brokaw & Finch, 1995). Pruden (1976) found a correlation between consumers’ alienation and their participation in consumerism behaviors. As a construct, alienation from the marketplace has been conceptualized as multidimensional, consisting of powerlessness, meaninglessness, normlessness, social isolation, and self-estrangement (Mady, 2011).

Online Consumerism

The rise of Internet usage, along with the proliferation of social networks, has given the consumer’s voice new consideration. Citizens in democratic societies have the right to representation.
They use their voices, via voting, to influence the affairs of state (Flew, 2009). In the same vein, the consumer’s voice is growing, and businesses are confronted with voices that are protecting consumer rights as a primary objective while citizen interests are considered a secondary responsibility (Peters, 2004). The distinction here is that consumers’ voices are getting stronger in most societies, including those where citizens do not enjoy many democratic rights. Online consumerism is very similar to other online-related behavior such as self-expression, chatting with friends, commenting, and sharing information, but here the behavior is more goals oriented. A consumer participates in online consumerism when he or she shares information about consumerism-related issues such as deceptive ads. Thus, online consumerism can be described as the consumers’ active role in posting their voices, reinforcing other voices (e.g., sharing), and participating in voice protests (e.g., tweeting in hashtag) regarding consumer-rights issues.

Consumerism behaviors can exist in different forms in every online platform—Facebook, YouTube, bulletin boards, Listserv, or Twitter. Because of their fundamental reliance on social participation and contribution, social media has great potential for enhancing the social context in support of consumerism behavior. The importance of the consumer’s voice on social media comes from two factors: the established role of the traditional media in galvanizing the consumer movement and the newly emerging role of social media in setting the media agenda. The first factor, the role of media in galvanizing the consumer movement, is very significant. Smith and Bloom (1989) assert that when the media report on consumer issues, for example on the front page of a newspaper, consumer movements pick up momentum and are mobilized, and politicians view consumerism issues as high-potential, vote-getting social issues. A survey of senior business managers found that they regard “getting the media to take up the cause” as the second choice, after “boycott,” at the top of their list of “most effective techniques for a consumer movement to use” (Freidman, 1991). This explains why consumer organizations have been more concerned with getting publicity in the news to attack the image of the target firm than on inflicting harm on the target firm economically by marketplace action, such as boycotting.

Second, social media is the new source for public opinion, providing individuals with a unique setting to initiate organizational, political, social, and marketplace change. According to Brustein (2010), businesses and politicians view social media platforms such as Twitter and Facebook as a search engine of public opinion. Vargo (2011) found that Twitter acts as a measurement of public salience and affects public agenda setting.

**DISCUSSION AND CONCLUSION**

Consumerism is concerned with all aspects of consumers’ efforts to balance the power in the marketplace by increasing their power against the sellers and producers of products and services (Kotler, 1972). This chapter clears up confusion in the existing literature by providing a comprehensive review of consumerism studies and by mapping a macro-level view of consumerism and pertinent marketing factors. The consumerism literature can be classified into two groups: Conceptual/descriptive studies, and studies that focus on consumers’ attitudes toward consumerism. Thus, by developing a macro-level view of consumerism (CIC), this chapter represents an important addition to the consumerism literature.

The ongoing shift of power to the consumer as a result of the proliferation of social media is not a new finding (Brown, 2008). However, the shift has transformed consumerism from being driven by
social actors, such as self-appointed activists, consumer groups, and coalitions of interest-based groups, to a more individual crusade and decentralized movement. The hierarchy of organized movement is no longer the only option on the consumerism scene. Available online tools provide easy access and equal chances for individuals to voice their opinions and to call for action against targeted companies. Such a large magnitude of potential participants represents both a threat and an opportunity for businesses.

Despite the availability of sophisticated software that helps businesses “listen” to the voice of the market (customers, employees, investors, and the media) from Twitter, Facebook, Tumblr and various social media sites, consumer-generated content contains rich customer opinion and is less structured compared to basic transaction data (Hsinchun, Chiang, & Storey, 2012). Therefore, it becomes a challenge to analyze and respond to all Facebook status updates and Twitter mentions and hash tags that are created by consumers (LaValle et al., 2011). Furthermore, additional challenges lie in building a market-oriented environment that reacts swiftly to consumer content by using that knowledge to continuously improve business processes to minimize consumers’ grievances and discontent.

The magnitude of online consumerism presents an opportunity for businesses because in the pre-Internet era, companies typically learned about consumer discontent when that discontent reached the mass media and/or when consumerists successfully mobilized consumers and concerned citizens to take action against the target company. In other words, companies now can monitor social media and respond to customers’ or activists’ relevant comments. Paying attention to social media platforms is vital for protecting companies’ reputations and their investment in marketing. At the same time, it provides an opportunity to resolve problems before they escalate, as well as to highlight customers’ positive experiences and learn from their ideas.

**MANAGERIAL IMPLICATIONS**

Consumers are the focus of marketing efforts, and their grievances in relation to product quality, price, and related marketplace experience should be monitored. In addition to offering product that meets and exceeds customers’ expectations, making customer service more personal is important for gaining consumer trust.

The proliferation of Smartphone apps opens new channels for businesses to support consumers throughout their day and to improve the quality of their customers’ lives. Thus, businesses should invest in Smartphone apps that help the consumer report problems, share their experiences with their products and communicate with other consumers. Smartphone apps provide promising solutions similar to brand communities and online forums, which help marketers, drive word-of-mouth marketing, enrich brand loyalty, detect new buzz, and direct advocacy.

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Chapter #--- 22

Choice between Personal Life and Education and Career: An Inquiry into the Question of Domestic Duty vs. Self Interest of Learning and Career based from Female Postgraduate Students of Asian Institute of Technology, Thailand

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ABSTRACT

The purpose of this paper is to examine epistemological perception of women and reasons for women to choose between professional career development and confining to a housewife. Role of women in the process of human capital development is heavily discussed and researched and it is considered to be influential for economic growth. How socially constructed marriage has been institutionalized and interfaced with education and career development is explained and examined.

Traditional responsibilities of a woman as a housewife are confronting with choices of women to continue with career development.

Interpretive research design is used as it could produce in-depth explanations. Therefore, qualitative interviews based on a semi-structured questionnaire are conducted with 10 female postgraduate students of Asian Institute of Technology (AIT) representing China, India, Bangladesh, Sri Lanka, Bhutan and Pakistan. In addition to individual interviews, a focused group discussion is held with five different graduate students.

Study finds that most participants prefer to choose marriage life over career and continuation of education though they are perceived as important aspects of life. However, duality in women on marriage life and career development is seen. Biological, psychological and cultural reasons including tradition, fear of being ejected from society, religious beliefs, influence of family members, epistemological perception favoring marriage, are seen to have associated with women’s decisions.

Key Words: Women, Marriage, Family Life, Culture, Education, Career Development

INTRODUCTION

The proportion of female engagement in the education process including postgraduate studies is seen to be greater than that of males. The situation at the Asian Institute of Technology (AIT) is also true
in this regard. In general, the female proportion of intake varied from 52% to 56% over the last 10 years despite the fact the male proportion was higher than that of females with regard to certain programs.

Student information reveals that more than 700 female students from 30 countries have enrolled to follow postgraduate degrees at AIT and most of them are from Asian countries. Being an academic officer at AIT over last three years, I have interacted with many students formally and informally specially with females on matters such as student admission, selection of programs, performance, compliance requirements and their personal grievances. Many ambitiously showed high enthusiasm in pursuing postgraduate studies and career development when talked about education, gaining knowledge, and interest of continuing in professional careers. On the other hand, they expressed with emotions, their interests of family lives and marriage by highlighting that fact that sometime one has to be compromised with the other. Basic facts gathered from these discussions with students further revealed that the marriage life may be challenged by the continuation of education and careers development. However, they appeared to have high desires for becoming a mother amidst other career successes.

It is highly likely that the choice between marriage, education and career may vary depending on the context in which one lives and to be influenced by many factors. It is a fact that many female professionals give up their jobs at different levels even after holding big positions in both in private and public organization before retirement (Lantrip, Luginbuhl, Chronister, & Lindstrom, 2015). This basic revelation troubled me to ask the question as to why females give up the hopes and desires of continuing higher education and their professional careers developments in lieu of family lives. Hence, research questions and research objectives were developed with a view to explore choices of women pertaining to education, professional careers and personal life.

RESEARCH PROBLEM

The main research problem that disturbs me is why females compromise their desires for continuing with higher education and professional carriers and give them up at various levels in lieu of taking the responsibility of becoming a housewife in a global context where education, knowledge and human capital are considered to be more influential determinants of economic growth (Curry & Sura, 2007). Marriage is a social construct determined by tradition and culture (Abramschmitt, 2008) and the traditional marriage has institutionalized full devotion of taking care of children, preparation of food for everyone in the family, washing clothes, cleaning the house are major responsibilities of a wife. This can be viewed as a situation where women convert themselves to domestic workers in the name of marriage and becoming a wife. Societies discuss about the responsibilities of a husband too and accept that he too should have shared responsibilities even though the realities are little known. These traditional responsibilities are embedded in societies and are being accepted mainly due to cultural practices and patriarchal influence on the society (Woodhams, Xian, & Lupton, 2015) in addition to other factors. It could be argued that, if females wish to continue with education and professional careers after marriage, they could do so by making alternative arrangements at home to make sure that family matters are taken care without physical presence of the woman at home all the time as a domestic worker.

Further, it could be argued that the responsibilities of family matters should be equally held by both husband and wife while others may argue that they are responsibilities of women. Hence, questions can be raised as to who really bears the responsibilities at home within a family. Do they fall in the hands women or men? Or do both should take equal responsibilities? If women are confined to domestic
works at home all the time, what is the extent to which women can pursue higher education and career developments? Do women struggle to take decisions? These questions need to be addressed.

If women choose to continue their employments, it could be asked whether they can enjoy the same rights and responsibilities as men at work. People may enjoy equal rights at work in terms of working conditions and pay, accessing to civic rights and facing legal matters. However, may be coerced on do certain things at work. For examples they may be coerced not to become pregnant during work or within specified time period thus depriving their rights to have babies. Females may be screened out at interviews, if the interview panel come to know that female candidates are just married or going to marry soon. Female employees may be subject to both physical and sexual harassments at work places. These reasons may have discouraged women to quit from jobs once they get married.

On the other hand, it could be questioned whether female employees have the same capabilities as men when facing the stress which are likely to increase with relatively high ranking positions? Could females bear the same responsibilities and risks as men in decision making process of organizations? What would be reactions of other employees when females hold top positions? Do co-workers and subordinates respect females as they do for males? Answers to these questions or how people perceive these questions could influence on women choices to continue with professional careers at work.

Whatever reasons and conditions which compel women to compromise opportunities for future professional careers after higher studies for becoming a housewife, it is worth to explore this social and phenomenon as to why this happens.

**Research Questions**

Based on the explanations and arguments elaborated under the research problem, following major research questions were raised.

1. Do women struggle to choose between the roles of becoming a housewife and to continue education and career development?

2. Do women confine themselves to traditional roles of housewives even after acquiring postgraduate studies?

3. What are the major influential factors for women to choose between becoming a housewife and to continue with studies and professions?

4. Do they sacrifice education and opportunities for career development for marriage and family life?

5. Are there common reasons for women to choose between becoming a traditional housewife and to continue with studies and professions?

6. How do the culture and practices influence on taking those decisions?
Purpose Statement

In line with above research problem and questions highlighted, the purpose of the research is expressed as to explore the reasons as to whether women compromise their opportunities to continue with professional career development after higher education in lieu of becoming a fully devoted housewife. This research further explored the reasons as to why they want to choose either of becoming a housewife or continuing with professional careers.

Significance of Study

Outcome of this study has a social bearing as it is related to gender specific aspects of social life characterized by education, continuation of professional careers and family life. Hence, this work adds to the body of knowledge on why women’s choices between traditional family role as a housewife and exploring career opportunities after higher education. My research capacity, in particular, would improve and in turn help me engage in more research activities in future to contribute for the society in terms of knowledge. Findings of the study could be used as a valuable input for learning and research activities of others as well.

As the participants of the research are graduate students at an international postgraduate studies and represent six counties, the outcome might reveal commonalities and diverse reasons for their choices. Therefore, the outcome can also be used for further country specific qualitative researches and expanded researches with new dimensions to explore the aspects which were not covered in this study.

Choice of women between family life and career development involve complex social phenomenon. Women may have different motivations and learning processes compared to men with regard to having a happy family by confining themselves to be a housewife or to focus more on career development. Social roles and responsibilities women are significant and therefore, the outcome would be useful on discussion of gender-equitable issues to examine how they respond to personal and professional development.

LITERATURE REVIEW

Women were traditionally confined to domestic works in the capacity of housewives (Brumley, 2014). However, global trends and socio economic and political changes including life styles, science, and technologies influenced women on their perception about a good life. More opportunities for women to pursue higher education and to enter into professional careers created all over the world. As a result, women tend to more on education and engaging in employments rather than choosing to be traditional housewives despite the fact there are is a great deal of women still sacrifice their education and career for family lives (Padilla-Carmona & Martinez-Garcia, 2013) or revert back to family at different times even after choosing their career paths. Influences for women either to become a housewife or to continue with education and careers may vary from context to context. Western context may have influenced significantly to deviate from traditional attachment and duty bound family lives and cultures with these social economic and political changes in search of career opportunities against traditional family lives whereas Eastern contexts are embedded with family oriented characters which still dominate women’s behaviors (Woodhams, et al., 2015). Dominant characteristics of patriarchal societies are very active (Lovejoy & Stone, 2012) especially in Eastern cultures even though people are
extensively exposed to global changes and development. Influences on human behavior also change from time to time with new developments of socio economic and political situations though a little is known what is exactly influences women on their choices between family and career interest (Woodhams, et al., 2015). Woodhams et al (Woodhams, et al., 2015) used a framework that identified fourfold categorization namely “conformist,” “revolutionary,” “soloist,” and “dissident” orientations with regard to work patterns of women. However, these identifications are likely to change over time with diverse needs and preferences of women and changes in other socio economic and political factors. On the other hand it had been found that there were disconnect between organizational practice and patterns of women careers (D. A. O'Neil, Hopkins, & Bilimoria, 2008).

Among reasons and influences on careers and personal lives, it had been found that they significantly change from time to with three different life stages namely ‘idealistic achievement’, ‘pragmatic’ endurance’ and ‘reinvented contribution’ (Deborah. A. O'Neil & Bilimoria, 2005). According to Mainiero and Sullivan (Mainiero & Sullivan, 2005) women’s career decisions were part of their larger lives which are interconnected with their relationships, constraints and opportunities in a balanced way that fits for a better life. It is not that women would strictly choose one option of becoming a housewife or engaging in a career choice, but they prefer to be successful in both areas of professional careers and personal lives (Drew & Murtagh, 2005). Maintaining a balanced work and family life has become really a challenged and many found to have been losing the balance. Literature finds that career satisfaction was adversely affected by work family conflicts which are mainly dependent of the context in which they live (Martins, Eddleston, & Veiga, 2002).

Woman’s traditional role is still presence in our society and continues to cause great difficulty for women to combine family responsibilities with other life tasks (Boeren, 2011). According to a study on gender role attitudes and behavior across the transition to parenthood, became more traditional in their gender role attitudes and behavior after the birth of a child due to a process (Katz-Wise, Priess, & Hyde, 2010).

Instances were found where partner violence has significantly influenced on choices of women on their career decisions and personal life. Case study researches find that violent and abusive behaviors of husbands had badly affected on career development, daily work activities, career identity, professional reputation, and opportunities for career advancement physical and mental health of professional careers of wives (Lantrip, et al., 2015). On the other hand work pressure and risks involved in jobs of women were found to have influenced women to quit from jobs. Specially women’s experience of discrimination from employers, when they become older was found and then women found difficulties to change jobs (Lantrip, et al., 2015) thus exposing them to be at greater risk losing the job. This may force women to quit from jobs even though they were willing to continue professional careers without having any family related issues.

In addition to other factors that affect decision making process, culture specific reasons on family lives and career related choices could play a significant role. Culture-specific factors such as gender relations, culture of collectivism and Yin values were found to have influenced more on career decisions of Chinese women managers (Woodhams, et al., 2015).

Literature further finds that success and career satisfaction had directly contributed to maintain a happy family life instead of building pressure. Instances were found where women career engagements had identified as enrichment of both work and family life (D. A. O'Neil, et al., 2008). Hence, women
are generally benefitted from careers to maintain good family lives and they are capable of doing multiple roles (Ruderman, Ohlott, Panzer, & King, 2002). However, high achievement and great satisfactions at work have had created controversial situations where women happened to sacrifice their ability to have children in order to meet the demands to achieve career advancement (Hewlett, 2002).

SUMMARY AND SYNTHESIS OF RELEVANT LITERATURE

Literature says that choices of women for marriage life and career development have had influenced by many factors which were mainly dominated by culture specific practices embedded in people and in the living context. These culture specific reasons confine women’s roles to be within the house and context. Knowledge and awareness also contribute on women’s decisions on family verses jobs. Personal preferences biological and psychological influences may have influenced the decisions but they were not to be found in literature. Behaviors of husbands were negative and violent for women to engage in jobs. The influence of technology, changes in lifestyles, feminism, ideas of equal rights are seen to have been influencing over the time women to engage in education and career developments but significant resistances were arising from traditional culture embedded contexts.

METHODOLOGY

With reference to the objectives of the study, it is necessary to access rich accounts of data of respondents to analyses and interpret the research problems and questions to achieve the objectives of the study. Therefore, interpretive research design is used as it could produce in-depth explanations (Lukka & Modell, 2010) as to why the choice between personal life and career development has become critical to lives of women and what really influenced those decisions. This method allows interviewees to describe their understanding about life, education and career expectations freely though some self-imposed restrictions could prevail. Therefore, qualitative interviewing technique was used to collect data (Quesenberry, Trauth, & Morgan, 2006). These interviews were carried out based on semi-structured questionnaire to maintain the consistency but were openness and flexibility of discussions was maintained as I wanted to explore subjective dimensions of their choices between careers and personal lives. This method has been recognized as useful for dealing with cross-cultural differences (Ryen, 2003) and believe to improve the quality of data and trust. Even though this study did not directly deal with cross cultural differences, respondents represent different counties thus providing some cultural beliefs, traditions, personal values and norms which could reveal some cross cultural dimensions with limited exposure as the participants are limited to 10 by representing six countries. This approach of interview was seen to have been adopted in similar qualitative studies (Quesenberry, et al., 2006) and helped to obtain good understandings and insights of women who participated in the interviews.

Before starting the interviews, participants were encouraged to reveal their true and honest views, by telling them that their stories might help exploring critical aspects of women choices and enhance future research engagements as well. Since there is a possibility that participants sometimes may not reveal their true views as they relate to their personal and cultural values. Therefore, I followed a strategy of first becoming friendly with students as all of them interact with me very often regarding their study related matters as I am in the academic officer attached to School of Environment, Resources and Development of AIT. Some students tended to talked about their personal matters as well. I extended my support for them to solve their problem pertaining to both academic and non-academic as well within my capacity and purview. As a result, a kind of trust and understanding developed over two
semesters and they are continuing dialogs with me. This situation gave me an opportunity to select some students whom I believed would reveal true and honest ideas on my research questions. Similar modes of selection are referred as snowball strategy for sampling (Berg, 2004) where participant are selected through networks and referrals. I further believe that the problems of homogeneity and non-representativeness (Woodhams, et al., 2015) of this method of sampling would not significantly distort the outcome the research as I have already established very good relationships (Yeung, 1995) with participants. On the other hand I, being an outsider to their lives and cultures and they will not perceive revelation of personal ideas will not have any negative consequences on their lives. Hence, I believe that participants revealed their true views and ideas.

In addition to individuals, a focused group discussion was held with five participants to real more data in interactive and argued manner. Same questions were asked and moderated the discussion accordingly by focusing on the objectives of the study.

Views and ideas expressed by participants were then transcribed and summarized before describing and interpreting. Responses were grouped based on themes which were designed by referring to questions for the purpose of interpretations.

ASSUMPTIONS

The study assumed that each participant has fare knowledge on attributes of family lives, education, career engagement and different ways in which roles of women are performed. Participants were also assumed to have revealed true and honest views based on their knowledge, perceptions and experiences without being biased on any alienation to study related matters as they are pursuing for postgraduate degrees. Further, it was assumed that good trust and confidence were built between participants and I before the interviews were carried out.

Participants and Sampling

There are 1345 active postgraduate students at AIT who follow different degree programs offered by three schools. Of them 475 students have been enrolled for programs conducted by School of Environmental Resources and Development (SERD) where I am the academic officer. My duties involve sorting student registration and information, maintenance of student files and academic records and administering student requests. Participants for the interviews comprised of 10 individual female graduate students of AIT from China, India, Bangladesh, Sri Lanka, Bhutan and Pakistan who are pursuing for Masters and PhDs in Urban Environmental Management, Environmental Engineering and Management, Regional and Rural Development Planning, Climate Change and Sustainable Development, Gender and Development Studies, Natural Resources Management, Agricultural Systems & Engineering, Food Engineering and Bioprocess Technology. Focused group comprised 5 female students who follow courses in Gender and Development Studies and they were not individually interviewed. They represented China, India, Bangladesh, Sri Lanka, and Pakistan. Two individual participants were married and have two children and one child respectively. Except one married woman all the other participants were in the age range of 25-35 years.
Data Collection

Semi-structured questions were prepared in order to maintain consistency in data but the length and depth of discussion varied based on responses of interviewees. Interviews were conducted in English language which is not the native language of both interviewer and interviewees. Interviews were arranged based on pre-appointments which were convenient to participants and questions were asked in such manner thus allowing them to disclose how choices are made and on what basis they were prioritized. Questions for individual interviewees focused on family background, cultural background, career decisions and goals, influences on career, influences on personal and family life, personal expectations, and plans for career development. With regard to the focus group discussion, I acted as the moderator for the discussion as I wanted to cover up the depth and direction of the discussion. The theme for the discussion was set as the “The influence of socio-economic contexts on career choices and personal lives”.

DATA ANALYSIS AND DISCUSSION

Answers given by participant were noted down in addition to audio recording which was done with the permission of participants. Data from audio recordings were transcribed and summarized separately. Analysis and interpretations were done case by case by using multiple stage analysis process (Miles & Huberman, 1994). Accordingly, detailed explanatory account of participants was given to highlight the choices and socio-economic reasons highlighted by participants. Data was rearranged on four major themes namely gender identity with regard to choice between career and personal life, motivations for family life, motivations for education and career development and factors influencing on choices.

Data analysis was carried first by getting a fair understanding and being familiarized with responses through careful listening and readings. Responses were grouped into common categories based on socio-economic themes as mentioned in the preceding paragraph. Description and explanations of responses are also provided before the final interpretations are made.

With regard to the gender identity of women’s role in family, 8 participants mentioned that responsibilities on children’s education, provision of food to family members, health and safety are mainly casted upon women and they are willing to do so. Five out of these eight participants accepted that equal rights for women and men should be established but it was not necessarily shared the responsibilities of family matters with respect to all the attributes. They viewed that men should take the responsibilities for the things that they are supposed to do within accepted social and traditional practices. One of the major responsibilities of men is to earn adequate income for the family to mainly assure food, education, health, clothing and shelter. The major role of women is to manage the income for the family to assure that everything is order and functioning smoothly. The Chinese participant and an Indian participant strongly mentioned that both women and men should equally bear the responsibilities of family lives with respect to all the responsibilities. They upheld the idea of gender equality and equal rights of men and women at all the platforms.

The other two participants mentioned that roles of women in a family are not different that of men in relation to all the matters except the main responsibility of earning which should be with the husband. However, it is highly debated about the role of women at the focused group discussion. Many
argued that it is unfair to categorically define and establish that these are the roles of women in a family as all live in a family together it should be a collective responsibility and therefore shared not only between wife and husband but also among children as well.

On choices of family life and career development, all the participants believe that they can contribute to the family and to the society more if they continue in education and engage in employment. However, it was revealed that they are reluctant to put that idea into practice as their responses to the importance of family life, more descriptions were given about the family life and showed that they were not ready to compromise family life it is threatened by the continuation of education and engagement in career path. Seven participants wanted to look for good career opportunities amidst having a happy family life as well. They wanted to balance the career and family lives. However, 4 respondents mentioned that as they have already heard from others and the knowledge that they have, profit motive organizations require employees to separate family lives from jobs. Employees are required to objectively focus on their responsibilities at work and matters arising from family should be managed by employees themselves and should not be mixed up with the job. They considered this situation as a big threat to family life. So that, respondents mentioned that their priority is to have a good family. But they would first look for a good career opportunity based on their education and would give it up when the family life will be challenged either by work pressure or influences from the husband.

All the respondents admitted that the responsibilities at home should be held by females and therefore, the priority has to be given for alternatives to be in and maintain the family life well when needed to choose. Further, participants believe that the most of males also perceive that women are the ones who should have overall responsibility of family life and therefore, women should not think differently so that the unity of family life can be assured. By highlighting the importance of being within the family, six respondents highlighted that they would definitely quit from the job if the job threatens the family life.

Five participants were in the opinion that the balance between career progress and family life would be lost if women decide to stay at job for long. However, they stressed the importance of having an employment after having proper education. All the participants said that it would be a waste of money and time if they will not engage in a job after graduation. Hence, they showed the intention of first having a job was highlighted by everyone but no assurance was given as to how far that they could continue with a chosen career. Therefore, they will engage employment immediately after graduation and will decide how far they can go depending on the prevailing situations and challenges that they have to face. Possibility of risking family lives was also highlighted by 4 participants mainly due to the fact that women are coerced to work when financial burdens are aggravating.

On the purpose of marriage, seven respondents mentioned that the main purpose of marriage is to have babies. They further mentioned that they are not ready to compromise their explicit desire of having babies for anything. Alternatively, they had heard about some bad experiences of employees where work pressure, workings stress and commitments for woke had caused women to defer having a baby and sometimes such situations have ended up with a misery of not having a baby for their life time. In turn, the circumstance of not having babies or sometime infertility creates family problems as well. Though the marriage and the motherhood were not properly distinguished by participants, it was apparent that 7 participants regarded motherhood is stronger than marriage. Other three participants did
not care much about the motherhood but emphasized on the importance of having a happy and
successful marriage life.

Three participants stressed that higher education and a good job would certainly help them to
find a suitable partner to marry in future. They would continue with employment even after marriage but
will stop working after having the first baby to take care of the baby and husband. If they continued to
work, they are in the opinion that adequate time cannot be allocated and proper care cannot be given to
the family. The happiness of the life was regarded as the family and therefore, any decision no matter
what they are, cannot be allowed to disturb a good family life and wanted to be a good housewife.

7 participants mentioned that education and career development are also important aspects of life
and in turn that would help improve the happiness of marriage life as well. Hence, they wanted to first
establish themselves with a high caliber educated social identity as it enhances the quality of life in the
long run. Then the marriage would not be a significant issue in the life. Participants from India,
Bangladesh, Sri Lanka and Pakistan regarded education as an attribute of high social recognition and
intelligence. In general educated people are highly respected in the society irrespective of their social
status. Participants from India and Sri Lanka mentioned that education is a powerful tool to overcome
traditionally and culturally set regressive social conditions and to establish new identity for women.
Traditionally, women were regarded as less intelligent, fragile and dependent on others by 6
participants. On the other hand, there could be a possibility that women may use either higher
educational qualifications or high ranking job as a means of finding a suitable husband of their desires.
Good education and high rank jobs are regarded good attributes of a person and thus women will have
more opportunities of finding a partner with that caliber who is cable of providing means required for a
better life.

Five participants revealed that the engagement of women in career development is highly
restricted by gender inequality and social status of women. They were in the view that equal
opportunities are not given at most of organization even though it is marketed as equal rights are
protected. Hence, they believe that the society has not developed to a level which encourage and respect
human dignity in an equal manner to engage in employment without depriving rights and opportunities
for women to have a decent family life. Therefore, marriage is preferred to career development.

Some of the citations from interviews are given below for the purpose of describing and
interpreting them to explore as to why women choose between marriage life and career engagement.
Respondents are identified as anonymous in order not to reveal their personal identity.

Mari mentioned “I have seen many women who are confined themselves to domestic works at
home all the time and never go out. Their major tasks are to cook food, wash clothes, and take care of
children. The major entertainment for them is to watch television when they have free time. They seem
to have well accustomed to these conditions. I do not know whether they are having happy lives or not. I
do not want to confine myself to house and want to explore the world. I too was restricted to home and
not allowed to go out of home before I came to AIT for my studies. So, I really want to have a good job
and do not think marrying soon. I will marry later and see how it will change my future”.

“I have two brothers and a sister. All are well educated. One has already done a master’s degree.
My parents are teachers. I was always encouraged by parents to up in education. I too have a feeling of
doing well in education better than others in the family. Our family is well respected by neighbors mainly because all of our family members have gone passed secondary education. Therefore, my ambition for higher education and good job will not be disturbed by the idea of marriage”.

“I have a boyfriend and he too has done a master’s degree and holds an executive position in a private company. We have agreed that we will marry only after I find a suitable job after my master’s degree. I believe that engagement in employment would give me more exposure and helps me to have a good life as well compared to be a housewife even though my future husband will provide all the necessities for the family”.

Above facts reveal her desires for influences on her decisions for education and career development. Her family and social identity are playing a significant role in that regards. However, there is no assurance how she would face the challenges of an employment and would react to them when she really works in a organization.

Susi says that she faced lots of difficulties to find a job and even the previous working environment was not conducive for me to continue with career as job engagement created stress all the time.

“Because of my job and education, I feel like I cannot take care of my husband well. I do not know whether my husband get good food as I am here for education. I happened to resigned from the previous job as it was demanding all the time. My husband and his family sometime complained me about my attention on family as I happened to give more time for office work. We did not have time to go out for eating or any other things as both of us always happened to work. I feel guilty of not taking care of my husband and have a fear of facing some misunderstanding and problem in future if I will be away from my husband. So my desire is to give the priority to the family”.

“I want to find good job after I finish my studies and to continue my career on the same path. I prefer to find a job in my home country but if I get a change in another country I would go there. My parents encourage me to do so but I do not know whether my husband would like me to work when I get married. Most of men do not like women to work and want them to be at home. I don’t know. I don’t have anyone yet to think of a marriage but my parents are always talking about this. I also want to marry but don’t know whether a good person can be found. In case, if there will be a disagreement on job and family life I don’t know what to choose. If I have to give up job for family that is ashamed and waste of my education. I try my level best to convince the husband to agree with me to work”.

The above was revealed by an Indian participant and she has the influence of culture and her perception on job and family life. Though she is more interested in doing a job against being a housewife, a contingent condition prevails as of now on her decision.

“In fact I came to AIT as I received a scholarship to study. In fact I wanted to be with my parents as they are getting old. I have never been away from home before I came to AIT. I wouldn’t have come if I did not get a scholarship for sure. It was difficult for me at the beginning but now I am adjusted to this culture, food and people. But I want to go back home immediately after the degree. I do not think of marriage. What I want is to find a good job in my country and stay with my parents”. 
Family association and attachment to parents are the main reasons for her choice. In addition, it is apparent that economic condition of the family is not that satisfactory and as a result she is forced to find a job. At present no intention of marriage is seen.

Hazana’s account reveals that she wants to have more education and her ambition is to do a PhD after completion of the Master degree but faces lots of cultural and religious resistance to do so.

“My intention is to be a qualified professional and work in a public organization related to energy and natural resources. I want to earn by myself and have the independence of living and taking decision pertaining to family. My husband supports my idea and he is with me in AIT. He helps me a lot for domestic work and taking care of our child. In fact those things were done by me when I was in Bangladesh. He never, helped me to do the work at home. Parents of my husband also lived with us and the work load at home was too much. I cannot imagine the change of my husband and I am happy about that. I believe he will support me in the same way as he does now. I am afraid that if we go back to my country whether I will be able to devote more on my job and profession or to do the same work as I did in the past. Both my parents and the parents of my husband do not have big support for me to work. They emphasized me to pay more attention of the education of our child, husband and work at home. We do not have much economic problems as my husband good income”.

Prina’s account reveals that she wants to be good housewife with decent income. She is not married. The followings are extracted from here interview.

“I don’t like to compete with others either in education or in working. I do not like to get work stress and waste my time in an office. That is monotonous. If I marry someone who likes to travel around and provide safely and income for the family I will do all the responsibilities at home. I am passionate of doing things at home and keep the house attractive and make my husband happy all the time. I think, most of working women have family problems due to many reasons. They fight with husband and create conflicts all the time. Being a woman, one of the responsibilities is to maintain a good family. I recall how my mom is managing the house. She is the in charge of the house. My father always consults my mom regarding family matters. I hope that I can be a good wife. Education gives me a social respect and knowledge also helps me to be good at home. I need to have children when I reach 30. Working at office will be stressful. It is not part of my personality.”

Susmitha wants to have a balance between marriage life and career engagement. I have some experience of working before coming to AIT and was able to win the hearts of my bosses and subordinates. My advices for subordinates on how to do their job helped them achieve objectives of the company. I believe that I can be a good manager and use my knowledge to create value”.

Geetha says that women are normally less ambitious and therefore it is less likely that women will not compete with men. But, if a woman is competent enough she has the opportunity to be successful in career. But sometimes women get mixed family work with careers. Her intention was to assume duties at the same place in her home country as it is secured. She further expects a promotion at the office. However, she admits that balancing family and work is really challenging and influenced by many factors. She would try to balance them as much as possible and not ready to sacrifice marriage life for work. She has already been engaged for marriage and the partner has not disagreement with her.
“I strongly believe that the success for me at my previous work place was my education and professional qualification. Education is so important and that gives you a competitive advantage. I am sure that I will get a good recognition if I continue to work after my degree. I will be able to gain respect from other employees including management. I prefer to find a job outside my country more preferably a job in Europe or in Japan. Both of my parents are dead so that I have no specific barriers of moving to another country. Marriage I have not thought of yet. I have no one yet. If I marry, I decide my future job. Either to work or not is decided with his agreement and consent only”.

Yin feels that she is successful in her education and life. “I want to achieve many goals in life. I am considering of doing a PhD. I think till now, I am gathering experiences and knowledge by sacrificing time and money. I need to harvest the fruits of investment in education. I am determined to be successful both in career and family in future”.

“I really need to be a good house wife. I already give up my job. I am sure that my husband can provide economic means to have a good life for us. My main concern is the future of my daughter. Now everything is about her. … My husband? What should I say? I don’t know. I receive good support from him. But my husband keeps a distance himself from domestic work at home. Sometimes I feel the work is too much but have no option. I get a relief when I think of my daughter. I feel like my husband doesn’t involve and support domestic work may be due poor recognition of domestic work. So he feels those works belong to me. I don’t care but stress builds on. With regard to my daughter’s education, my husband very rarely involves and not it has become a practice and it’s my duty”.

Kareem reveals her experience from her parents and she doesn’t want to have the same situation. So that she would prefer to do a job until she will be happy with the condition of future husband that she is dreaming.

“I can recall how my mother was managing the things at home with influences from my dad and his parents. I remember how my mother felt when her mother-in-law came to stay with us. She says my dad behaves differently when his parents visit our house. My grandma was always advising me and my mother as well. It was irritating me sometimes as she used to saying the same thing. My mother was talking to my father in private and when I see them they stopped it and felt uncomfortable. I don’t know whether they were having conflicts or disagreement but I knew that it was not a pleasant experience for my mom. So I cannot comment on my marriage but I intend to find a good person one day. Present interest is to complete my studies and find a good employment opportunity”.

Teena reveals “I am sure that I can have a balanced life between career and family. I am confident on that. I will never marry if my partner is not willing to allow me to work as per my experience. I know how manage the things at home as well. Mutual understating and discussion would help me to balance the life. I don’t think there is any problem balancing my career and family life. I believe everything depends on attitude and values. It is a matter of management of any tasks”.

Focused group discussion highly appreciated the motherhood and regarded it as an important aspect of the life of women whereas the marriage was viewed as a social phenomenon which people care and respect as a legal matter, a social norm and a traditional practice rather than recognizing something connected with human dignity, love and care.
Gender specific role of women was identified from traditional and cultural perspective and it was highlighted that women could play a bigger role to contribute towards economic development of the country, in addition to fulfilling the responsibilities at home as a good housewife. Success of women at family was considered to have been influenced by the social and traditional attributes such as loyalty, kindness, religious devotion, motivation for family success, caring ability and obedience to husband. Desires for career development, higher education and individual family lives have been greatly influenced by society and culture embedded practices and traditions. Marriage was seen to have been perceived as a major achievement in everyone’s life.

Further it was found that women decisions are on the other hand influenced by the social networks to which they belong and relationships maintained.

RESULTS

This study resulted several findings. Domestic responsibilities have been perceived by females as major tasks that cast upon them. All the respondents referred to their responsibilities at home even though they have high ambitions of continuing with leering and higher education. Those responsibilities at home were recognized as primary tasks comprising of taking caring of children, assurance of providing food and safety, providing education to children, keeping the house clean and tidy, washing cloths and preparing food.

Results imply that social and cultural practices that have been evolving over time with regard to how domestic activities are arranged and carried out have a greater impact on choices of women thus leaving a little room for rational decision making based on knew knowledge and information. Among them cultural taboos and practices were seen to have dominating over others. Sometimes, females were seen to be ambiguous about their roles at home as mother or a women and as an employee at a work place. This ambiguity pulls women to give the priority to domestic works what have been perceived as responsibilities rather than engaging in other aspects of the life including education and careers.

The main identity of women was confined to as a mother. It was clearly mentioned in the interviews irrespective of the fact that whether they are mothers not. Those unmarried revealed their desires for marriage where some were highly concerned about the problems of finding a right partner. No respondent completely rejected the desire to marry thus highlighting the social identity of a woman as a mother is dominant over others.

Further it was revealed importance of the social behavior and conduct of ‘man’ in the decision of women. Many linked their decision which favoured to give priority to domestic work to how the man ‘Husband” would perceive it. Course of actions and decisions of women are seen therefore to be indirectly influenced by their perception of husband’s behaviours. In some cases, the decision of women was directly influenced by the action of husband and women had no reasons to go against it. This was highlighted by the fact that six respondents clearly mentioned that they would definitely quit from the job if the job would be an obstacle to the family life thus showing the level of their sacrifice for family life.

Further, the findings reveal the perceptions of Asian women and similarities were also seen in their decisions irrespective of the county they represented. This may have been linked and connected to
the Epistemological framework through which women understand their world especially in relation to domestic work and career development.

MANAGERIAL IMPLICATIONS

Why and how these responsibilities are being perceived to be fulfilled by women even in a context of modern society where many of such works can be easily delegated have to be further investigated from social and managerial perspectives.

This research did not examine the psychological aspects of women with regard to their careers and family life. Findings have implications on psychological behaviors of women in addition to logical, social and economic reasons. Therefore, it is highly recommended to examine those psychical aspect in possible future studies.

As the respondents have placed high priority for the role of a mother and the desires to marry compared to other roles, it is worth extending this study to explore the implications of other identities of women and their relevance and significance for living. This could be done with the help of social identity theory and other supported theoretical frameworks.

Role of husband is also another important variable to be considered from managerial perspective as both direct and indirect influence of husbands were seen in the decisions of women to greater extent. The interconnectedness of relationship with other family members, social activities to be attended, different identities and economic aspects to be managed as a woman need to be further examined in dealing with behaviours and decisions of women.

On the other hand, the impact of technology and sources of information that women can access are likely to change the pattern of their behaviors in future amidst the persistent resistance that is mainly embedded in the culture and practices.

Influence of Asian context specific factors is another managerial implication of the study as there were similar perceptions were seen with regard to family related matters over education and career development. The way women would behave and take decision has be to further assessed from epistemological perspective as information content, sources and how they are processed could change significantly in the future.

CONCLUSION

This study attempted to explore epistemological thinking of women as to how they choose between career paths and personal marriage life and socio cultural and other reasons that are likely to influence their decisions. Most prefer to choose marriage life against engagement in employment even though the importance of education, career and human capital development was highly recognized as important aspects of the life by all the participants.

The study finds a kind of duality in women with regard to marriage life and career path. On one hand, participants stressed that they want to excel in education and career development as they are more important than the option of being confined to a traditional family as a housewife. On the other hand,
their attachment to the desire of marriage and to be a housewife came to forefront all the time when cross questions were asked in case of critical choices. Interviewees showed bit emotional expression when they talked about marriage and family life. Biological and psychological reasons associated with family related matters were not examined as they were not the focused of the study.

Further, the views and ideas of participants are likely to have been influenced by many factors including practice of tradition, fear of being ejected from well-established social institutions, cultural influence, and religious beliefs, family members and epistemological thinking which favor marriage and family life while appreciating the importance of education and career development. Societal and democratic developments are further needed to assure equal rights at workplace with dignity and respect to encourage women to engage in career development and to incorporate working engagement with a successful marriage life. Traditional and social embedded practices of having children, taking care of children; bearing family responsibilities have created a tendency for women to place a higher priority on family responsibilities than on career development.

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Our Nature, Our Planet, Our Resource-Blockchains: The Sustainable Differentiation Research

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ABSTRACT

It’s time we consider blockchains linking the fragmented and increasingly centralized approach with respect to natural resources. Disasters are exacerbating, climate unpredictable, ambient conditions degrading that are negatively spiraling quality of life and creating not-so-feel-good orientation. Protectionist policies creating fractionated and reactive approach on our planetary natural resources. This monograph draws analogy to propose the resource-blockchain research using the sustainable differentiation methodology. Sustainable differentiation (Sen, 2014) envisages a global convergence through differentiated development of core resources, such as, water, waste. Symbiotic relationship endures the relationship. This is more pronounced for emerging economies reeling under the real threat of natural and human induced resource imbalances that lead to disasters. Sustainable differentiation is a research methodological architecture that unravels the need to symbiotic co-dependence of water – waste – energy resources.

Keywords: Blockchains, Symbiotic relationship, Sustainable differentiation, Protectionist policies, Disasters
INTRODUCTION

This paper is informed by crypto-assets learnings that deploy distributed block-chain based applications. Resource block-chain based infrastructure is an innovation worthy and relevant given the ensuing need to configure implementability of sustainability. Block-chain concept is a new organizing paradigm for assessing, evaluating, and transiting discrete quanta of units (Swan, 2015). Given the integrative prowess of block-chain, this research proposes the concept of resources and natural value added assets such as water, energy, waste in a block-chain configuration to enable implementability of sustainable solutions. Similarly as block chain technology can facilitate distributive configurations, that propagate aggregation of trust, sustainable differentiation research methodology can be the linkage. Distributed management is the key outcome that alleviate centralization. Natural resources are not distributed evenly across our nature, our planet and our habitats. This has resulted in an ambiance that raises protectionist stances and apparent isolation. The innovative contributions of block-chain’s integrative power, dis-equilibrium could be harnessed to improve the implementability of sustainable development goals. Block-chain concepts are generic in the context of the power of aggregation.

Block-chains enable coupling distributive fragments given a marked propensity for closeting and protective disposition with respect to natural resources. Not all the parameters in the climate change realm are encouraging portending looming intensity of disasters. Overarching ambient conditions in most developing habitats are downgrading. Negative vortex of trade sanctions, low cognizance to environmental issues are precipitating a research need with a novel form of methodology that combines sustainability and differentiation (Zuscovitch & Justman, 1995; Sen, 2014). Sustainable differentiation builds constellation networks with shared value partnership configurations. Highlight of such networks is mutual value creation and trust based governance. In sustainably differentiated network architecture, entities, such as, countries, regions, or clusters retain the sustainability identity, preserve their uniqueness with respect to differentiated competitive advantage. Though they could compete, yet they realize that for sustainability’s sake, it is sensible to nurture long-term relationships. Such resource block-chain oriented patterns avert risks through knowledge sharing and environmentally friendly technology transfers among the network constituents.

The resources block-chain creates water, waste, energy and related resources’ resilience through their proper ordering in time (English, Auer & Domingue, 2016). This aspect incorporates dynamic, self-corrective and sustainable functionality to the situation. The resource block-chain induced sustainable differentiation research envisages convergence. There can be differentiated development trajectory of core resources, such as, water, waste and energy. Yet, simultaneous symbiotic sustainability is also practiced to endure the relationship. The emergent need for the twin-pronged approach is more pronounced for emerging economies, such as ASEAN, Asia Pacific among others. They are all reeling under the persistent threat of natural and human impelled aberrations due to resource misalignment. There is growing evidence that disasters proliferate due to these imbalances (Houghton, 2005; Sen & Pookayaporn, 2017; Lichterman, 1999). Sustainable differentiation is a research methodological architecture that unravels the need to symbiotic co-dependence of water – waste – energy resources.
LITERATURE REVIEW

Resource-blockchain

Shared value and peer-to-peer resource-twinning can be conceptualized for equilibrium in an imbalanced distributed habitat geography (Rao, 2013). The peer-to-peer review with respect to equilibrium of resources can result in identification of compatible twinning setups. The twinning or triads or quadrupling networks help to even out resource dis-equilibrium. The peer-to-peer hubs can be visualized as resource nodes. Akin to block-chains deployed in data sharing, resource block-chains could be operationalized with sustainable differentiation needs assessment. Knowledge stored in the resource block-chain labyrinth could serve as a dashboard among the networked participants. A number of resources could be pooled for assessment and redistributed among the nodes of the resource block-chain (English, Auer & Domingue, 2016).

Sustainable Differentiation

The resource block-chain manifest in Industry 4.0 that entwines sustainable development goals-led transfer, sharing and exchange of core resources, such as, water, waste and energy. Analogous to the crypto-assets, the resources block-chain envisage an Our Nature, Our Planet, Our Resources universal knowledge repository, akin to the universal digital ledger (English, Auer & Domingue, 2016). Sustainable differentiation can benefit from the Internet of Services that store resources repository (Uckelmann, Harrison & Michahelles, 2011). The resources block-chain metaphor can lead to decentralized habitat-specific resources and natural assets data. In order to ensure a differentiated marketplace for competitive advantage, such isolated data could be entrepreneurially clustered via the resources block-chain (Tallman, Jenkins, Henry & Pinch, 2004). For sustainable differentiation to be formatted as resource block-chain, distinct value propositions are essential. The resulting value chain would link with partner-seeking nodes of locales, habitats, hinterlands and regions aiming for implementability of sustainable development goals.

Researching the linkage between resource block-chain and sustainable differentiation

This research attempts to portray an unified dimension for convergence for the sake of resource ecology at the global to local levels primarily with respect to resource sharing on water, energy and waste management (Jelin, 2000). Bilateralism is on the rise mainly due to increasing awareness of the benefits for twinning, as also the shifting rationale of partnership seeking domestic compulsions for growth. Rather than a collective identity in ASEAN or Asia Pacific, a number of accords have been inked such as the Trans Pacific Partnerships that seek links beyond the traditional regional limits (Ravenhill, 2003). The growth opportunities in ASEAN, East Asia and Asia presents the opportunity of linking Asia with the West through the logic of one world (Mahbubani, 2013). Exploring the linkage between resource block-chain and sustainable differentiation is best assessed through symbiotic characteristics co-positioning economy, environment and society as shared pillars of growth (Sen, 2014). Resources are unevenly and inequitably apportioned across urban-rural areas. Counterpoised is the sharp consumption needs. Consumptive distinctiveness precipitates the need for resource block-chains that could develop spatially aligned sustainable differentiation fabric (Markusen & Schrock, 2006). Sustainable differentiation parenthesizes competitiveness, as well as an enduring habitat (Bartelmus, 2012). Aligning the strategy and structure depends on shared understanding and acceptance
of the resource block-chain efficacy. It is imperative to collectively agree and corroborate the habitat identity. Core issues, constraints are addressed using the viability and sustainability approach (Espinosa & Walker, 2011). The viable systems model explores the resources block-chain to extract required societal transition and to define levels of recursion. Recursion is systems within systems embedded in systems (Beer, 1984). The resource block-chain inspires holistic approaches to linked natural endowments such as water. They are living systems nested and embedded within systems, as expressed in the recursive approach. The recursive mapping enables analysis among the resource block-chain units. The plethora of stakeholders exist constituting communities, processors and policy-makers. Levels of recursion help spread differentiation without losing sight of sustainability (Espinosa & Walker, 2011). It is important to note that our nature, our planet and our resources do not necessarily seek a stable equilibrium (Laitos, 2017). Process characteristics, such as linearity, predictability and self-regulation, do not always apply to natural systems. It is aptly termed as unchanging envelope of variability comprised of social – ecological systems (Laitos, 2017). The natural resource systems is eco-system based that is not a single or a group of living organisms, but a enhanced combination of biotic and abiotic resources (Laitos, 2017). The resource block-chain framework is juxtaposed with the sustainable differentiation methodology. Competitive advantage needs differentiation in order to check replication. Sustainable differentiation caters to the dual characterization on need to differentiate with salience on sustainability (Järlström, Saru & Vanhala, 2016). Given the vibrance on resource instability, reframing is necessary for the resource-based value model. Resource-driven sustainability is a function of block-chain heterogeneity. Therefore, the sustainable differentiation research can help position appropriately with the competitive needs. The ability for nodes of the value chain to harness resources call for distinctiveness (Grover, Gokhale & Narayanswamy, 2009).

**Resource-driven sustainability research is a function of block-chain heterogeneity**

The resource-based view has substantive correlation with generating competitive advantage with sustainability results (Gupta, Tan, Ee & Phang, 2018). This is echoed in literature on predictive analytics. It postulates that block-chain capability is dependent on contextual conditions of habitat characteristics on water, waste and energy. The predictive power translates into social performance and environmental attainment (Dubey, Gunasekaran, Childe, Papadopoulos, Luo, Wamba & Roubaud, 2017). Resources strategy needs investors’ support (Meyer, Estrin, Bhaukim & Peng, 2009). Sustainability research usher interlinkages between social and natural systems (Hammond, 2010). The determinants of natural systems are quite distinctive to social systems (Scott & Davis, 2015). The resources block-chain efficacy is evident from the ability to transform the linkage to third-party-neutral. Ongoing recent literature posits resource block-chain, in an aggregated nodal formation, builds differentiated positioning for an entity. Distinctive knowledge competence is a core value-add. Peripherally, community building and strategic partnerships ensure competitiveness for a sustainable horizon. A significant outcome is the resource block-chain turns to be the enabler for a locale to consolidate the differential advantage (Bjørnstad, Krogh & Harkestad, 2017). Interesting energy domain application is evident deploying resource block-chain in peer-to-peer crypto-asset transaction platforms. In one instance energy-resource block-chain executes smart contract share energy for smart-grids (Mannaro, Pinna & Marchesi, 2017). In another instance, virtual resources block-chain is introduced as a latch-on for internet of things network, that let’s-in permission-based block-chain protocols (Samaniego & Deters, 2017). This architecture is distributive and modular that is suitable for crypto-asset exchanges onto the renewable energy domain. The highlight is the predictive functionality, such that the robo-advisor indicates prosumers the suitable differentiated yet sustainable strategy (Samaniego
& Deters, 2017). This literature review emphasizes (i) higher level convergence (ii) differentiated development (iii) focus on core resources, such as, water, waste and energy (iv) co-creating symbiotic relationship (v) endurance through resource block-chain that is achieved through sustainable differentiation. The following section dedicates to relevant theory build-up.

**FRAMEWORK: SUSTAINABLE DIFFERENTIATION RESEARCH METHODOLOGICAL ARCHITECTURE**

The model construct in this research have a nodal and clustered block-chain structure. The research questions that emanate are thereby, longitudinal in nature. In these cases, the same outcome variable is measured a number of times from different perspectives, such as compatibility for differentiation, integratility for sustainable development. The mixed-effects model considers different trajectories or pathways between nodes of typical individual characteristics (Maxwell & Delaney, 2003). This also extends to disruptive innovation theory applicable to between-subjects variables (Yu & Hang, 2010). Block-chain longitudinal array of resources need to be assessed on maximum likelihood statistic to identify disruptive interventions that prevail in existing situations and to explore how this may occur (Bheemaiah, 2017). Trajectory plots of longitudinal data present line segments, irrespective of whether the sustainable differentiation trend fluctuate at differential rates (Swan, 2015). Nowadays, resource block-chain is being configured as more than a formalism. When such resource block-chain is embedded in ethics, it can turn out to be a competitive challenge. Code of conduct is essentially code of ethics, applied on to entities that look to resource-based partnerships. With the influx of knowledge array, need for water, waste and energy efficiency increases (Massotte, 2017). Ethical formalization is the research approach in this paper that creates metrics on the balance between profitable and moral. Investigation of the water-secure, waste-frugal and energy-aware resource block-chain management is the intended outcome. The sustainable differentiation research construct ensures robustness to the blockchain-based decentralized resource management. This framework, harnesses water, saves energy and checks waste generation. Recently, organizations, entities and governing units face remonstrances on technology logic, economic reasoning and societal compulsions (Massotte, 2017). This framework proposes a scaffolding to strengthen the mode of drawing-up smart contracts to optimize resource-sharing. Given the resource block-chain longitudinal array, ethics and good governance assist the implementation of complementary behavioral approaches at the grassroots level, urging them to craft and sustain a global coherence. This approach not only benefits cost optimization but also benchmarks other resources algorithms. (Xu, Wang & Guo, 2018). In summary, the framework includes multi-level theory inputs on longitudinal array, mixed effects issues, economic societal and environmental mandates, ethics and good governance and sustainable differentiation (Table 1).

**Table 1: The Sustainable Differentiation linked resource block-chain framework**

<table>
<thead>
<tr>
<th>Resource block-chain longitudinal array</th>
<th>Nodal clusters of resource block-chain structure</th>
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<tbody>
<tr>
<td>The mixed-effects model</td>
<td>compatibility for differentiation, integratility for sustainable development</td>
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<tr>
<td>Economic reasoning, societal compulsions and environmental mandates</td>
<td>Benefits cost optimization but also benchmarks other resources algorithms</td>
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<tr>
<td>Ethics and good governance</td>
<td>Resource block-chain embedded in ethics</td>
</tr>
<tr>
<td>Sustainable differentiation research methodology</td>
<td>Sustain a global coherence</td>
</tr>
</tbody>
</table>
Hypothetical antecedents developing the research construct on Sustainable differentiation:

**Higher level convergence**

Usually globalization and sustainability are dichotomous (Rees, 2002). This call for higher level convergence that reflect a quantum of well-being and happiness that is a crucial determinant of sustainability among the masses. However, pessimism and protectionism retard the spirit of partnerships. Higher level convergence is circumstantial, and dynamic adaptation offers potential for linkages (Lyubomirsky, Sheldon & Schkade, 2005). Isolation and silo-like existence hike costs of the processing for resource inputs, such as, water, waste and energy. These are not factored in the calculations on block-chain peer-to-peer orientation. The attribute of disruptive potential offers value-add with ethical core. This research on sustainable differentiation to augment resource block-chain has leveraged societal and environmental benefits beyond the realm of economic gain (Adams, Kewell & Parry, 2018). The circular economy and blockchain factors-in carbon limits into resource efficiency that shares natural resources to transform to sustainable, resilient and liveable habitats (Melnyk, Derykolenko & Dehtiarova, 2016). The hypothesis unlocks decentralised flexibility for the block-chain aggregator through sustainable differentiation perspective.

**Differentiated development**

The methodology for research on differentiated development is portraying the collection of interacting resource nodes. Each node has significant links with their respective hinterlands. The configuration promotes and encourages local autonomy, so that each node can proactively respond to the changes in the resource block-chain (Epinosa and Walker, 2017). However the challenge is to incorporate into the entrepreneurial mindset in the form of innovative and ever-learning investor for financing resource crypto-assets (Burniske & Tatar, 2018). This methodology surges entrepreneurial independence to self-determine what is a method of self-reliance, along with sense of partnership.

**Focus on core resources, such as, water, waste and energy**

Core resources such as water, waste and energy determine provenance. The source adjudication creates transparency, given the complex labrynth of processes, transit, and storage across value chains. The internet of things and block-chain for resources contribute to provenance or traceability. Granularity in exact tracking of origin of resources enhance block-chain design (Kim & Laskowski, 2018). Sustainable Differentiation forges enduring and competitive growth through innovation that constitute (i) delegation (ii) finance (iii) performance (iv) information and (v) enforceability (Chakraborty, Chakraborty & Mukherjee, 2016). The flexibility of resources at decentralized levels create a sense of competition to differentiate. Enforceability has effective appeal and thwarts lack of ethics.
Co-creating symbiotic relationship

In order to break loose from the lingering reality that environmental regulations erode competitiveness, triggers innovations that co-create symbiotic relationships between cycle of economic productivity that is synchronized with that of the ecological efficiency (Porter & Linde, 1995). Social network analysis is a prerequisite for sustainable differentiation to inspect and review the aspects on the nature of relationships and flows. In step the environmental costs along with the process costs, but also adds a competitive durable pitch by engaging the customer and the community at the emotive plane (Morabito, Sack, Stohr & Bhate, 2009). Consumers and community usually look for originality in the products and services and adheres long term with such organizations who unfurl innovation in an ongoing manner. The organization stands out as it is sustainably differentiated from the competitors.

Endurance through resource block-chain that is achieved through sustainable differentiation.

Vast quantity of natural resources are consumed without heed to sustenance. Endurance at societal level is necessary (George, Schillebeeckx & Liak, 2015). Environmental issues need to remain under focus as sources of competitive advantage with self-regulation posited by sustainable differentiation (Berchicci & King, 2007). Innovation is the key factor for Sustainable Differentiation (SDf) in organizations including small and medium-sized enterprises (SMEs) based on the sustainability intensity required to mitigate and adapt to climate change while retaining growth (Schillebeeckx, Parikh, Bansal & George, 2012).

RESEARCH METHODOLOGY

Given the outcomes of the literature and antecedents from literature five block-chain dominions emerge as (i) longitudinal array (ii) mixed effects (iii) reasoning, compulsions and mandates (iv) ethics and governance and (v) differentiation aligned with sustainability. They orient the form, priority, target and structure of the resource block-chain. Issues such as feasibility, affordability, aptness and scalability are considered (Schillebeeckx, Parikh, Bansal & George, 2012). The respective dominion content is examined to unearth patterns of nodal compatibility. Next steps introduce the antecedants in respective resource area as applicable. Evidence of such approach is present as in categorization literature. Emphasis is on the performance of the integrative benefits expressed as concatenating our nature, our planet and our resources. Axiomatic inferences from the framework has potential for the proposition of the analogical equivalence of resource block-chains. Participatory mapping technique is important in the zoning principle and all villagers of InU and Sithar villages participated in the program. Project formed VLRT team to create teamwork culture in the environment conservation. Project also motivated people to make decision in their natural resources management. They can get empowerment in natural resource management planning for long-term use. Also the project contributed organic fertilizer to interested persons for getting more awareness on producing of eco-foods for healthy environment.

Relevance for longitudinal array

Project implementations are predominantly relevant with the longitudinal array of resource elements. For instance, degradation of lake environment, has number of resource imbalances that are responsible for the deterioration of water quality. The problems mainly depend on the lack of proper
Our Nature, Our Planet, Our Resource-Blockchains: The Sustainable Differentiation Research

Lake management system and excessive use of chemical fertilizer and pesticides in floating agriculture. The zoning principle serves as a longitudinal array for project modules to include organic farming.

**Mixed effects impacts**

Environmental socio-economic impacts at multiple levels constitute mixed effects impacts for the zoning-based management system and community based conservation approach. These are most reliable and effective for the lake management system. After implementing project, zoning plan for resource block-chains were assessed.

**Effectiveness with respect to reasoning, compulsions and mandates**

In order to prevent loss of eco-systems of a given resource block-chain, proper reasoning, compulsions and mandates are drawn out (Hall, Nurse, Wyatt, South, Maher & Potter, 2016). Productive consumption based upon exchange value of the resource block-chain is established. Subsequently, draft zoning plans are formulated. Responses to water scarcity need genuine sustainability driven considerations.

**Ethics and governance for self-reliance**

Climate change severely impact livability. Ethical and good governance ushers self-reliance for attaining sustainable differentiation. Right to life, adequate food, standard for health, self-determination and access to safe drinking water are ethical pre-requisites (Raftopoulos & Short, 2017).

**Contributing factors to differentiation aligned with sustainability**

Given that extreme poverty and environmental degradation were core issues for the sustainability of development (Espinosa and Walker, 2017). Participation of all stake holders in the resource block-chain can provide shared access and meet environmental goals. Congruity is needed for holistic views on development.

**RESULTS**

The results are drawn from pilot projects setup to promote renewable Energy in Northern part of Thailand including parts of Myanmar. The fundamental aim was policy-makers’ commitment to adopt, develop and broad-base renewable energy utilization in the country and neighborhood energy grid. Scalability to resource block-chain is evident as the renewable energy momentum extends to relevant resources such as water and waste. Waste is indeed seen as a resource that may be harnessed with appropriate technology, waste utilization and sustainable practices. Initially, the project would be based at the northernmost periphery of the ASEAN country. The location is strategic with substantial block-chain linkage potential as it is located near the border. However, its remoteness is challenging amid high mountain terrain and intricate access. This aspect underscored the integrative characteristics of resource block-chain shared value networks. The location is well-endowed with natural resources and has all the potential to turn into a node for resource block-chain, with the pioneering energy self-sufficient being the competitive proposition. Scalability would enable planned expansion to in-country nearby provinces, as well as neighboring countries that have geographic, societal, and environmental compatibility. A key
aspect is economic similarity to the host node. The expected outcomes of the project in this resource block-chain locale array is ethical and good governance driven partnerships to drive changes in policy and planning process. Our nature, our planet, our resources tenet is ingrained to propagate development and utilization of sustainably differentiated development in the locality, the region and globally.

The results derived from a second case is on freshwater heritage lake located in the Shan State in Myanmar. The watershed area for the lake lies to a large extent to the east and west of the lake. This lake is a biodiversity hotspot since ages due to its abundance on the number of endemic species of migratory water-birds, fish species, amphibians, butterflies and water-plants. The resource serve as a block-chain node is the source of proliferation of an engaging and heritage-rich cultural community. They are known for their unique and distinctively differentiating variety of costume, foods, architecture and devotion for Buddhism. Their sprawling cultivation of floating tomato farms, create competitive edge. The periphery spawned entrepreneurship, as goldsmiths, silversmiths and blacksmiths. Their products are very popular for other tribes due to its beauty, stylish appearance, durability and usefulness. Added to this, the locale has renowned weaving industry. High-quality hand-woven silk fabrics of distinctive design, derive fabric from lotus plant fibers. Given this potential, there is detrimental environmental pollution. Direct environmental impacts associated with combined agricultural activities within the wetlands and surrounding hills of the lake include sedimentation and water-pollution. One other serious consequence was that of a hydroelectric plant. Resource block-chain could serve beneficially for the restoration through integrated multi-stakeholder ecosystem approach. Zoning principles were deployed could be augmented with resource block-chain linked with sustainable differentiation research methodology.

**DISCUSSION AND MANAGERIAL IMPLICATIONS**

Nature and resources realms is a combination or order and disorder. The multi-faceted, non-linear longitudinal nodal clusters of resource block-chain structure punctuates the states of equilibrium (Espinosa and Walker, 2017). However, there needs to be compatibility for differentiation along with integratibility for sustainable development.

This research has significant implications on governance, co-operation, sensitivity and commitment. The structure, valued and needs can unify entities to create the spirit of our nature, our planet and our resource block-chains.

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Chapter #--- 24

Charismatic Leadership, Achievement Culture and Job Satisfaction: Testing for Mediation

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ABSTRACT

Previous studies have shown a positive relationship between charismatic leadership and job satisfaction. However, this study attempts to determine whether achievement culture in an organization mediates the relationship. The study sampled 367 teachers from national secondary schools in Kenya. The research hypotheses were tested using a hierarchical regression model. The results have indicated that achievement culture partially mediates the relationship between charismatic leadership and job satisfaction. Practically, this implies that leaders should nurture achievement culture within their organizations for the mutual benefit of both employees and the organization. This paper contributes to the debate on the mediating role of organizational culture by providing empirical evidence from national schools in Kenya.

Keywords: Charismatic leadership, Job satisfaction, Achievement culture, Organizational Culture, Kenya.

INTRODUCTION

Employee satisfaction is a top priority among many organizations. Academic literature in recent decades argues that there is a relationship between leadership style and job satisfaction in the workplace. Consequently, job satisfaction continues to draw much interest, arguably because it is critical both as an individual and organizational outcome (Keller & Semmer, 2013; Maloni et al., 2017).

Like other employees, teachers are more productive and committed to organizational goals only if they are motivated and satisfied with their jobs (Karim et al., 2017). Indeed, teachers play a crucial...
Charismatic Leadership, Achievement Culture and Job Satisfaction: Testing for Mediation

role in any nation by imparting skills, knowledge and attitudes to their learners. The education industry, being labor-intensive, heavily relies on the teacher and the vast resources governments allocate to the sector largely depends on the teacher’s ability to deliver. However, a large number of teachers are exiting their profession in many countries mainly due to job dissatisfaction (Anari, 2012). Generally, the factors associated with this exodus include: salary, workload, recognition, organizational culture, the working environment and leadership style (Belias & Koustelios, 2014; Karsenti & Collin, 2013; Podolsky et al., 2017).

Previous studies have found a positive relationship between charismatic leadership and job satisfaction (Braun et al., 2013; Rothfelder et al., 2013; Saiti & Fassoulis, 2012). However, there are reasons to believe that organizational culture mediates this relationship. Firstly, organizational culture may influence the way leadership is exercised and, thus, leadership style could affect the job satisfaction levels of staff (Kim, 2015).

Secondly, employees prefer different leadership styles depending on their cultural orientation (Shahin & Wright, 2004). Thirdly, although leaders influence organizational actions and the resultant outcomes, the effect of such actions on organizational outcomes may be mediated by other variables, rather than exhibiting a direct relationship (Nir & Hameiri, 2013). This study attempts to extend previous research on job satisfaction and charismatic leadership by introducing achievement organizational culture as a mediator within the education sector in Kenya.

LITERATURE REVIEW

Job satisfaction continues to draw a lot of attention in research because it is a crucial aspect in the management of human resources in any organization. Extant literature argues that job satisfaction is important because it affects efficiency, employee turnover, level of participation and organizational performance (Arani, 2016; Rose, 2001). Furthermore, job satisfaction is universal worldwide since the expectations of employees somewhat correlate. These expectations include fair remuneration, conducive working environment, employee recognition and human rights (Heywood, 2008; Hofmans et al., 2012; Nganzi, 2014).

Job satisfaction is a complex and dynamic construct. An international survey on public servants revealed that most employees are satisfied by money, job autonomy and the public interest of others (Taylor & Westover, 2011). Further, intrinsic rewards ranked highest, followed by working relationships with management and relationships with other workers. Age also featured significantly as a factor in job satisfaction. However, these findings varied from one country to the next (Westover & Taylor, 2010). Another study argued that stress and burnout have negative influence on job satisfaction (Hombrados & Cosano, 2013).

Studies have found a relationship between employee demographic variables, such as gender, age and tenure, and education and job satisfaction (Crossman & Abou-Zaki, 2003). However, the results are mixed, with both positive and negative relationships, as well as their absence (Vegas et al., 2001).

The continued focus on leadership style is important because previous studies have shown that certain styles are associated with job satisfaction (Khan, 2014). Charismatic leadership is derived from the word ‘charisma,’ whose Greek meaning is gift. Max Weber (1947) defined a charismatic person as
one with ‘unusual, magical-like abilities.’ Over the years, charisma has been defined and re-defined by many scholars; for example, Paul et al., (2002) refers to it as the leader’s vision, exceptional behavior, risk-taking, role-modeling and showing respect and confidence among followers. The focus has shifted from charisma being an individualized trait to one of relationship. Recent literature argues that charisma is a fire that ignites followers’ commitment and, consequently, produces results beyond the call of duty (Klein & House, 1995). In other words, charisma is a product of three elements: the spark (a leader), the flammable materials (followers), and oxygen (a conducive environment for charisma to thrive) (Klein & House, 1995; Pillai & Meindl, 2015).

It is also argued that charisma is an attribute perceived by followers (Avolio & Yammarino, 1990). When followers endorse a leader as charismatic, they place more trust in him or her and they, in turn, experience higher levels of empowerment and satisfaction (Conger et al., 2000). Literature has identified two types of charismatic leadership: personalized and socialized charisma. Whereas the socialized charismatic leader has genuine interest in the welfare of the followers, the personalized leader is narcissistic and selfish (Mayo, 2017). This paper focuses on the socialized charismatic leader.

There are three levels of culture: national, corporate or organizational, and professional (Srite & Karahanna et al., 2006). At the highest level is national culture whose role is to differentiate one society from another, since nations are uniquely different culturally. The second level is corporate or organizational culture and this is exhibited within the organization. Lastly, we have professional culture in which a group of people of similar function work within their professional boundaries where ethics and regulations apply.

Organizational culture is one of the critical areas to which a leader needs to pay attention because it influences how people in an organization feel, think and act, and has been said to be the secret behind the highly successful Japanese companies (Alvesson, 2012). Organizational cultures, such as warmth among employees, and respect, trust and the establishment of rapport between workers and their seniors, can significantly influence employee performance (Belias & Kouveliotis, 2014). Armstrong and Taylor (2014) argue that organizational culture takes time to establish and change.

Extant literature asserts that organizational culture originates from the thinking of their founders and evolves over a period of time (Ortega & Sastre, 2013). A leader, who may not enhance employee satisfaction to a reasonable level, compromises their ability to perform effectively (Yang & Islam, 2012). The chief executive of a company sets the tone, atmosphere and philosophy of the organization through captivating speeches, and inspirational stories, actions and slogans (Almansour, 2012; Bogler, 2002; Schein, 1995; Waldman & Yammarino, 1999). Indeed, studies show that the leadership style used by school principals affects the inherent culture within the school (Haiyan et al., 2017; Johnson et al., 2017; Kiboss & Jemiryott, 2014). The principals define success in schools because they are responsible for managing the teaching process and the learning environment (Okoko et al., 2015).

Research has demonstrated that culture influences all activities in the school, including how teachers socialize, the dress code, propensity to change and even the teaching methodology (Deal & Peterson, 1994). Therefore, workplace culture may have a marked influence on employee job satisfaction (Kapa & Gimbert, 2017).
Achievement organizational culture refers to a culture typical of an organization that appreciates its members, who set their own ambitious but realistic goals, come up with plans for attaining these goals, and pursue them enthusiastically (Markovic & Rakocevic, 2014). Achievement culture characterizes organizations that encourage their employees to experiment, put new ideas into action, and celebrate the achievement of goals (Cooke and Szumal, 1993). Moreover, such organizations emphasize excellence and encourage the setting and accomplishment of goals (Balthazard et al., 2006). These organizations motivate their employees to set ambitious goals and then provide feedback on the employees’ performance.

THEORETICAL FRAMEWORK

Equity theory (Adams, 1963; 1965), charismatic leadership theory (House, 1977) and the theory of organizational culture and effectiveness (Denison & Mishra, 1995) were used to guide this study. Equity theory argues that workers compare what they put into their jobs (input) against what they receive from it (output) vis-a-vis what other workers derive in similar settings (Saif et al., 2012). If they find that the input/output ratio is comparable with that of their peers, they will feel treated equitably. If the converse is true, they will feel treated unjustly (Dauber, 2012). Employees compare four fundamental issues about their remuneration: what they give to the organization, what they receive, what others give to their organizations and what others receive in similar circumstances. When there is equity, workers are likely to be more content, happier and more motivated (Pearce et al., 2003). Examples of employee inputs include time, effort, commitment, ability, adaptability, qualifications, skills, trust in their superiors and support from co-workers. On the other hand, the outputs include salary, benefits, reputation, job security, recognition, responsibilities, expenses and sense of achievement (Dugguh, 2014).

Consequently, if an employee feels that they are being unjustly treated they may choose to leave the organization, but if they do not have a better option, they may underperform (Dugguh, 2008). Literature has demonstrated that in terms of employee compensation, equity and justice are critical for job satisfaction and performance (Frye, 2004). A study in Cyprus found that fairness reduces employee turnover and enhances job satisfaction (Nadiri & Tanova, 2010).

Charismatic theory identifies several personal qualities associated with charismatic leaders, which include eloquence, assertiveness, persuasiveness, self-confidence and moral conviction (Bass, 1998; Klein & House, 1995; House et al., 1991; Conger & Kanungo, 1988). Charismatic leaders influence their followers because they are perceived as being strong and effective with appealing and compelling visions (Pillai & Meindl, 2015). A charismatic leader attracts attention, responds to environmental signals, is optimistic, and influences and motivates followers mentally and emotionally, which in turn stimulates commitment to a shared vision and goals (Jacquart & Antonakis et al., 2015; Awamleh & Gardner, 2011). The followers do not follow him or her out of fear or monetary inducement but out of admiration, passion and enthusiasm (Hitt et al., 2009). The crux of charismatic leadership theory rests on the leader’s influence over his or her followers, which often depends on the leader’s charm and persuasive communication (Sosik et al., 2013).

The theory of organizational culture and effectiveness (Denison and Mishra, 1995) identifies four cultural traits that influence effectiveness: involvement, consistency, adaptability and mission. The theory argues that each of these traits is a predictor of effectiveness criteria, e.g., employee satisfaction...
and performance, among other organizational outcomes (Denison & Mishra, 1995; Fey & Denison, 2002). Denison and Mishra’s theory can be used to provide a link between the theory of charismatic leadership and equity theories and, therefore, gives a theoretical basis as to why achievement culture could mediate the charismatic leadership–job satisfaction link.

3.1 Hypotheses development

Charismatic leadership has been found to be effective at increasing group performance (DeGroot et al., 2000). Furthermore, some studies have argued that there exists a positive relationship between charisma and organizational outcomes, including job satisfaction (Banks et al., 2017; Voon et al., 2011). Charismatic leadership has been found to correlate with job satisfaction, as well as satisfaction with the leader (Wang et al., 2011). When employees are inspired, recognized and involved in the organizational activities, they are likely to be satisfied with their jobs. Thus, we hypothesize that:

H₀₁: There is no relationship between charismatic leadership and job satisfaction.

Usually, the relationship between three constructs is more complex than simple bivariate relations between a dependent and independent variable (Fairchild & MacKinnon, 2009). Sometimes, the relationship can be modified or informed by the addition of a third variable (Fairchild & MacKinnon, 2009). Examples of these include mediating variables and moderating variables (MacKinnon et al., 2002). Mediation is a hypothesized causal relationship in which one variable affects another, that, in turn, affects a third variable in the chain.

Mediation studies allow researchers to assess the potential relationship between the independent and dependent variables through a mediator variable (Vuorre & Bogler, 2017). The objective of mediation analysis is to investigate the possible effect of predictor variables on a predicted variable through a mediating variable (Harty et al., 2017). Generally, a variable is said to be a mediator if it transmits the effects of the predictor to the predicted variable (Baron & Kenny, 1986). Thus, the mediator variable serves as a nexus between the predictor and predicted variable (Fritz et al., 2016).

Scant literature is available on achievement culture as a mediator in the charismatic leadership–job satisfaction link. However, it is likely that trust, vision and high performance expectations engendered by the charismatic leader may motivate followers to exert themselves above and beyond the ordinary, which inculcates among them a sense of belonging and bonding (Waldman et al., 2001). Further, achievement cultures drive performance, enhance the quality of interaction and cooperation among members and, hence, may increase levels of job satisfaction when targets are achieved (Hall et al., 2010). Thus, we propose that:

H₀₂: There is no relationship between charismatic leadership and achievement culture.
H₀₃: There is no relationship between achievement culture and job satisfaction.
H₀₄: Achievement culture does not mediate the relationship between charismatic leadership and job satisfaction.
### RESEARCH METHODOLOGY

#### 4.1 Participants and procedure

This study adopted a cross-sectional design and sampled 367 teachers in national secondary schools in Kenya. Proportionate and systematic probabilistic sampling systems were used to identify the number of respondents. Data was collected using the drop-off/pick-up method. The results of this study are derived from the responses of 318 usable questionnaires.

#### 4.2 Measures of variables

The teachers each completed three questionnaires to assess charismatic leadership, achievement culture and job satisfaction. Charismatic leadership was measured using the Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avolio (1995). MLQ has now become one of the most common ways of measuring the charismatic leadership construct (Van Knippenberg & Sitkin, 2013). Charisma measured using MLQ gauges the ability of a leader to articulate the vision, mission, trust and pride to the followers. ‘Idealized influence’ and ‘inspirational motivation’ represent the aspect of ‘charisma’ in the MLQ measure (Rothfelder et al., 2013).

The Job Satisfaction Survey (JSS) developed by Spector (1994) was used to measure job satisfaction. This instrument assessed respondents’ perceptions of the teaching occupation. JSS utilizes nine indicators of job satisfaction: pay, promotion, supervision, benefits, contingent rewards, operating procedures, co-workers, nature of work and communication (Spector, 1994). It has been used in many sectors including those of banking and education (Anari, 2012; Saiti & Fassoulis, 2012).

Achievement culture was measured using an adapted version of the Organizational Culture Inventory (OCI) developed by Cooke and Lafferty (1989). Achievement culture was measured using the items of OCI under the subscale ‘achievement.’ The achievement culture contains constructs measuring whether or not the organization places value on goal setting, the accomplishment of objectives and the pursuit of a standard of excellence (Cooke & Lafferty, 1989). The data was analyzed using both descriptive and inferential statistics.
5.1 Demographic characteristics of the respondents

The respondents were required to provide information about their gender, age, educational level and year’s one has served in the school. The results on gender distribution showed that was 59.6% were male and 40.4% were female. Further, a majority of the respondents (37.7%) were between 31-40 years. This meant that most respondents had been in the teaching profession long enough to be able to give reliable information about the variables of interest for this study. Moreover, a good number of the respondents (66.2%) had degree level of education and hence were in a position to understand the items in the tool used to collect data. Also, the respondents had served in their current stations long enough to be able to rate the leadership style of their Principal. The demographic characteristics of the respondents are as summarized in Table 1 below.

Table 1: Demographic Characteristics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Category</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>190</td>
<td>59.6</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>128</td>
<td>40.4</td>
</tr>
<tr>
<td>Age</td>
<td>20-30 years</td>
<td>72</td>
<td>22.6</td>
</tr>
<tr>
<td></td>
<td>31-40 years</td>
<td>120</td>
<td>37.7</td>
</tr>
<tr>
<td></td>
<td>41-50 years</td>
<td>101</td>
<td>31.8</td>
</tr>
<tr>
<td></td>
<td>Above 50 years</td>
<td>25</td>
<td>7.9</td>
</tr>
<tr>
<td>Education Level</td>
<td>Diploma</td>
<td>37</td>
<td>11.7</td>
</tr>
<tr>
<td></td>
<td>Bachelors</td>
<td>210</td>
<td>66.0</td>
</tr>
<tr>
<td></td>
<td>Post Graduate Diploma</td>
<td>30</td>
<td>9.4</td>
</tr>
<tr>
<td></td>
<td>Masters</td>
<td>39</td>
<td>12.3</td>
</tr>
<tr>
<td></td>
<td>Doctorate</td>
<td>2</td>
<td>0.6</td>
</tr>
<tr>
<td>Teaching Experience</td>
<td>10 years &amp; below</td>
<td>139</td>
<td>43.7</td>
</tr>
<tr>
<td></td>
<td>11-20 years</td>
<td>96</td>
<td>30.2</td>
</tr>
<tr>
<td></td>
<td>Over 20 years</td>
<td>83</td>
<td>26.1</td>
</tr>
</tbody>
</table>

5.2 Descriptive results

Descriptive analysis was done using measures of central tendency, dispersion and correlation. The items of charismatic leadership and achievement culture gave an overall mean of 3.81 and 3.71, respectively. The mean for job satisfaction was 3.56. All the scores for job satisfaction were above average. The low standard deviation values in the responses for the three variables showed low variability. The results are summarized in Table 2.

Table 2: Summary of descriptive statistics

<table>
<thead>
<tr>
<th>Items</th>
<th>Mean</th>
<th>SD</th>
<th>Cronbach’s Alpha</th>
<th>KMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charismatic leadership</td>
<td>3.81</td>
<td>1.68</td>
<td>.800</td>
<td>.537</td>
</tr>
<tr>
<td>Achievement culture</td>
<td>3.71</td>
<td>0.73</td>
<td>.712</td>
<td>.622</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>3.56</td>
<td>1.67</td>
<td>.888</td>
<td>.877</td>
</tr>
</tbody>
</table>
5.3. Correlation analysis

Further, all the associated pairs of variables were significant at level .01. Charismatic leadership and achievement culture were positively related ($r=0.615$, $p<.01$). Charismatic leadership has a positive and significant correlation with job satisfaction ($r=0.537$, $p<.01$). The relationship between achievement culture and job satisfaction was positive and significant ($r=0.556$, $p<.01$).

Table 3: Correlation Coefficients

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charismatic Leadership</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achievement culture</td>
<td>0.615**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>0.537**</td>
<td>0.556**</td>
<td>1</td>
</tr>
</tbody>
</table>

**Correlation is significant at the .01 level (2-tailed).

5.4 Reliability tests

Cronbach’s alpha reliability test was used to determine the internal consistency of the questions that measured the variables of interest for this study. From the results, the alpha coefficient for all variables was in the range 0.690–0.888, hence, within the benchmark of 0.7 suggested by Sekaran (2000) and thus the scales were reliable for measuring the variables.

Table 4: Reliability test results

<table>
<thead>
<tr>
<th>Variable</th>
<th>No. of items</th>
<th>Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charismatic leadership</td>
<td>12</td>
<td>.800</td>
</tr>
<tr>
<td>Achievement culture</td>
<td>8</td>
<td>.712</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>36</td>
<td>.888</td>
</tr>
</tbody>
</table>

5.5 Direct regression results

The first hypothesis ($H_01$) stated that there is no relationship between charismatic leadership and job satisfaction. The results demonstrated that charismatic leadership has a positive relationship with job satisfaction ($\beta=0.527$, $p<0.05$) and, therefore, the null hypothesis was rejected. The findings suggest that charismatic leadership style enhances job satisfaction among employees. The theory of charismatic leadership (House, 1977) argues that such leaders are role models and admired by their followers. Consequently, this creates trust among the followers resulting in job satisfaction.

The second hypothesis ($H_02$) stated that there is no relationship between charismatic leadership and achievement culture. The regression results indicated that there is a positive significant relationship between charismatic leadership and job satisfaction ($\beta=0.747$, $p<0.05$). The results imply that increased charismatic leadership is linked to greater achievement culture. A possible explanation is that charismatic leaders inspire followers and challenge them to take risks and achieve higher goals. Inspiration leads to self-confidence among followers and this, in turn, leads to the accomplishment of goals beyond expectations (Dubinsky et al., 1995).
The third hypothesis (H03) stated that there is no relationship between achievement culture and job satisfaction. The findings demonstrated a positive and significant relationship between achievement culture and job satisfaction. Therefore, the stated hypothesis was rejected. The existing literature argues that when an organization has exciting and achievable goals, it knows why it exists and where it is headed (Denison, 2000). Furthermore, a charismatic leader's long-term vision eliminates anxiety and creates calmness and control among the employees, which affects their job satisfaction (Elkordy, 2013).

The hierarchical regression results are presented in Table 5 below.

### Table 5: Summary of the direct effects

<table>
<thead>
<tr>
<th>Dependent</th>
<th>Independent</th>
<th>Coefficients</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Satisfaction</td>
<td>Charismatic leadership</td>
<td>.527</td>
<td>.000</td>
</tr>
<tr>
<td>Achievement Culture</td>
<td>Charismatic leadership</td>
<td>.747</td>
<td>.000</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>Achievement Culture</td>
<td>.449</td>
<td>.000</td>
</tr>
</tbody>
</table>

5.6 Mediating effect of achievement culture

To test the mediating role of achievement culture, a hierarchical regression method was conducted following Baron and Kenny’s (1986) model. The results met all four conditions of this model and demonstrated that achievement culture as a mediator is significant (β=0.397, p<0.01), while the regression coefficient of charismatic leadership declined from β=0.527, p<0.01 to β=0.210. After controlling the effect of the mediator, the relationship between the independent and dependent variables remained significant but substantially reduced, indicating that achievement culture partially mediates the relationship between charismatic leadership and job satisfaction. The results did not support Hypothesis H04. The hierarchical results testing the mediation affects are presented in Table 6.

### Table 6: Mediation results for achievement culture

<table>
<thead>
<tr>
<th>Step</th>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant) 1.548 (.183)**</td>
</tr>
<tr>
<td></td>
<td>Charismatic leadership .527 (.047)**</td>
</tr>
<tr>
<td>2</td>
<td>(Constant) .853 (.212)**</td>
</tr>
<tr>
<td></td>
<td>Charismatic leadership .747 (.054)**</td>
</tr>
<tr>
<td>3</td>
<td>(Constant) 1.298 (.177)**</td>
</tr>
<tr>
<td></td>
<td>Charismatic leadership .308 (.056)**</td>
</tr>
<tr>
<td></td>
<td>Achievement culture  .293 (.046)**</td>
</tr>
</tbody>
</table>

Notes: Standard errors are presented in parenthesis. Significant levels: **<.01.

DISCUSSION

The hypotheses were tested based on the fundamental notions underlying charismatic leadership, equity, and organizational culture, as well as effectiveness theories that posit that charismatic leaders create a conducive organizational culture which, in turn, leads to teacher job satisfaction. Hypothesis 1 postulates no significant relationship between charismatic leadership and job satisfaction. The results rejected the proposition and indicated a positive and significant relationship. Charismatic leadership theory argues that such leaders motivate their followers into doing things they would not normally do,
Charismatic Leadership, Achievement Culture and Job Satisfaction: Testing for Mediation

Despite the challenges and obstacles they encounter during the process, through motivation, charismatic leaders create a fire, energy and conviction among their followers. This fire encourages them to work passionately and go the extra mile in achieving organizational goals. The results portend that when employees are inspired, recognized and involved in the activities of the organization, they are likely to be committed and satisfied with their jobs, as espoused in the equity theory. These findings resonate well with previous studies on charismatic leadership and job satisfaction (Bogler, 2002; You et al., 2017; Inceoglu et al., 2018).

Concerning the second hypothesis, when employees set their own goals and feedback on their performance is given, it not only results in feelings of self-efficacy and satisfaction but it also enhances organizational performance (Leithwood, 2005). When charismatic leaders present a rosy view of the future, it fosters a sense of direction, harmony, confidence and hope, which may lead to job satisfaction. This implies that the followers of charismatic leaders are likely to take risks and try out new ways of doing things. Charismatic leaders have the ability to influence and inspire their followers to exceed their expectations. They do so by emphasizing the relationship between employees’ efforts and goal achievement, and by creating a greater degree of personal commitment on the part of both followers and leaders (Sayadi, 2016), which results in the achievement of a shared vision and goals (Shamir et al., 1998). Charismatic leaders are the fulcrum for aligning individual and group goals and, hence, creating a sense of shared vision and identity (Grabo & van Vugt, 2016). Consequently, a leader inspires the emotions and motivations of the group, and such feelings can be taken on board by all the members of the organization (Walter & Bruch, 2009). The engagement between leaders and followers results in an increase in motivation and morality levels (Miia et al., 2006). Smart et al., (1996) found that goal-oriented culture is related to higher performance among American universities as compared with bureaucratic systems. This is also in line with the involvement trait in organizational culture and effectiveness theory which postulates that once employees are involved, they will feel part of the system and work harder to achieve organizational goals. Extant literature has demonstrated that employee involvement in goal-setting is crucial for job satisfaction (Zheng et al., 2017).

Thirdly, the relationship between achievement culture and job satisfaction was found to be positive and significant. This implies that organizations have to set their goals and adapt to their external environments in order to achieve their objectives. When employees are involved in setting their targets, they are likely to pursue them enthusiastically and also to feel part of the organization. According to Denison and Mishra’s (1995) model, adaptability leads to organizational effectiveness. Employee involvement motivates them and leads to a sense of self and collective achievement and job satisfaction (Balthazard et al., 2006; Xenikou & Simosi, 2006).

Finally, the fourth hypothesis stated that achievement orientation does not mediate the relationship between charismatic leadership and job satisfaction. The results indicated that achievement culture as a mediator was statistically significant. Further, the results also demonstrated that achievement orientation partially mediates the relationship between charismatic leadership and job satisfaction.

A school is a community and such factors as working conditions, workers’ health, professional competence, and participatory and supportive leadership are related to performance, including employee performance (Saaranen et al., 2007). Therefore, it is reasonable to suggest that charismatic leadership stimulates goal-setting and task-accomplishment, and, thus, an achievement culture which leads to job
satisfaction. Further, it aids in gaining a better understanding of why organizational culture mediates this relationship. The partial mediation implies that culture is the filter through which the relationship between charismatic leadership style and job satisfaction occurs. Extant research has indicated that job satisfaction is a complex, multidimensional phenomenon, influenced by several factors, both internal and external, including leadership style, values, principles, personality, expectations, nature of the job, working environment and opportunities provided (Belias & Kouveliotou, 2014). A possible explanation for such partial mediation is the fact that certain aspects of the employment of Kenyan teachers, such as salaries, benefits and promotions, are centrally controlled by the national government and are beyond the principal’s control, yet these aspects influence teacher job satisfaction.

In a nutshell, this study makes an important contribution to the existing body of literature by providing empirical evidence that achievement culture partially mediates the charismatic leadership–job satisfaction relationship within the context of national secondary schools in Kenya.

**MANAGERIAL IMPLICATIONS**

The findings provide several managerial implications for education managers in Kenya. First, the results suggest that charisma is a critical component in teacher job satisfaction. Charismatic leaders motivate their followers to do things they would not normally do. In turn, their followers exhibit a high degree of respect for the leader, display loyalty and obey him or her. Furthermore, leaders must act as good role models in order to gain the trust of their followers and, thus, facilitate charismatic behavior. Policy makers should mount capacity-building programs so that those not endowed with natural charisma can develop this highly valuable quality.

Secondly, achievement orientation involves values, goal setting, organizational objectives, experimentation and risk-taking. Schools need to establish a conducive environment for teachers to experiment, set ambitious targets, and provide them with feedback on the same. This will not only lead to better results, but also a sense of ownership and satisfaction with their jobs as well as their institution. This study argues that education reforms should put emphasis on improving job satisfaction among teachers.

**CONCLUSION**

This study investigated whether achievement culture mediates the relationship between charismatic leadership and teacher job satisfaction in Kenya. The findings indicate that achievement culture partially mediates this relationship, lending empirical support to the existing body of knowledge. Mediation analysis provides an insight into the relationship between the predictor and predicted variables when the variables appear not to have a definite connection between them (Fritz et al., 2016). Therefore, it is possible to argue that charismatic leaders, by inspiring and heightening trust among their followers, will encourage the latter to feel confident enough to take risks, set ambitious but attainable goals and pursue them with enthusiasm. Therefore, principals should establish and maintain a conducive organizational culture for teachers to experiment, set ambitious goals, and provide them with feedback on the same. This will not only lead to better performance, but also a sense of ownership and job satisfaction.
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Defining the Frontiers of Global Business Research Across Emerging Countries


Chapter #--- 25

In What Manner Elasticity of the Resources Help in Leveraging the Strategic Resources—A Case Study of the Hotels of India

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ABSTRACT

Contemporary developments in the resource-advantage theory recommend that the manner in which the executives carry on the strategic activities for the purpose of leveraging the resources has a significant effect on the corporations’ subsequent competitive gains. We are of the belief that the strategic activities which help in positively leveraging one type of resource may not leverage another type of resource. Specifically, our hypothesizing in this paper differentiates between the elasticity of the resources which can be leveraged into new markets and an in-elasticity of the resources which need to be leveraged into their existing market. Taking the statistics from the hotel industries of India, we derive facts that the topmost managing team experience i.e., an elastic resource can gainfully be leveraged by using the strategy of franchising. However, an attempt to leverage the specific knowledge; i.e., an inelastic resource by using either the strategy of franchising or the strategy of multi-chaining, declines the productivity. Our hypothesis, as well as its results, supports us for explaining in what manner the various kinds of resources can be leveraged by using the strategies of franchising and multi-chaining.

Key Words: Resource Advantage Theory, Strategic Resources, Franchising, Multi-chaining, Dominant Logic, Causal Ambiguity

INTRODUCTION

Resource-Advantage theory of the firm has become the leading model in the context of strategic management (Meyer, 1991). This theory has enabled the investigators to investigate the fundamental aim of the strategic management funding, i.e., why some corporations defeat their rival corporations. This theory put forward that the competitive gains, as well as the productivity of the work, are shaped by the corporations’ distinctive resource endowments (Barney, 1991, 2001). To be more precise, a resource or a capability is proficient in making viable work benefits only in case it fulfills the four main criteria-
firstly, the criteria that the resource is valuable. This implies that the resources need to be such that it aids for the corporation’s ability to enhance its competency, otherwise augment the consumers’ preference to pay the premium prices. Secondly, the criterion is that the resource is rare. This implies that the availability of the resources must be very rare such that it cannot be easily obtained by the rival corporations. Thirdly the resources are unique. This implies that it is difficult to imitate the resources. Fourthly, the resource is non-substitutable. This implies that the resources cannot be interchanged. The capabilities which fulfill the above mentioned conditions are termed as the ‘strategic resources’ or as the strategic capabilities (Chi, 1994; Black and Boal, 1994). An owning of these resources or capabilities have an advantage for the corporations. This is because such resources enhance the corporation’s ability to defeat their rival corporations (Barney, 1991). Experimental data seems to sustain an analytical capability of the Resource Advantage Theory (Crook et al., 2008).

But some criticizers debate on the issue that the Resource Advantage Theory has a major problem. They refer to this problem as the manner in which these resources accomplish for making supernormal profits stands indefinable (Priem and Butler, 2001). In this regard, (Miller, D. and Shamsie, 1996) put forward a methodology for the purpose of understanding this problem. The first method involves an examination of in what manner the consequences of carrying out of these strategic resources changes with the changes in the unforeseen events in a surrounding area. The second method aims at finding out in what manner the resource managing technique creates productivity for these strategic capabilities (Eddleston et al., 2008). This method as the corporation’s resource managing procedure comprises of the three fundamental strategic activities: (i) making an arrangement for the set of managerial capabilities (ii) joining the capabilities together (iii) leveraging these capabilities (Sirmon et al., 2007).

Now we emphasis on the manner in which the executives carry on with the strategic activities for the purpose of leveraging the strategic resources as defined in the Theory of Resource Advantage. Some of the inquiries confirm that the activities used for the purpose of leveraging the strategically important capabilities or resources may possibly influence on a magnitude through whichever these capabilities influence the productivity of the corporation’s (Edelman et al., 2005; Eddleston et al., 2008; Frynas et al., 2006). But, the researchers so far have not built research models, tested theories which can give details in what manner the diverse strategic activities can positively leverage some resources (James G.Combs, David J. Ketchen, Jr, R. Duane Ireland and Justin, 2011), but not the other resources. In this regard, we look into the view of (Leonard-Barton, 1992) differences between the main capabilities and the main inelasticities. We further look into a comparable difference in relation to the global industry study involving the locational and the non-locational assured benefits for the purpose of building a model and testing a theory about an idea that an expansion of the marketing strategies positively leverages an elastic strategic resources, which are further being leveraged the best by means of a market-focused strategy (Rugman & Verbeke, 1992). Owing to the reason that the significance of a strategic resource can be formed by the surroundings of corporations, we, therefore, examine an influence of the policies which helps us for an expansion of the market on the strategic resource-firm work linked to a particular industry (Amit & Schoemaker, 1993). In this regard, we focus on the service-based industry, mainly for the reason that the service-based industries occupy a cumulative position in the economies all over the globe. Amongst the service-based industries, the hotel industry seems to be very attractive to us. This particular industry appears to be an active commercial as well as socio-ethnic contestant at the present day corporate environment (Combs et al., 2004). Information about the strategic capabilities as well as the policies for expanding the market, as it is being identified in the above lines is an additional
cause of investigating this particular industry, i.e., the hotel industry. In order to investigate the fact that the corporation’s, knowledge of the Top Management Team (TMT), we conform that TMT is not only of utmost significance in case of investigating the hotel industry, but it is also very elastic in nature as it can be leveraged into numerous markets covering both the geographical location as well as the manufactured goods markets. The Specific Knowledge set in the managerial procedure also seems to be a significant resource in this particular industry. However, in case it is very in-elastic, then it will be very challenging to us for the purpose of allocating it amongst the various marketing operations at the diverse geographical locations as well as the manufactured goods markets. Now we examine the two explicit expansionary strategies in this regard. These two strategies are being termed as the strategy of Franchising (contracting out) and the strategy of multi-chaining (Combs, Ketchen Jr, Ireland, & Webb, 2011).

Franchising consist of an executive of a corporation contracting with the indigenous industrialists as well as the business tycoons to build a chain of business channels which will distribute their produce at the diverse geographical localities. In case of the multi-chaining business, executives can enlarge their corporation’s by the technique of creating further chains such that each chain has its particular brand name in addition to an operational procedure. Although the strategy of franchising aims for geographical expansion of the markets, the strategy of multi-chaining enables the spreading out into different sections for items of consumption. For instance, the concepts of the American casual, Italian, seafood comes under the strategy of multi-chaining.

Now, our paper brings forward an idea about leveraging an elastic resource—particularly the TMT knowledge through the strategy of franchising or else through the strategy of multi-chaining should benefit the performances of the hotel industries. However, an advantage which encourages the detailed information will possibly be diminishing case an executive of these industries goes for expansionary marketing strategies. The main contribution of this paper is an extension of the resource-advantage theory into the hotel industry. For this purpose, we will explain in what way the diverse kinds of resources act together with the diverse strategically important changes which altogether impacts the value of the resources (Combs et al., 2004).

Although the four conditions-valuable, rare, unique, un-interchangeable must be fulfilled by the strategic resources or capabilities, this study, as well as its outcomes, recommend that the variances do occur for the elasticity of these strategic capabilities. An elasticity of strategic resources implies in what manner the fundamental features of this resource act together by using the features of a strategy which is being used for the purpose of leveraging this resource. In this regard, we accept the research hypothesis which suggests that some of the strategically vital resources are much elastic in comparison to the other resources. This comparison is made as these resources may possibly continue for being pulled into the first-hand geographical localities as well as the manufactured goods markets. As a result of it, the success of an expansionary marketing strategy is being determined by the features of the resources being leveraged into the new geographical localities as well as the manufactured goods markets. The results obtained by us in support of our hypothesis further aids to our knowledge about the strategy of franchising and the strategy of multi-chaining. Researchers have just started investigating about in what manner franchising impacts the corporations work. Some of the outcomes of these investigations trace out the development of some new significant possibilities which seems to influence the outcome of carrying out the strategy of franchising. The strategy of multi-chaining is also being revealed in many of the industries, but it did not capture the experimental attention of the scholars. In this regard, it is
noteworthy that while the strategy of multi-chaining may possibly be regarded as a form of the highly related branching out strategy which can increase the productivity of a corporation, but the results of this study recommends that the performance implications of this strategy heavily be determined by leveraging the resources amongst the numerous divisions of the corporation.

LITERATURE REVIEW

The process of leveraging the Strategic Resources

The Resource Advantage Theory has augmented the capability of the researchers for explaining an existing variance in relation to the performance of the corporations. Due to this particular reason, this theory has accumulated a substantial amount of the legal tender. In the context of the contemporary day, this theory acts as the principal background for strategic management research (Barney et al., 2001). An investigation of this theory has extended our understanding of the performance determining factors. However, in this regard, the opponents of the Resource Advantage Theory put forward that this theory contains a major drawback in it. They discuss this drawback as the manner in which the strategic capabilities remain converted in to the productivity benefits for the corporation seems to be basically hidden. Two significant possibilities exist in this regard. First is the environmental and the firm strategy-their impact on the significance of the resources remains ambiguous. To be more precise, the significance of the resources may possibly alter due to the direction of an external environment of a corporation. It may also involve executives’ strategic activities in relation to the corporation (Priem & Butler, 2001).

Now, we shift our emphasis on to the second possibility. A corporation’s environmental back grounds may possibly contribute to enhancing a significance of the capabilities. Nevertheless, in this respect, the executives are required to identify the significance of these capabilities and accordingly employ these capabilities in the form of the strategic activities which can possibly use the benefit of the potentiality of these capabilities. Michael Porter, in this regard, states that ‘the significance of a specific capability can be established only in case you have a specific strategy to recognize the significance of this capabilities’ (Argyres, 2002). An acknowledgement about the significance of the strategic activities, which remains theoretically an essential possibility, scholars now carry on the investigation about in what manner the various strategic activities create effectiveness of these strategic capabilities (Coff, 2002; Brush and Artz, 1999) . Here, the multiplicity of the theoretical ideas gives support to the general idea that some of the strategic capabilities may possibly be implemented in the novel cases. The text below cites an example of the companies which follow the procedure of bricolage. This procedure enables an industrialist to generate the significance of the resources by means of upsetting the drawbacks of prevailing resources through making an arrangement for the new resources. Innovative bundling actions have originated from investigative knowledge. It denotes in what ways the executives make exclusively different capabilities by an integration of the prevailing capabilities with the new capabilities which were formerly not linked to the strategic resources (Ahuja, 2001). Furthermore, the corporations which are following a strategic private enterprise over and over again leverage the resources or the capabilities which have previously provided them some competitive gains in the prevailing regions in respect of the activities related to exploitation of prospects in different regions (Ketchen et al., 2007). With an aim to provide us for a hypothetical back ground for organizing the various techniques through which the executives make an impact on the formation of the resources or the capabilities’, (Simon, D.G.,Hitt, M.A., and Ireland, R.D., 2007)have recognized three fundamental
techniques for organizing the capabilities or the resources: (1) arrangement of the set of capabilities (2) joining together the capabilities and (3) leveraging the capabilities for the purpose of generating a significance of these capabilities to the buyers.

Arranging the set of capabilities tells us about classifying the capabilities which are essential for the purpose of fulfilling the corporation’s strategy. It then make the required asset acquisitions and disinvestment. Joining together the capabilities includes an integration of the prevailing as well as recently developed capabilities which will altogether help in the formation of the strategic resources also referred as the ‘strategic capabilities.’ Finally, leveraging the capabilities includes participating in activities which aid for the purpose of mobilizing, coordinating as well as organizing the strategic capabilities.

In this paper, our emphasis is on an existing strategic resource rather than by what means the corporations advance novel resources. For this reason, we emphasis on what manner the corporations generates the significance of a resource by the technique of leveraging the strategic activities. (Frynas, 2006), recommend that the executives can leverage strategic resources in the new markets. Their study has examined three case studies in which the corporations come into the global markets by means of the first mover strategically important activities which help these corporations in the process of leveraging a higher amount of the political resources. An individual corporation was being capable of gaining as well as sustaining their competitive gain by gathering support from the over-seas governmental bodies. This support is gained by them previous to an entrance of their opposing rival corporations. Remarkably, few of the rival corporations, by means of the late mover strategically important activities, were capable of gaining an important market share through the process of influencing the higher industrial expertise. In comparison to (Frynas, 2006) emphasis on global expansion of markets, the degree to which an executives’ strategic emphasis on innovative activities or else customer service intervened the impacts of the managerial capabilities, as well as the human capabilities on performance amongst the 192 minor corporations, was examined in the study by (Edelman, L.F.,Brush, C.G. and Manolova, T., 2005). They found that, even though neither the managerial capabilities nor the human capabilities were in a direct relationship to the productivity of a corporation, but a direct association amongst the capabilities of an executive with the corporation’s productivity in relation to the strategic emphasis on innovational activities, otherwise over the client relations remained incorporated by way of the intermediating variables.

The above outcomes show about the possible strategic emphasis which remains the fundamental attribute for influencing the strategic capabilities. But, the total strategic emphasis on influencing the capabilities never exists to be effective. Another investigation connected to leveraging of the resources shows an influence through insignificant, corporate executives’ efforts for leveraging their innovation ability by the technique of the strategic design. (Eddleston, K.A., Kellermans, F.W. and Sarathy, R., 2008) Their investigation finds that such endeavors, in reality, diminish the productivity. These investigations generate information by establishing the fact that the various strategic activities influence the effectiveness of the strategic resources. These investigations further illustrate that the significance generated by a particular resource may also vary on the basis of the strategic activities which are being used to leverage the resource. In the subsequent proceedings of this paper, it seems to move further than our comprehensive understanding of the significance of a resource which varies with the leveraging activities. For this reason, now we are in a position to advance a hypothesis which will give us the details about how a specific strategic activity can definitely be helpful for leveraging a specific strategic resource. In view of this point, our hypothesizing in the next section of this paper becomes the foremost
step for revealing that by what means the specific features of a resource influence the significance of a resource while an executive employ that resources in strategic activities which alters their corporations into new geographical localities as well as manufactured goods markets.

Features of Strategic Resources and its relationship with an Expansionary Marketing Strategy

The four features of a strategic resource, i.e., the features of value, rare, uniqueness, and non-substitutable define resources as a strategically significant resource (Barney, 1991). Value of the strategic resource stands governed outside to an influence of the market place, and it will possibly vary in case the executives make an attempt for leveraging the prevailing resources into the novel markets through expansionary marketing strategies (Priem & Butler, 2001). Here, we emphasis on two previous categorizations of resources for the purpose of distinguishing between elasticity of a strategic resource and an in-elasticity of a strategic resource. An elastic strategic resource is a resource which maintains its significance as well as its prices innumerable geographical localities as well as manufactured goods markets. An inelastic strategic resource is a resource which has its individual and a particular market, and it will lose its significance and price in case it is being set up in other geographical locality and manufactured goods market (Leonard-Barton, 1992). Researchers had made an investigation of 20 first-hand technological plans in the five major corporations. Their investigation finds that the success of these technological plans relies heavily on an executive’s ability for attracting the main resources or the capabilities of their corporation. As the plan’s technological requirements get much diverged from what the corporation has been previously successful, the more that fundamental capabilities turn out to be the fundamental in-elasticities. The reason behind such an occurrence is that the corporations’ fundamental capabilities consist of the technical understanding which seems to be strengthened through the managerial procedures, principles, rules, as well as payment schemes. But, a first-hand understanding which is needed for an accomplishment of a plan is mismatched with these fundamental strengthenings of a prevailing main capability. First-hand understanding usually necessitates a diverse kind of procedures, principles, rules, as well as payment schemes to be succeeded efficiently. Moreover, the prevailing capabilities which were observed by (Leonard-Barton, 1992), were in-elastic in relation to the first-hand technological skills- which is the basic prerequisite in case of the instructions given in the numerous plans’. Secondly, a connected difference is between the locational strategic capabilities and the non-locational strategic capabilities in the situation of a global market (Rugman & Verbeke, 1992). In one hand, non-locational strategic capabilities may possibly remain altered internationally through a slight modification of it to the indigenous variances existing on the market place otherwise the variances in the consumer liking. This allows the corporations for creating a large number of economies of scale. On the other hand, the locational strategic resources generate profit to the transnational corporations only in a specific nation or a state. This difference is significant for explaining in what manner the transnational corporations interact for their global expansion (Zollo & Singh, 2004; Harris & Helfat, 1997)

Now, by taking a broader view of the above ideas which are being surrounded by the rationality of the Resource Advantaged Theory, on one hand, we confirm that few strategic resources or capabilities are elastic in the sense that their price and significance is maintained while they are being leveraged by means of an expansionary marketing strategies which brings these resources to an ecological localities as well as the manufactured goods markets prevailing across the globe. These capabilities also remain changeable in nature such as they retain their significance although frequently they exist to be reorganized in various settings involving different geographical localities as well as the
manufactured goods markets prevailing across the globe. For instance, these capabilities are in the form of a comprehensive executive’s aptitude, otherwise an understanding of an assessing as well as participating in acquisitions (Harris, D. and Helfat, C, 1997). Both of these activities can be effectively relocated into the commercial environments from nations to nations around the globe. On the other hand, in-elastic strategic capabilities generate reasonable gains for a particular locality otherwise in case of the restricted kind of geographical locality, the manufactured goods markets (Maritan, & Brush, 2003; Szulanski, 1996). Managerial procedures which are filled with an exact understanding generally seems to be their elastic strategic resources or capabilities, mainly while these resources or capabilities are advanced in one part of a corporation then being it is expanded to other parts of the corporation. Additional strategic resources in the form of the management principles may be elastic or in-elastic. This depends on what manner they are noticeable to a specific corporation. For example, a nation which beliefs in frankness, as well as they, want to go for a transformation may be elastic while another nation which lay emphasis one economy, in addition to it, they have a restriction, controls and disciplines may possibly be an in-elastic (Denison & Mishra, 1995).

The difference between elastic and in-elastic strategic resources seems to be somewhat connected to each other. However, they need to be isolated from each other for being the comparable concepts. This is because, in the context of the Resource Advantage Theory, an active ability is a managerial ability which can be adjusted to the varying ecological situations (Teece et al., 1997). An active ability, by definition, is elastic. However an elastic strategic resource as given in this context is not essentially active, i.e., an elastic resource can be used in numerous situations as well as the locations, but it does not alter its fundamental quality (Rugman and Verbeke, 1992). An idea about an in-elastic strategic resource is associated with; however, it is different from an idea of a particular asset in relation to the theory of the transaction cost (Williamson, 1991). Particular assets exist in the form of the physical resources or else the human resources which have their price and significance connected to a specific transaction. While in-elastic resources as well as particular assets- together are being defined by the attribute of their high capability to generate their price and significance in an environment of their present use, but the particular assets are certainly not very hard for an imitation. Thus, in-elastic strategic resources may be believed to be a subdivision of particular assets which are not only twisted in the direction of their present use, but they also escape imitation. The in-elastic resource remains highly influenced by the marketing strategies. An analysis of such an idea necessitates for recognizing these features about the strategic capabilities which influence an elasticity of the resource or the capabilities. In this respect, the Resource Advantage Theory has given us a direct approach predominantly in terms of recognizing the features of the resource which influences the ability of imitation of the rival corporations. For instance, we refer to the Indian hotel. We put forward that an elastic resource has the features which enable us for distributing this resources internally. Further, these resources cannot be imitated by the rival corporations. But, an in-elastic resource stands to challenge for being imitated. However, the similar features which make these resources challenging for an imitation, also make these resources challenging for a corporation for leveraging them through expansionary marketing strategies.

The Hotel Industries Expansionary Strategies

Now we emphasize on two expansionary strategies- the strategy of franchising (contracting-out) and the strategy of multi-chaining. These are the two fundamental expansionary strategies through which the hotel industry leverages their resources into the novel markets. Franchising or a contractual agreement enables us for an expansion of the markets into new topographical locations. It appears in the
form of a legal license in which a particular corporation (the franchising agent) gives an over -head costs in addition to the continuing royalty charges to the principal corporation’s (the franchisor) for availing the trading rights of the principal corporation as well as the amenities provided by the principal corporation, also for using the trademark and/or their business strategy of the principal corporation. While looking for development in business, the hotel industry needs to choose if they want to hire executives for their company-owned channels or else sign up franchisees for the purpose of owing as well as managing their own channels. Industries may emphasis on the process of development completely through the strategy of franchising. For instance, let us take the case of the restaurant ‘The Great Kebab Factory’; retain all of their sub-divisions owned by the company, and also take the case of the restaurant ‘Amore Gelato.’ Both of this two restaurant may even make use of an amalgamation of the above two strategies. The strategy of franchising usually leads to a very rapid development into the corporation’s emergence into novel geographical localities and manufactured goods markets, in comparison to their being only the company ownership. Moreover, the franchisees require paying a huge amount of fees in the form of the costs for emerging into new marketing channels (Shane, 1996). But, as the owners of the businesses, the franchisees will observe their newly opened business channels very carefully (Krueger, 1991) as such; these business channels may possibly be situated far from the channels head office, being deprived of remarkably increasing their costs (Brickley and Dark, 1987).

The strategy of Multi-chaining in respect to the hotel industry denotes a strategy where one of the hotel industry has numerous hotels under them. This strategy consents the hotel industry for the purpose of their expansion into diverse markets for items of consumption. For an instance, The Oberoi group in India. The group has 33 hotel chains all over India and has some chains in abroad (Africa, Asia, Middle East) also. All these channels are concentrating on the business of Indian cuisines. While the numerous hotels may have in common some of the vital managerial tasks like the task of buying, but they remain separate at the channel level. Consumers seldom identify that these hotel chains have the mutual rights and proprietorship. Our attention is in the complete dissemination of the store amongst the numerous hotel chains in which an industry with store disseminated uniformly concluded by three hotel chains remains managed much enthusiastically than a firm with all of its store disseminated into a particular hotel chain, also the leftovers store is being disseminated into a sequence of one-store, two-store, or three-store trials which otherwise may not develop into the bigger hotel chains. The eight biggest multi-chain hotels cover above 40 per cent of their entire sales amongst all the 400 hotel chains which are being confined from the Ministry of tourism in India, 2007. Multi-chaining, therefore, seems to be a significant means for an expansion of the market inside the hotel business. While this kind of development is inside a particular industry, the multi-chaining strategy may possibly remain regarded for an extremely connected branching out in relation to its basis of various semi-distinct roles.

The Hotel Industry and its Strategic Resources

The corporation’s particular Top Management Team (TMT) knowledge as well as the specific knowledge which is being set at the corporation’s working procedures is the two resources which are being recognized as the strategic resources, mainly in the case of the hotel industry. Even though there are additional resources which may possibly have a strategic value, but the managerial experience and the specific knowledge have been highlighted as the fundamental factors for the success of the hotel’s industry in this competitive background. Moreover, we emphasize on these two strategic resources for the reason that we consider that these resources supply solid picture showing the differences between an elastic resource and in-elastic resources. Additional resources which are significant to the hotel industry
are the factors like the brand repute of the hotel (Ahmed, Johnson, Pei Ling, Wai Fang, & Kah Hui, 2002). But, these factors remain ambiguous for the reason that they appear to have some qualities in them which make them elastic in some situations and in-elastic in other situations. Consequently, we interpret for what reason the two resources mentioned above are also considered to be a strategic resource in the background of the hotel industry. The corporation’s specific TMT information may also remain as a significant strategic resource. This is for the reason that a TMT functioning in a corporation for numerous years seems possible to have an advanced important firm-specific understanding as well as abilities. The two main objectives of the hotel industry are reliability and predictability (Michael, 2000). This is service provision because, in the hotel’s, the customers assume for reliable and high quality (Sohail, Roy, Saeed, & Ahmed, 2007). As a result of this, a close understanding of in what manner a specific hotel industry functions is an important matter for the executives to aid their corporations for attaining a higher level of performance. This understanding is exemplified in the TMT. With the passage of time, from the TMT, the executives have learned the features of advantageous strategic activities. In addition to it, they have also learned in what manner to implement these activities competently and effectively. The executives who have been working in the corporations for a longer duration, they experience the bigger prospects for developing intra as well as inter-firm relations. These relations are very essential to an executive of the corporation for the purpose of making an informed judgment. For instance, an experienced executive over time, possibly will develop a solid connection with an important broker, who may provide him/ her with some valued information relating to the rivals ‘activities. Likewise, the dealings which have been taken place with the franchisees may create a faith which is required for encouraging the franchisees to take into consideration the modifications in the working of the corporate as well as to take part in the events related to the promotion of the corporate (Ahmed, 1996). For the reason that the knowledge of the TMT as well as their leading investor relations shape with the passage of time, so TMT is not a resource which can be imitated by the less-tenured corporations. Hence, to a certain extent, in respect of hotel business, a strategic resource can be an old, senior manager of the TMT. Another capability discussed here- the Specific Knowledge can be explained by means of ‘information which remains expensive for being transferred amongst the executives’. Hotels need to advance some of the enchainer related particular working techniques which can be efficiently conversed with and then implemented by the executives of the store. This type of regularization is important for making competitive gains for the reason that it will lessen the overhead expenditure, which is identical to the expenditure connected to the process of quality control and the reliability on service. Regularization also shows in what manner the hotel business leverage their resources. The importance of regularization arises in respect of the fact that the consumers assume a slight modification in the services they look forward in the hotel’s while interchanging between one hotel enchainer for another hotel enchainer. While standardized working procedures may possibly look like being imitable, but, comprehensive imitation is not possible owing to the reason that considerable information behind these procedures is implicit, multifaceted, in addition to it, it is intensely set inside the corporation. Certainly, a hotel in our example- the Maidens Hotel in new Delhi pleased us because seven years of the executives of this hotel were spent for advancing an understanding required for operating a store very effectively. Although, effective procedures are created for distinct kind of information, two causes make imitation to be very challenging. (Barney, J.B., 1995) states that firstly, it is centered on many minor judgments. Although every working procedure like the manner in which the visitors are welcomed, can be imitated very easily, the procedures which are part of a set of arrangements and practices become problematic for the rivals to imitate it completely. Secondly, the rivals are repeatedly motivated for establishing their individual particular information. Hence, they will not always imitate the activities of their companion corporations. As a whole, standardized working
procedures which remain introduced within the corporation’s specific information is impossible to be imitated very easily. As such, these working procedures functions as a basis for a sustainable competitive gain as once they are being leveraged properly.

Expansionary Market Strategies and its relationship with an Elasticity of the Strategic Capabilities

Our discussion about the firm-specific Topmost Managerial Team knowledge remains an elastic strategic resource to a certain extent of our study as it is being centered on an idea of the dominant logic. Dominant logic is ‘the manner through which an executive imagines the corporation’s, in addition to it, they make some serious judgments relating to the decisions on an allocation of the resources. It can direct the executives’ work relating to an environmental examination. It will then provide them a strategy for the generation of effective activities. Additionally, branching out corporations know how to augment their department’s productivity by implementing the dominant logic amongst the departments of the corporations. Notably, the growth of dominant logic of the senior manager seems to be individualistic in nature to the corporation as well as their senior managers. Further, it creates difficulties for the competitors to imitate the resources. Therefore, to a certain extent, in situations wherever the concept of dominant logic may possibly be implemented into diverse circumstances, the circumstances may possibly generate additional productivity benefits on the basis of the strategic resources. Dominant logic, in one hand, suggests that the restrictions in which the firm-specific management knowledge can be efficiently used as the executives may possibly endeavor to simplify judgment which can be operative in one background, but it is not suitable in another background. On the other hand, adjusting a particular trade to first-hand geographical regions, otherwise, transversely connected trades like the diverse hotel enchainer includes much related strategic necessities in which the dominant logic being advanced by the managers over a long period of time must be spread out. While an individual hotel enchainer has a separate housing pattern, set menu, as well as a market segmentation, but, they also have a common facility orientation, fee outlook, in addition to an advertising technique which must permit the senior manager for applying their decision-making dominant logic for the two hotel enchainer. Life-threatening situation relating to the global expansion into an overseas market which seems not to be acquainted with a hotel enchainer produce, senior managers are required to know which factors are important for them for the achievement of the goals of their corporation as well as which alterations will not impend the trademark of their corporation. In brief, dominant logic is the plan which gets progressed amongst the topmost senior managers for postulating the corporation’s activities as well as supervising the process of decision making. Although this process may have restrictions, it has been found to be of a strategic advantage in supervising the activities which have a related strategic as well as in operation judgments. Dominant logic is also found to be occurring in case of the hotel industry spreading out into novel geographical markets as well as into numerous hotel enchainers.

The strategy of Franchising and its relationship to the firm-specific TMT experience:

The strategy of Franchising works by the techniques of a corporation’s rights and proprietorship which devastes an executive’s restrictions for rapid development. The markets rapidly spread out across the geographical locations, in addition to increasing economies of scale. But the difficulty that arises here is to uphold the superior regularizations, even while developing by the strategy of franchising. Franchisees are not under an identical level of restrictions like the workers working in an organization. Thus, a few of the franchises will make an illegal alteration to the hotel enchainer’s
contributions; they may even decline for connecting into extensive enchainer advancements, also fail to invest in respect of those values which are disadvantageous to a hotel enchainer. Due to this difficulty, the topmost, proficient executives seem to be in the topmost rank for the purpose of supervising as well as gaining importance from the franchisees. Reliable with an idea of the dominant logic, some of the senior managers have been working for a longer period in the corporations. They have the nature of individualism, a comprehensive understanding about in what manner the novel jobs, as well as the work procedures, remain deep-rooted, in the absence of disturbing the excellence service delivered by them towards their consumers. Probably, such managers may have a recognized relation with the most important and the most influential franchisees of the corporation. This makes it at ease for the chief executives to know the franchising agent’s indigenous changes which can be beneficial at another place of the hotel enchainer. For instance, in India, the franchising agent like the Park hotel has 8 franchise locations, and Ashok group hotel chain has 8 franchises in all over India. An expansionary strategy of franchising must augment importance of firm-specific Top Management Team knowledge. Being the caretakers of regularization, those corporations’ which are having the possession of stores must be benefitted from an experienced TMT. However, for the reason that the executives at the company-owned stores have the deficiency in motivations for innovation, they may create an indigenous alteration, topmost executives’ capability for identifying the next significant alteration otherwise innovational activities may also remain unused. Therefore, as this hotel enchainer expands their usage for franchising, the importance of the knowledge of the Topmost Management Team’s must be utilized. In this regard, we state the hypothesis as:

H1: With increased usage of the strategy of franchising, an association with the firm-specific TMT knowledge and the productivity becomes more positive.

**Multi-chaining and its relation to the firm-specific understanding of the Top Management Team**

Multi-chaining emerged as a significant technique being used by the hotel chains for spreading out. However, compared to the strategy of franchising, its expansionary emphasis is through the classifications of the item for consumption. For instance, effective supervision of a hotel enchainer which deals with the hamburgers, have to be strategically similar to the supervision of a hotel enchainer which deals with the tacos. Here, an idea of dominant logic recommends that the strategy of multi-chaining have to be a single technique for leveraging the intense working understanding as well as the prolonged relations of a proficient TMT. Possessing some important understandings about the prevailing hotel enchainer will aid the managers to enable their physical resource-sharing amongst the hotel chains for gaining accessible interactions. As a result of it, prolonged groups ought to be well-matched in respect of the difficulties for developing the concept of numerous hotels. While there are very fewer studies which are directly related to the hotel industry and the multi-chaining activities, the firm specific management knowledge of an executive is significant for an accomplishment of a strategy for branching out. The retailer of a multi-chaining business initiated some management procedures, principles, as well as the rules which are being used by the topmost executive’s; it influences in what manner a hotel enchainer have incorporated its activities very effectively (Mitronen, L. and Moller, K., 2003). Although, we would like to expect the firm-specific TMT experience for the purpose of enhancing the productivity of the industry by using only a particular hotel enchainer, the firm-specific TMT experience make available for further interactions in the form of the economies of scale, in the same background of the strategy of multi-chaining, which is impossible using the single-chain industries. Therefore, we imagine it as:
H2: As the more multi-chaining industry is being carried out, an association with the firm-specific Top Management Team knowledge and the productivity would remain many progressives.

**Expansionary Market Strategies in relation to an in-elasticity of the Strategic Resources:**

In the above discussion of this paper, it has been revealed that on the one hand, the dominant logic of the executives along with the firm-specific knowledge is very elastic which enables these executives to implement this knowledge across the topographical zones as well as the new products. On the other hand, we oppose that it is not very easy for implementing a greater share of specific knowledge from this hotel enchainer to the novel market places. The concept of causal ambiguity from the Resource Advantage Theory helps us for elucidating why the specific knowledge is probably in-elastic in case of an expansionary strategy. This theory recommends that the packages of the procedures which sustain the competitive gain may possibly be very multifaceted such that even an associate of a corporation may not recognize in what manner a specific procedure adds to a competitive gain. This is similar to the way in which an uncertainty creates difficulty for the rival’s corporations for imitating the working procedures. Although causal ambiguity, therefore, helps us for safeguarding a corporation’s specific knowledge from its possible imitators, it too weakens an inner expansion work. Actually, causal ambiguity adjoining to which the working procedures may or may not get transferred appears to be an important obstruction in executives’ endeavors relating to the transferring procedures amongst the various services within the corporation. Therefore, we are of the view that due to the causal ambiguity, the specific knowledge as it is being set in the working procedures remains in-elastic in a manner that a comprehensive transferring of the corporation’s procedures is impossible to be effective as the corporation’s themselves expands into different markets.

**The strategy of Franchising and its relationship with the specific knowledge:**

On the basis of an idea that causal ambiguity is significant for the process of transferring the abilities, therefore, we recommend that franchising leads to an undesirable outcome on an association of the firm specific knowledge with the productivity. As the franchising agents are not the workers of the corporation’s, therefore, it is not necessary for them to join further training which is outside their original agreement. Moreover, it is also not necessary for them to implement the corporation’s working procedures or else expand the advertising and public relations procedures. Based on the assumption, that generally whatever seems to be the topmost concern of the chain, is not always the topmost concern of the local franchisee and vice versa. At all times, the franchisees are not ready for adoption of the different procedures or else for implementation of the prevailing procedures. Actually, this appears to be the major cause behind which the consumers are being informed in some of the franchisors’ posters- ‘membership may possibly change.’ Providing instructions to the franchising agents seem to be the main approach for transmitting the working procedures to the franchisees. However, there exists solid evidence that the franchisee’s opposition to the franchisors’ procedures creates differences amongst the store in respect of setting a price for the products, the local service delivery strategy as well as the reliability of the product. Generally, beyond the least possible understanding necessitated for functioning store franchisees engage themselves in only those managerial procedures which they select to engage. Therefore, while specific knowledge, in general, will definitely be connected to performance relationship, as the chains enhance their publicity to franchising (which is being contrasted to their development by means of company ownership), the transmission as well as the usage of such an understanding may progressively be more suppressed, thus weakening this relationship. Consequently:
H3: with increased use of the strategy of franchising, there exists a small positive association with the firm-specific knowledge and productivity.

The strategy of Multi-chaining and its relationship with the specific knowledge:

In general, specific knowledge is aimed at the development of the concept of a specific hotel. Though more or less a part of the information may perhaps be shared as a corporation’s advances into the concept of a first-hand hotel, a larger part of the specific knowledge definitely will not be transferred amongst the hotels. For an instance, there is a large part of the business which is the speed-oriented food preparation system (that is being advanced by Jack-in-the-Box) may not be beneficial or else suitable in case of the rare automatic, cleanliness concerned hotels like the Le Meridien Hotels in India, in which an ultimate arrangement remain directed to the corresponding consumers in addition to the food preparation. As a result of it, chain-specific knowledge needs to be gathered for an individual first-hand chain. In addition to it, an idea of causal ambiguity recommends that it seems to be much interesting for the senior managers to recognize which procedures can be put into operation in case of the new setting. Senior managers may possibly endeavor to improperly take a broad view of some specific knowledge for an idea of a first-hand dining hall which un-favourably affects the performance of this hotel. Therefore, while specific knowledge has an encouraging impact on the productivity of the hotel industry, but transferring the specific knowledge through the strategy of multi-chaining possibly may weaken an efficiency of the specific knowledge. Therefore, an association of specific knowledge with productivity is weak in case the strategy of multi-chaining is being used. As a result:

H4: As more of the multi-chaining business is being carried out, there will be an in-significant progressive association of the specific knowledge with the productivity.

METHODS & HYPOTHESIS TESTING

Sampling

The study covers the period from the year 2007 to the year 2017. The sample is contained in all the local Indian hotel industry that is confined in the COMPUSTAT database of 2007. Those hotels have not set up into a chain as well as the hotels whose activities have remained below 70 per cent of the hotel's net transactions remained abolished. 94 hotels fulfilled the above two conditions. Statistics denoting the repute as well as the specific knowledge is being collected through a panel study of these hotels. Statistics about the left over concepts of this paper is being collected from the public official papers for the 65 hotels that continued as the public units throughout the year 2007. We have a small sample size. This implies that the factual relationships which we strive to find out are insignificant. Hence, our sample may have the Type II error, i.e., it may be likely that the effects occur. Nevertheless, they do not remain significant to stand noticed in this sample. Moreover, the capability for finding out a statistically valid and significant result in a provision for the hypothesis for this study ought to recommend about the presence of those effects which occur reasonably in case of a large sample size.

Aimed at confirming that in our study, the type of resources, strategies for market expansion, as well as the productivity of the resources has remained unchanged basically from the mid-2000s, a comparison is made between the 252 hotel industries which are cited in a Ministry of tourism in India of the year 2007 and 191 hotel industries which are cited in a Ministry of tourism in India of the year 2017. While the hotel Industrialist’s citation about a private hotel enchainer remains essentially dissimilar to
the study of this paper which is having the sampling for big community hotel enchanter, but it seems to remain illustrative about a populace from a recognized industrialist. This paper measures the correlations between the important variables of descriptive statistics for the purpose of knowing that if any changes have taken place in the relationships amongst these regularly investigated variables. The part of the store being contracted out, an aggregate of the stores, an aggregate starting over head expenditure, first contracting-out charge, payment for royalty, total geographical regions where a hotel have been looking for franchising agents is being correlated. Amongst the above mentioned variables, this paper has obtained 15 two-dimensional relations during 2007, also having the similar relations during 2007 and 2017. In an absolute term, many variables seem to be increasing over time. These variables are charges, starting over-head expenditure, total stores. These variables are increasing in the relationship of their correlation. The single change which is visible is the change in an increasing correlation with the hotel’s first franchising charge along with an aggregate starting up over-head expenditure. This relationship is much positively correlated during 2017 in its comparison during 2007. The fundamental aim behind the rise in this charge seems to be to recollect the franchisors’ costs which are related to assisting a franchisee for launching their business. Therefore, it may be possible that the franchisors are doing a great task for recollecting these costs in the form of the rising start-up over-head expenditures.

The Strategic Capabilities:

In this paper, a panel study is being used for the purpose of assessing the specific knowledge of an instructor of the Customer Relationship Management. Here, we choose for using a panel study against a direct study amongst the senior managers of a hotel. This choice is made by us on the basis of our apprehension that the senior managers might be too much engaged in their individual corporations for the purpose of providing an impartial assessment of their corporation’s specific knowledge opposite to their rival corporations. (Chen, M., Farh, J. and Mac Millan, 1993), in this regard, presented that an accomplished idea given by an appropriate researcher may possibly suggest for an effective procedure for dealing with an unobservable concept. After constructing the issues for a pre-test involving nine high-ranking food stuff packaging managers amongst the three hotel enchanter as well as amongst the six customer relationship management researchers, from a factor analysis about outcomes of the pre-test, four measures are being chosen for representing the specific knowledge. After this, 400 customer relationship managing instructors are being acknowledged by the Council for Guest house, Hotel, as well as Institutional Instructors. For ten districts, 40 professionals are being requested for rating an average amongst the ten enchanter which has its head offices in their geographical region. The responders are being requested for simply rating the enchanter which creates a skilled judgment. This study stands to be disseminated on the basis of the Dillman’s (1978) aggregate design method. This method is based on an investigation of study features which improves the reply rates. Moreover, it includes the cover letter, the dimensions of the paper, graphical use and items for presentation and inducements for participation, the rate of recurrence, effectiveness, as well as the presentation about the results. A total of 226 studies were given back. 44 responders did not rate any enchanter as these responders did not find themselves capable of making these decisions. For this reason, the responders left a reply rating to 45.5 per cent. An approximate rate obtained on behalf of hotel enchanter remains 9.3, the reliability about an approximate inter-rater reliability remains 0.81. Responders existed not to be contrasting from the non-responders regarding the questions related to a type of occupation in which the responders are being employed (For the public, p=0.02, for Private, f=0.91), the period for the Customer Relationship Management Course obtainable (for 2 years, p=0.91, for 4 years, f=0.34).
Specific knowledge is being evaluated through four survey items by interrogating the specialists about in what manner it would be challenging for them to either note down or instructs a person about the hotel enchainer’s activities. More or less, every hotel in our sample is connected to an important enchainer, which is considerably superior to the others. In this respect, we have calculated the specific knowledge through an interrogation of a hotel’s leading enchainer.

Now for two situations, a hotel is having a two-fold leading enchainer’s. These two leading enchainer’s were identical in respect of their service provision (i.e., they provide for junk food stuff for some situations as well as they provide for full time facility for some situation). In addition to it, both these two firms have obtained the equivalent grades in respect of the specific knowledge. For both of these above two situations, grades of these two leading enchainer are being approximated. While the above discussed method will never evaluate the specific knowledge for each of the hotel enchainer, but this method remains reliable in this study where our interest is for knowing an influence through the firm specific knowledge on a leading hotel enchainer for spreading out works relating to different sub-divisions for an item for consumption. Measures which are being used by us are: making a comparison between a particular hotel’s foods stuff provision with the foodstuff provisions of the other hotels in the same region. The interrogations taken in this regard are (i) exactly how much time – interval it would be required for instructing the proficient junior executives? [Mark below as- (a) much time (b) not much time (through a scale of 7 points Likert)]

(ii) Exactly what time – interval would be required for instructing an experienced worker who is employed in part-time hourly jobs? [(a) Much time (b) not much time]

(iii) Exactly how challenging it ought to be for communicating the necessities of the business to unit-level executives? [(a) Not at all challenging (b) very challenging]

(iv) Exactly how challenging it ought to be for including each of a unit executive’s business responsibilities in an operations handbook? [(a) Not at all challenging (b) Very challenging].

In total, the items arrest an extent of difficulty in hotel enchainer procedures which may perhaps reveal the features of rareness and inimitability. For the purpose of measuring the topmost managerial experience, initially, we are required to describe the ‘topmost executives.’ Topmost executives can be defined as ‘the executives who are having an association with the board of directors’ (Bantel, K.A. and Finkelstein, S., 1995). This description gives us a precise difference between the first class and the second class senior managers. An association with the board members designates the participation into a corporation’s leading association. Here, we have calculated the topmost managerial team knowledge by means of an approximation of the total ages for which the topmost executives have been associated with their corporation’s since 1995. Statistics in this regard have been obtained from the Annual Reports as well as from the other reports.

Expansionary Strategies

The two expansionary strategies on which we lay emphasis in this paper are the strategy of Franchising and the strategy of multi-chaining. Franchising remains the fundamental policy aimed at fast geographical spreading out. Multi-chaining is seen to take businesses into different sub-divisions of an industrial good. The strategy of Franchising in this study is being calculated as the ratio of change in
items franchised to the aggregate items being possessed within the particular industry (the hotel industry during the period 2007 to 2017.)

Franchising= change in items being franchised by a hotel industry
Aggregate items being owned by that hotel industry (from 2016 to 2017)

This particular technique of calculation is being selected since this technique of calculation reveals the point to which the hotels are trying to develop, otherwise reduce their growth using the strategy of franchising.

Multi-chaining is being calculated by means of a specified index termed as the ‘Herfindahl index.’ Herfindahl Index uses the corporation’s transactions of individual Standard Industrial Classification (SIC) number for the purpose of obtaining the branching out policy. As each hotel in our study remains into a similar Standard Industrial Classification (SIC) Number.

Therefore, the multi-chaining index is calculated as
Multi-Chaining Index=1-\sum p_i^2

Here, P_i represents the proportion of stores for an enchainer. Hence, this technique of calculation relating to multi-chaining represents together with the total enchainer inside a corporation as well as the enchainer spreading out of the stores. In this study, Multi-chaining is being calculated for the year 2017. Statistics relating to the store are being selected from the Annual Reports.

**Productivity Relationship (acting as the moderators)**

The data relating to productivity is being obtained from the COMPUSTAT data. Here, productivity is being observed by using the two general methods of productivity – (i) the Return on Assets (ROA), (ii) the Earnings per Share (EPS). Productivity data is taken by us during 2007 (as it is the year subsequent to the year for the calculation of the independent variables). Together, the above two methods of productivity can be obtained inside the hotels. Therefore, it combines for the productivity from the numerous enchainers inside a hotel.

**Control Variables**

For the purpose of making this study stronger, it uses control variables like the hotel’s stage of development, dimensions as well as repute of the leading enchainer of the hotel. Using the Annual Reports, the variable relating to the stage of development is being calculated in the form of the time-period as the particular hotel has commenced its hotel business. The variable dimensions are being calculated in the form of the natural log relating to the net transactions. The COMPUSTAT data, 2007 provides these statistics. Some of the hotels may have superior qualities for their service of the branded products, as well as the provision of amenities as these hotels, participate in expansionary strategies. Accordingly, the variable repute is also being controlled for a hotel’s leading enchainer. Repute is being calculated through the summing up an approximate score of these following measures for the purpose of making a comparison of a particular hotel to all other foodstuff companies. These measures include (i) how much respected this company is? [Mark as ‘not respected’ / ‘respected very much’ using a scale of 7-point Likert](ii) How much upright do you feel about the price of a product of this company? [Not
much upright / much upright] (iii) How much effective is this company’s repute in respect of the reliable quality of the products as well as the reliable amenity? [Not much effective /much effective] and (IV) in what manner, are the branded product image of these hotels exists recognized in its operational region? [Not recognized/ recognized very well].

**RESULTS AND DISCUSSION**

<table>
<thead>
<tr>
<th>Variable name</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
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<tr>
<td>ROA</td>
<td>1.84</td>
<td>11.37</td>
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<td></td>
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<tr>
<td>EPS</td>
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<td>.89</td>
<td>.76**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Age</td>
<td>22.63</td>
<td>16.27</td>
<td>.20</td>
<td>.17</td>
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<tr>
<td>Size</td>
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<td>751.57</td>
<td>.15</td>
<td>.14</td>
<td>.24+</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>Brand repute</td>
<td>19.63</td>
<td>3.20</td>
<td>.18</td>
<td>.2</td>
<td>-.9</td>
<td>.23</td>
<td></td>
<td></td>
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<td>TMT Experience</td>
<td>9.80</td>
<td>6.92</td>
<td>.20</td>
<td>.15</td>
<td>.26*</td>
<td>.18</td>
<td>-.3</td>
<td></td>
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<td></td>
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<td>Firm Specific Knowledge</td>
<td>13.80</td>
<td>3.84</td>
<td>-.3</td>
<td>-.16</td>
<td>-.26*</td>
<td>-.28*</td>
<td>.17</td>
<td>.13</td>
<td></td>
<td></td>
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<tr>
<td>Franchising</td>
<td>.2</td>
<td>.10</td>
<td>-.11</td>
<td>-.18</td>
<td>-.9</td>
<td>.00</td>
<td>-.11</td>
<td>-.27*</td>
<td>-.2</td>
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<tr>
<td>Multi-chaining</td>
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<td>.18</td>
<td>-.8</td>
<td>-.19</td>
<td>-.1</td>
<td>.24+</td>
<td>.12</td>
<td>.5</td>
<td>.17</td>
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**Table II: Results of Moderated Regression Analysis**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Hypothesis</th>
<th>Outcomes of Return On Assets</th>
<th>Outcomes of Earnings Per Share</th>
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</thead>
<tbody>
<tr>
<td>Stage of development</td>
<td></td>
<td>Control Variables</td>
<td>Main Effects</td>
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<tr>
<td>(i)Stage of development</td>
<td>0.19</td>
<td>0.13</td>
<td>0.11</td>
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<tr>
<td>(ii)Dimensions</td>
<td>0.07</td>
<td>0.07</td>
<td>0.07</td>
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<tr>
<td>(iii) Repute</td>
<td>0.17</td>
<td>0.19</td>
<td>0.21</td>
</tr>
<tr>
<td>Topmost Managerial Team Knowledge</td>
<td>0.16</td>
<td>0.31*</td>
<td>0.14</td>
</tr>
<tr>
<td>Specific Knowledge</td>
<td>-0.02</td>
<td>-0.08</td>
<td>-0.18</td>
</tr>
<tr>
<td>Franchising</td>
<td>-0.02</td>
<td>-0.07</td>
<td>-0.11+</td>
</tr>
<tr>
<td>Multi-Chaining</td>
<td>-0.11</td>
<td>-0.12</td>
<td>-0.19</td>
</tr>
<tr>
<td>Interaction Effects</td>
<td>ROA</td>
<td></td>
<td>EPS</td>
</tr>
</tbody>
</table>
Defining the Frontiers of Global Business Research Across Emerging Countries

### Table I

<table>
<thead>
<tr>
<th>(i) Topmost Managerial Team Knowledge using Franchising</th>
<th>1</th>
<th>0.54**</th>
<th>0.85***</th>
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<tr>
<td>(ii) Topmost Managerial Team knowledge using Multi-Chaining</td>
<td>2</td>
<td>-0.21</td>
<td>-0.07</td>
</tr>
<tr>
<td>(iii) Specific Knowledge using Franchising</td>
<td>3</td>
<td>-0.30***</td>
<td>-0.54**</td>
</tr>
<tr>
<td>(iv) Specific Knowledge using Multi-Chaining</td>
<td>4</td>
<td>-0.40***</td>
<td>-0.27**</td>
</tr>
<tr>
<td>( R^2 )</td>
<td>0.08</td>
<td>0.11</td>
<td>0.36</td>
</tr>
<tr>
<td>( \Delta R^2 )</td>
<td>0.03</td>
<td>0.25***</td>
<td>0.09</td>
</tr>
<tr>
<td>( F )</td>
<td>1.72</td>
<td>1.03</td>
<td>2.74**</td>
</tr>
</tbody>
</table>

Table I gives the descriptive statistics and the correlations for the variables of our study. Here, +p<0.10, * p<0.05, ** p<0.01 ***

Table II above gives the results of our hypothesis. Here, +p<0.10, *p<0.05, **p<0.01, ****p<0.0001. The hypothesis is being tested using the moderated regression analysis in SPSS 2016 version. The moderated regression analysis has been used because we have the 7 points Likert scale in our study. A one-tailed test is being used for the hypothesis testing (as the hypothesis is theory driven and directional. Two sets of the model are being run. The first model forecasts the Return on Assets, second model forecasts on Earnings per Share. These two models are statistically valid and important, i.e., \( F_{(11, 53)}=2.74, \ p<0.01 \) for ROA and \( F_{(11,53)}=3.40, \ p<0.01 \) for EPS. On the basis of our small sample size, the effective size which is attributable to the \( R^2 \) due to the addition of the interaction term is 0.36 and 0.41 for ROA and EPS which is large both yield a power of 77 percent probability.

**Hypothesis Testing**

H1 and H2 identified that the strategic resources’ elasticity by means of the firm-specific Topmost Managerial Team knowledge would carry on for benefitting the firm as it spreads out across the numerous geographical localities as well as the manufactured goods markets. As the strategy of Franchising helps in fastest geographical spreading out, therefore, H1 of our study is identified as the strategy of franchising diminishes an association of firm-specific Topmost Managerial Team knowledge with the productivity in a manner that this association will be much affirmative in case the strategy of franchising is being taken increasingly.

Figure 1 in support of H1:
The hypothesized relationship is maintained for both the methods for productivity – the Return on Assets (ROA = 0.54; p < 0.01) and the Earnings per Share (EPS = 0.85; p < 0.001). Figure I states the H1, displaying the importance of the Firm-Specific TMT experience [(in the form of the Return On Assets (ROA), the Earnings Per Share (EPS)] which upsurges in case the strategy of franchising remains highly used.

H2 identified that multi-chaining reduces an association of a firm-specific TMT knowledge with the productivity. This association becomes much affirmative with increasing use of the strategy of multi-
chaining. But, the associations are not significant in a stated way for either ROA = -0.21 or EPS = -0.07. Hence, H2 is not supported.

Figure 2: Interfaces between specific knowledge and franchising on ROA and EPS

Figure 2 provides support to H3 showing a significance of the specific knowledge in expressions of the Return on Assets, the Earnings per Share which declines through a greater usage of the franchising strategy. H3 and H4 examined if an expansionary marketing strategy can decline the effect of an in-elastic strategic resource – i.e., an association between the firm-specific knowledge on productivity.
In detail, H3 stated that franchising adversely diminishes an association of the firm specific knowledge with the productivity. This association is less important in case of the Return on Assets $=-0.30, p<0.10$, but this remains more important in case of the Earnings per Share $=-0.54, p<0.01$. These results provide overall support for H3.

![Figure 3: Interfaces between specific knowledge and multi-chaining on ROA and EPS](image)

Figure 3 provides support to H4 showing that the Earnings per Share and the Returns on Assets both decrease with the corporation’s usage of a greater level of the firm-specific knowledge combined with the multi-chaining strategy. H4 states the strategy of multi-chaining adversely diminishes an association of the firm-specific knowledge with the productivity. An interface remained negative as well...
as equally important for Return on Assets $=-0.40$, $p<0.01$ as well as Earnings per Share $=-0.27$, $p<0.01$. It provides support to H4.

Through an interfaces of the firm-specific knowledge and the strategy of multi-chaining for both the measures of productivity - the Return On Assets as well as the Earnings Per Share, we have advanced and tested the hypothesis which helps us for explaining the various capabilities or resources which may possibly or may not be leveraging through an expansionary marketing strategy that makes an use of the resources or capabilities across the various geographical localities as well as the product markets. Specially, we have shown elastic strategic resources as the resources or capabilities which can be used in multiple markets with a slight alteration of it, while in-elastic resources necessitate substantial alteration when they are being used in the novel markets.

**LIMITATIONS & IMPLICATIONS**

**Limitations of this study**

This study has numerous drawbacks. These draw-backs also exist in our research design. While the outcomes of this study appear to put on directly to the public firms in a situation in which the strategy of franchising as well as the strategy of multi-chaining is the common strategies. For instance, the studies related to hotels involves numerous situations amongst small and medium sized private firms which will be necessary for establishing that elasticity of capabilities matters for the performance.

Various limitations arise in this study external to the statistics taken by us for testing the propositions. Firstly, this statistics permits us for analysis of the productivity of the hotels that are having a lag of only twelve-months. It restricted the time frame as it has emphasized on the chances for an up-coming investigation about the long-term consequences of the decisions related to an expansionary resource strategy as well as the time – interval which the companies require for comprehending a complete significance about the capabilities being leveraged. An additional statistical drawback associated with this study exists to be a period relating to the statistics. The Topmost Management Team knowledge, as well as the specific knowledge, carries on to be the most significant resources that we have emphasized on in this paper. These resources never alter with the passage of time, contrasting to the technological resources which have considerably altered with a manner in which the hotel industry is being carried on. Actually, our comparative study about the hotel chains for the duration of 2007 as well as the hotel chains for the duration of 2017 advise us for a complete significance about an increasing variable (particularly the costs), but a relationship between the commonly examined variables continue to be comparatively stable. To conclude, this paper having an insignificant sample size, May lead to minor effects which may remain unobserved. The statistically important outcomes of this paper imply that the statistically significant effects of this investigation are reasonable to bigger sample size.

**Suggestions for the Resource Advantage Theory**

We pursue to build further light on the Resource Advantage Theory through creating a better understanding about one of this theory’s main idea, i.e., the idea of the strategic resources. Our hypothesizing put forward that the efficiency of an expansionary strategy varies on the basis of whether the strategic resources are elastic or these resources are in-elastic. In this regard, primarily, we have
discussed that the TMTs having a considerable firm-specific knowledge will advance a dominant logic. This shows in what manner the business is being efficiently managed so that it can be implemented in the novel markets. As presented in Figure 1 above, outcomes show that this is realistic in relation to covering the novel geographical markets through the strategy of franchising. For both the performance, the firm-specific TMT knowledge increases the level of productivity associated with some leading franchisors. However, it is not realistic amongst the firms which are further using the rights of the franchisors. This confirmation maintains an argument of this paper, i.e., the proficient executives advance a dominant logic in the direction of leveraging their relations with the prevailing franchisees as well as their expertise functioning with the different franchisees for the purpose of expanding their chain through the strategy of franchising. But, we did not find a similar confirmation relating to the strategy of multi-chaining leveraging the topmost executives’ firm-specific knowledge, which we had anticipated on the basis of the dominant logic spreading out over across the strategically alike employments like the business of the hotel enchainer. Further, having a small sample size for this study must not be taken as a proof of the fact that relation will never occur. Moreover, an element which is left out in this study is an observation about the relationship between the use of the strategy of multi-chaining and the topmost managerial knowledge. This creates queries regarding some restrictions related to the dominant logic. In this regard, two limitations relating to an elasticity of the dominant logic are being put forward by (Prahalad, C.K. and Bettis, R.A., 1986). Firstly, an activity related to the relocation of some small corporation towards bigger corporation require for a different reason that may damage the elasticity of the firm-specific management ability (as for some of the firms in our sample). It implies that the executives may recognize the novel chain in respect of its resemblance with the most important chain of the firm. Yet, they must acquire knowledge for managing two (or more) distinct chains. Secondly, regardless of the strategic resemblances amongst the various businesses, each new business augments the general strategic diversity. This restricts an executives’ capability forgiving fast as well as suitable replies to their rivals’ changes. In general, the outcomes of this study recommend that the dominant logic amongst the TMT associates remains an elastic resource which can provide the support for an expansionary strategy. However, outlining the restrictions of its elasticity necessitates a further study. Moreover, out of the three resource management processes- structuring of the resources, bundling of the resources, and leveraging of the resources, we emphasized on the process of leveraging of the prevailing resources.

An additional chance may originate in the business’s fundamental capabilities. Fundamental capabilities are the capabilities which remain essential for the corporation’s sustainable improvements. Usually, these capabilities can be leveraged into the various markets. Common illustrations about these capabilities comprise of the Honda’s capability in relation to minor engines as well as the Casio’s capability in relation to reduction. These capabilities have taken both of these companies into a set of vastly associated big business (Marino, 1996). Moreover, for instance, a hotel industry may advance a fundamental capability relating to giving a concept, a design, and a brand name to the hotel enchainers. But, this ought to be extremely elastic opposite to expansion using the multi-chaining strategy. An additional option is that the executives may create active competencies which can be leveraged into the new markets. Evidence exists in this regard that some of the duplicate acquirers are capable of capturing what they have learned in each acquisition. In addition to it, they use it for improving their performance for an upcoming acquisition.

An idea about the sustainable gain which may possibly be determined by an in-elastic resources and it cannot be easily modified has the recommendations for in what manner the senior manager decide
on to leveraging as well as bundling the resources which are being put on by these senior managers of the corporation as a portion of a given resource managerial procedure. We have discussed that the specific knowledge as it is being set in the managerial procedures are comparatively in-elastic. This is for the reason that the executives challenge the causal ambiguity adjoining to which the managerial procedures get transferred. Investigations about an intra-organizational work relating to the transferring of the managerial procedures put forward that the beneficiaries usually fail to comprehend the procedures in the similar manner as the senders comprehend it. In addition to it, the fundamental changes between the transferring as well as the accepting divisions may possibly create a challenging situation for comprehending in what manner to adjust the facts that have been transferred between the divisions. Figures 2 and 3 above shows that the outcomes remain reliable by means of a judgment which states once the company’s leading enchainer remains completed using a specific knowledge, spreading out further through the strategy of franchising or through the strategy of multi-chaining look as if it has diminished its productivity. Moreover, the company’s which have remained motivated about a particular enchainer, otherwise for possessing the business rights look as if it has an improved influence of its firm-specific knowledge for having improved productivity. For the purpose of leverage of the resources, the hypothesis of this study, in addition to its proof put forward that the topmost strategies for the purpose of leveraging in-elastic capabilities remain the strategies which concentrate on an accustomed area of activities rather than on branching out of activities. Depending on this logic, in a study of an occurrence about the continuous performance beyond an average industry performance, numerous industry that has been recognized as continued beyond average performers remained the hotel enchainer’s which have used the strategy of the slow-growth for the rights of the company. Taking a broader view of the comprehensive situation of branching out, while the bulk of the proof put forward that the industry performs great in case it has a reasonable degree of branching out. A particular business company performs equally to the numerous topmost performing companies which are extremely strategically motivated. Possibly a distinctive characteristic amongst the company’s which need to associate adjacent to their present business, and those company’s which need to follow an interrelated branching out remains in-elastic resources which provide for the sustainable gain to the companies’ key industry.

In relation to the process of bundling, an inelastic resource is being recommended which is termed as the ‘stabilizing’ processes in which the executives create a profitable development to the prevailing resources. Although the process of bundling a profitable development may possibly be successfully joined with the strategic emphasis in respect of the slow-paced industries, the fast-paced industries necessitate for a strategic elasticity. Further, in the case of constant industry, an ecological shock may possibly turn a competitive gain into an obligation. Therefore, a long-term achievement for the company’s depending on in-elastic strategic resources may require emphasis on ‘enriching’ and ‘pioneering’ the bundling actions. Enriching comprises of spreading out an existing resource by uniting it with other corresponding resources. For instance, executives may possibly create a solid managerial characteristic which declines an in-elasticity of the specific knowledge procedures as a result of the firming up of the franchisees’ characteristics with this particular company and its procedures. Pioneering comprises of joining resources with techniques so that it can create completely some novel resources for addressing the requirements of an emerging market. Finally, in effect, bundling with in-elastic resources may comprise of some type of deceit in which the company’s adventures its elastic resources in the present markets although at the same time innovation of different elastic resources is possible which may be leveraged through different markets. In this manner, it helps the company to cope with a change in the ecology.
Suggestions about an investigation about the strategy of Franchising as well as the strategy of Multi-Chaining

The outcomes of this paper also provide visions for an investigation into the strategy of franchising as well as the strategy of multi-chaining. The strategy of Franchising is a significant way for a rapid geographical development. However, investigators have just begun to observe its productivity effects. An existing investigation inclines to look for the franchising existence as a simple existence for the reason that there exists evidence regarding the fact that the strategy of franchising is perceived as a necessary evil. Outcomes of this paper recommend that the effectiveness of the strategy of franchising heavily rely on the features of companies’ resource endowments. An interface between the strategies of franchising in relation to the resources of a corporation must exist to be revealed in the further studies evaluating the productivity significances of the strategy of franchising. In general, studies attempting to find out if the strategy of franchising is ‘good’ or ‘bad’ appear to be misused. As an alternative, the importance of the strategy of franchising for increasing the productivity of the corporations looks to be extremely conditional.

The strategy of multi-chaining also has as significant occurrence. However, it has mainly absconded from an investigator’s research attention. This is mainly for the reason that the strategy of multi-chaining may possibly exist as an exclusive situation involving an extremely inter-connected branching out. Taking in of this exclusive strategy can provide the possibility for shedding further light on the manner and configurations by which connected branching out can augment the company’s performance. Our study suggests that although it is less expansionary for spreading out the specific knowledge to different chains especially in relation to an extremely connected branch out the strategy of the multi-chaining need to leverage the ‘back office’ abilities like the selection of a better site, creative marketing.

But, no relationship has been found between the strategy of multi-chaining and its performance behaviour. In this regard, there arises a possibility that the senior manager occasionally creates further hotel enchainer in case they find that their prevailing hotel enchainer is coming to a market capacity, in addition to some of the minor hotel enchainer having a failure for making a profitable potentiality for the prevailing hotel enchainer. In such a situation, adding up to the multiple chains reduces the level of profitability. Hence, upcoming studies must focus on further research aimed at a better understanding about the cause for as well as the consequences of multi-chaining which might not simply enhance an understanding about this situation but it may also aid for advancing a theory relating to branching out.

CONCLUSION

A fundamental job of investigation which is dealt with the Resource Advantage Theory is an act of comprehending an association between the resources and its performance. This paper provides us an important direction for advancement of the Resource Advantage Theory by differentiating between an elastic strategic resource and an in-elastic strategic resource. Furthermore, the outcomes of this paper show that the company’s arrangement for an expansionary marketing strategy needs to support with the features of its strategic resources. This is because the features of a strategic resource are required to acquire its full performance augmenting significance. In this regard, we expect that the outcomes of this paper can be combined with an upcoming investigation relating to the Resource Advantage Theory. This further exposes how diverse packages of resources, strategies, and other possibilities act together as
investigators carry on to endeavor for a better comprehensive understanding of the causes of the performance of the business.

REFERENCES


In What Manner Elasticity of the Resources Help in Leveraging the Strategic Resources—A Case Study of the Hotels of India


Chapter #--- 26

An Intellectual Journey into the Historical Evolution of Marketing Research in Global Luxury Branding

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ABSTRACT

Luxury has been defined by a number of academicians, experts, professionals and industry leaders in the evolutionary process of luxury brand marketing. Consumer luxury purchasing behavior is affected by many factors and many researchers have shown their interest in carrying out research on luxury brand consumption. Globalization has enabled the global luxury brands to gain a significant presence in countries such as Sri Lanka. Luxury brand consumption is a reflection of their social class, lifestyle and personality backed by the prestige consumption mindset rooted in their financial power, individual values, social values and attitudes. The perceived luxuriousness is often identified and argued under the dimensions of quality, hedonism, prestige, exclusiveness, uniqueness, conspicuous consumption and tradition by many scholars. However, these dimensions have not been tested, discussed and analyzed from consumer behavior standpoint of an emerging country like Sri Lanka which consists of a new consumer segment that wishes to enjoy the luxurious living. This westernized, rich and famous lifestyle is exhibited by owning luxurious car brands such as Mercedes Benz, BMW, Bentley, Porsche,
and Ranger Rover, thanks to globalization. This paper discusses historical evolution of marketing research on global luxury consumption and its marketing implications. 

**Key words:** Attitude, luxuriousness, luxury car brands, brand personality, lifestyle, psychographic, Sri Lanka, hedonism, conspicuous consumption, tradition, accessibility

### INTRODUCTION TO THE STUDY

Luxury is viewed as a level of prestige to the extreme level of conspicuous consumption activity of consumers backed by the motive to exhibit a social status (Vigneron & Johnson, 1999). As highlighted by Shuckla (2010) and Tynan et al., (2010) the emerging countries identified such as Brazil, Russia, China and India have shown a greater interest for luxury consumption. The consumers in these countries seem to be showing more symbolic ownership of the brands primarily influenced by both symbolic brand attributes and the non-utilitarian brand attributes. These behavioral patterns showcase the social distinctions among the consumers and symbolic ownership of brands (Batra et al., 2000; Akram et al., 2011). According to Sukla and Purani (2012) the recent economic development in the emerging markets fuels the growth of luxury brand patronage that will lead the industry creating more opportunities for brands. Sri Lanka is such a country where the global luxury cars get a significant demand backed by the increasing purchasing power of growing High Net Worth Individuals.

Jain, Roy and Ranchhod (2015) suggested that the changing profiles of the Asian consumer have significantly affected the inflow of luxury brands to the South Asian countries such as India. Therefore, there is a significant urgency for the luxury brand marketers to study the consumer attitude and perception in these parts of the world where different values, beliefs and attitudes prevail. The global luxury spending has jumped up significantly and it is expected to reach USD 40 Trillion by the year 2020 (Assochamorg, 2013).

Previous research studies conducted have attempted to emphasize the role of a country’s culture and its influence of demographical factors on the luxury brand consumption (Hung et al., 2011; Godey et al., 2013). However, as Miller and Mills (2012) suggested the meaning of luxury could vary from country to country with its cultural uniqueness. Further, the consumer motivations and their objectives which are behind the purchase could be similar (Hennings et al., 2012). Researchers have shown their interest conducting research with the investigation perspective into the luxury branding from the view of the practitioner’s perceptive (Fiondaan Moore, 2009) and from the conceptual point of view (Miller & Mills, 2012; Ghosh & Varshney, 2013).

Luxury has been discussed by many researchers with respect to the luxury automobile market. As the global millionaires grow and along with the growth of discretionary income of mass consumers who are identified as democrats, the luxury car market has shown a considerable growth (Barnier & Rodina, 2006; Wiedmann, Hennigs & Siebels, 2007; Husic & Cicic, 2009). In addition to that, according to Lipovetsky and Roux (2015) the democratization has fueled the demand for prestige car brands and drawn the attention of marketing practitioners as well as academic researchers (Dubois, Czellar & Laurent, 2005; Vigneron & Johnson, 2004). The literature shows that the term luxury has been viewed differently by scholars. Therefore, the literature presents an exploration on an intellectual journey into the historical evolution of marketing research in global luxury branding.
The study attempts to explore:
- the historical evolution of the consumption of luxury
- theoretical development of luxury consumption

History of Luxury Brands

Hume (1752), 1965 explained that luxury could be identified as a word of uncertainty and be considered in good sense and bad sense as well. Adam Smith (1776) proposed that to a certain degree, consumption has a relationship towards the improvement of social standing or maintenance. The history of research into the subject of luxury goes to the 19th Century (John Rae, 1834; Thorstein Veblen, 1899 & Keasbey, 1903). It was Veblen (1899) who discussed luxury consumption as a status symbol with social comparison. Veblen (1899) published ‘Theory of the leisure class’ and it was he who pioneered research on the luxury consumption. Veblen (1899) suggested that lavishness in consuming products exhibits distinction and status to others. This concept was developed based on the premise that consumers have desire to exhibit higher social class and represent economic groups. This was named as conspicuous consumption. Weber (1930) proposed that savings and investment are identified as economic activities of an individual. The Veblen effect was further reviewed from the work of Bourne (1957). Leibenstein (1950) based on the Veblen’s theory, further argued that interpersonal values such as snob effect and the effect of brand wagon are two variables to the Veblen effect. Both Veblen (1899) and Leibenstein (1950) argued on the value of status in luxury consumption even though several scholars argued that the status is not considered as a determinant for luxury purchasing behavior. There are other values such as quality, creativity and craftsmanship etc. (Kapferer, 1998). Further, this luxury consumption has been reviewed as a consumption activity for the glory of brands as explained by Mason (1981 & 1992); Bearden & Etzel 1982). Past investigators furthermore found uniqueness as the center of motivation for brands rousing their use (Leibenstein, 1950). Luxury has been viewed as the things that people have to portray their personality to others through the common ramifications that the things contain (Levy, 1959). According to Yamey (1964) an anthropological study conducted on saving, capital and conspicuous consumption, in several primitive societies suggested this process as a display of wealth which was considered as a wasteful activity.

The New Era of Luxury Consumption

Keller (1993) highlighted studying the consumer’s behavior as a critical issue in order to make some strategic decision. The prestige brands need to consider and respond to the diverse and changing consumers. The brand managers who run the prestige brands might decide not only to meet the needs of the elites but also the needs and desires of the mass market. Dubois et al. (2005) developed a concept with the traditional luxury view which states the luxury should be only available for elitist (labeled elitist) and modern luxury visionaries believe that everyone needs to have accessibility towards luxury. There is another difference that can be identified as the attitude of these two groups. Thesis based on price. Further, according to Dubois et al., (2005) the elitists indicated it was inevitable that the luxury products be priced very highly. However, the democratic segment assumed that the price of luxury good usually should not be very high. Elitists believe that luxury should not be produced at mass scale and made them widely available in super markets. However, the opinions of the democratic people are different. They believe that these luxury brands could be made available in super markets and produced at mass scale. Considering the consumer’s attitudes and its influence on their behaviors (Beatty & Kahle, 1988), this gradual evolving luxury market has raised the question as to what extent the brand
personality and perceptions of the luxuriousness of a brand is effective for the consumers. As noted, if luxuriousness diminishes, so does brand equity. To prevent this decay in equity, prestige businesses face a dilemma as they need to control brand diffusion to enhance exclusivity while at the same time maintain a high level of awareness (Phau & Prendergast, 2000). Rarity is also an important concept related to the equity of prestige brands (Dubois & Paternault, 1995; Kapferer, 1998). Yet it also causes a paradox (Roux & Floch, 1996). This contradiction results because it is natural for prestige brand managers to seek to maximize profits by selling as many products as possible; however, following a rarity principle suggests that to build equity, a prestige brand needs to avoid the risk of commoditization (Kapferer, 1998). Rarity suggests that sales must be limited since too much distribution erodes being scarce, dilutes desirability and exclusivity, and consequently erodes brand equity.

Dubois and Czellar (2002) added a new luxury dimension as self-indulgence. Further, it was discussed on the importance of hedonism of luxury brand consumption. Vigneron and Johnson (1999, 2004) proposed a theoretical framework for luxury brand consumption value which included personal and non-personal perceptions of value. Hedonism and quality were identified as personal dimensions while conspicuousness, social value and the uniqueness were identified as non-personal consumption. Wiedmann et al. (2007, 2009) further extended the framework of luxury developed by Vigneron and Johnson (1999, 2004) with another variable by adding financial value as a dimension. Tynan et al. (2010) further elaborated the model by including variables such as relational value. Truong and McColl (2011) added intrinsic and extrinsic value aspirations.

As suggested by Camilo Koch and Davit Mkhitaryan (2015) in a research study carried out in China on consumers’ choice in luxury car brand selection, consumers tend to expect benefits directly derived from the attributes. Prestige and social status are identified as the major strength of brand selection and association. Some variables such as the performance of the car have been identified as neglected by consumers. The study suggests to investigate how culture influences on the brand image perception. Studying luxury has been an interesting area of research with numerous applications for business organizations and for brand marketers.

Consumers can be identified with respect to the products they buy. Generally, the consumer goods can be identified with respect to three basic categories. They are needs, inferior goods and luxury goods. When the income level goes up of these consumers they tend to purchase more luxurious goods (Songer, 2014).

The perceptions of luxury, consumer attitude towards luxury and the consumer emotional feelings are identified as the factors that affect for shaping the consumer behaviour on luxury. The buying patterns, consumer loyalty and brand satisfaction are affected by the way the consumers identify the luxury. Therefore, it is important to identify and assess the consumer perceptions and their attitudes towards luxury. According to Vigneron and Johnson (1999); Engand Bogaert (2010) and Ghanei (2013) the factors that could differentiate the terms luxury and non-luxury are in terms of perceived conspicuousness, perceived uniqueness, perceived quality, perceived hedonism and perceived social value. Further, Vigneron and Johnson (2004) suggested that if the amount of perceived luxuriousness can be managed, it could be measured as well. Brand Luxury Index (BLI) was developed in order to provide a tool to estimate the amount of perceived luxuriousness of a prestige brand based on the five components: conspicuousness, uniqueness, quality, extended self, and hedonism (Vigneron & Johnson, 2004).
Luxury Goods and Consumer Purchasing Behavior

Luxury goods have high involvement in the consumer purchasing process. The consumers gather many information and get involved heavily analyzing the key decision criteria (Hollensen, 2011). Individuals may purchase luxury products for a number of reasons such as prosperity, wealth showing success, exhibiting the social status or because of the perceived superior quality of the product etc. Berthon et al. (2009) noted three key motivational dimensions which affect the customers to purchase a luxury product as explained by experiential, symbolic and functional dimensions. These dimensions were further studied by Hung et al. (2011) in Taiwan.

Fishbein and Ajzen’s (1975) developed the behavioral model which is generally identified as the Fishbein model. This model has been tested and supported well with empirical evidence by other research studies on the consumer attitude and their intention to buy (Ajzen, 1991). As indicated by the model, the behavior is influenced by the variables identified as subjective norm, attitude towards behavior and the perceived behavioral control. When the external perceived behavioral control is identified, it can be seen as the consumer’s perception to the extent of their control of external barriers. Price has been identified as the most important barrier. Jin and Kang (2011) found that when the perceived control exists, intention to purchase would be developed in the mind of the customer. Thus, it concludes that consumers need to have higher disposable income if they are to buy luxury goods.

As shown by Ajzen (1991); Hung et al., (2011; Jin and Kang, (2011); the purchase intention is a result of a consumer’s actions and has high significance in the context of brand consumption behavior (Berthon et al., 2009). Therefore, it is very important to study the interrelationship of products preference among people and the brands so as to understand the luxury brand consumption behavior.

Luxury is a concept that is very difficult to be defined and it is based on subjective judgements that could lead for different definitions Vigneron and Johnson (1999); Yeoman, 2011). Luxury is an ambiguous concept (Dubois, Laurent & Czellar 2001). This ambiguity is related to the abstract and symbolic nature of luxury (Roux & Boush 1996). Therefore, to understand luxury, it is important to understand the dimensions of luxury and the attitudes towards luxury. The BLI scale developed by previous researchers: Vigneron and Johnson (2004), Kim and Johnson (2012), Kim and Johnson (2015) are widely accepted in research on luxury to measure the consumer attitudes to evaluate the global luxury car brands.

Researchers those who had interest in luxury automobiles have defined luxury as a term that is used for a luxury vehicle which provides luxury, pleasant or desirable features beyond the necessity at a higher expense of money. This term could be applied to any type of vehicle with all sedan, hatchback, coupe, station wagon and convertible body styles. Further it could be crossovers, minivans or sport vehicles that range from small to large at any range of price (Anurit, Newman & Chansarkar, 1998).

According to Dubois, Laurent, and Czellar (2001) there are six main facets of luxury as presented in Table 1.
Table 1. The Six Main Facets of Luxury

<table>
<thead>
<tr>
<th>Facet</th>
<th>Example of the Facet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent quality</td>
<td>Exceptional ingredients, components delicacy and expertise, craftsmanship</td>
</tr>
<tr>
<td>Very high price</td>
<td>Expensive, elite and premium pricing</td>
</tr>
<tr>
<td>Scarcity and Uniqueness</td>
<td>Restricted distribution, limited number, tailor-made</td>
</tr>
<tr>
<td>Aesthetics and Poly-sensuality</td>
<td>Piece of art, beauty, dream</td>
</tr>
<tr>
<td>Ancestral heritage and personal history</td>
<td>Long history, tradition, passed-on to next generation</td>
</tr>
<tr>
<td>Superfluousness</td>
<td>Uselessness, non-functional</td>
</tr>
</tbody>
</table>

(Dubois, Laurent, & Czellar, 2001)

THEORETICAL CONCEPTS DISCUSSED IN LUXURY

Luxury perception

Luxury is viewed as a level of prestige to the extreme level of conspicuous consumption activity of consumers backed by the motive to exhibit a social status (Vigneron & Johnson, 1999). As highlighted by Shuckla (2010) and Tynan et al., (2010) the emerging economic giants such as Russia, China, India and Brazil have shown a higher interest for luxury consumption. Consumers as individuals identify the term luxury with expressions such as upscale, good in taste, quality and class etc. It is evident that people fulfil their functional requirements through luxury but also the psychological requirements (Dubois, Laurent & Czellar, 2001). Widemann, Hennigs and Siebels (2007) describe that the luxury value has three fundamental dimensions: functional value, social value and individual value.

Consumer brand attitude

Perception can be identified as a process of understanding the world. Individuals select, organize, and interpret stimuli into a meaningful and coherent picture of the world. Perception is described as the way we see the world around us. The identification and interpretation highly depend on the needs, values and expectations of an individual and it is individualized (Schmitt, 1999). Marketing Mix influences the consumer perception as they experience the product or service which will lead to develop the brand attitude.

As explained by Schmitt (1999), the strategic experiential module customer experience can be identified as a positive customer value discussed using the factors identified as the sensory experience. Feel or affective experience, Think or creative and cognitive experience, Act which is characterized by physical experience, behaviors and lifestyle, and Relate or social identity experiences are gained as an outcome of the culture and the reference group. The formation of customer experience and the brand attitude is shown in Figure 1.
Value, attitude and behavior

Value has been identified as a belief of a particular way of conduct or an end state Rokeach (1973). Values are of very important area of explanation in human behavior which has a significant influence on them. According to him, personality is reflected as a system of values. Values are further identified as abstract of the social cognition. The attitudes and behaviors are developed based on the abstractness of value. Cognitions and values guide consumers as to how they should behave in different situations (Homer & Khale, 1988). Therefore, the sequential steps could be identified as Value, attitude and behavior.

Williams (1979) suggested that values had a causal relationship on the behavior. He further elaborated that the criteria for judgement, customer preferences and customer choice are the conceptualized values. The nature of human values as argued by (Rokeash, 1973) is identified as the terminal values and instrumental values and terminal values are different from instrumental values. Terminal values are identified as the end states of desired beliefs such as freedom, comfortable life and instrumental values are identified as the action towards the terminal value such as being honest and ambitious. As elaborated by Katz (1960) and Smith et al. (1956), the values could be identified as value-expressive, knowledge, instrumental and social adjusted psychological functions.

According to Herek (1987) attitudes can be identified as two categories; evaluative and expressive. Evaluative is a psychological function which drives the valence from the intrinsic characteristics of an object whereas evaluative function is developed when the interactions take place in between object and person resulting in both tangible and quantifiable outcomes.

Consumer attitude is highly significant to study the consumer behavior in order to identify the consumer decision making process with attitude. Attitude is a learned predisposition to behave in a consistently favorable or unfavorable manner with respect to a given object. According to Mitchell and Olson (1981) the brand attitude can be defined as an overall evaluation of an individual on a brand. The brand attitude towards the product hereby depends on the own consumer perception that he or she holds.
Defining the Frontiers of Global Business Research Across Emerging Countries

on the brand. Further this could be a significant reliable predictive factor in consumer behavior (Shimp, 2010).

Researchers such as Aaker (1996); Faircloth et al., (2001); Helgeson and Supphellen, (2004) identify that the brand image develops the brand’s overall evaluation, which is the attitude of the customer toward the brand.

Further, brand attitude is identified as a general role in consumer buying behavior. As Keller (1993) mentions, brand attitudes are based on the formulation of multi-attributes within which the brand attitudes are identified as a function of the attributes and benefits associated with the brand. Brand attitude depends on the motivation at present, the brand attitude represents both cognitive and affective elements, the cognitive element may comprise of the belief of the brand benefit and brands meet the underlying motivation of consumers better than others (Percy & Rossiter, 1992).

The attitude-toward-object model explains that consumers will favor a brand or a product that has an adequate level of attributes that the consumer thinks are positive. Therefore, attitude is identified as a function of the presence of certain beliefs or attributes.

Image of the brand and Brand attitude

Brand image can be identified as a key element of the brand value or brand equity (Aaker, 1991). Brand image can also be identified as its different types of associations with the brand which reflect favorable, strong and unique reflection (Keller, 1993). To develop brand associations in the mind of the customer and non-product related attributes play a significant role. Under non-product related attributes, brand personality, user imagery and usage imagery can be identified as three main areas of brand equity model (Keller, 1998). Further, the user imagery serves as a key form of brand image (Biel, 1992) and this also has suggested that brand image is influenced by usage imagery (Shimp, 2010).

When the loyalty of a brand is concerned, the degree of attachment of a customer towards the brand is closely associated with the usage experience. The concept of brand loyalty has both behavioral and attitudinal dimensions (Dick & Basu (1994); Neal & Strauss (2008). Customer’s overall satisfaction can be identified as the attitudinal dimension whereas the tendency to repeat purchase by the customer is identified as the behavioral dimension in the long run.

As suggested by Starr and Rubinson (1978) a positive relationship was found between the consumer attitude and the loyalty towards a given brand while Mustafa, (1999) describes that the image of the brand and the loyalty to the brand show a similar relationship. Further, Keller (1993) suggests the loyalty of a customer to a given brand as an outcome of effective management of knowledge about the brand image and the consumer attitude toward the brand. (Faircloth et al., (2001) conclude that the brand image and the attitude of the buyer towards the brand help to develop the brand loyalty.

Dimensions of Luxuriousness and Terms


**Table 1.2 presents an analysis of luxury dimensions discussed by various researchers across eleven studies.**

<table>
<thead>
<tr>
<th>Authors</th>
<th>Conspicuousness</th>
<th>Uniqueness</th>
<th>Quality</th>
<th>Hedonism</th>
<th>Self-Extended</th>
<th>Tradition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veblen (1899)</td>
<td>Conspicuous Consumption</td>
<td>-</td>
<td></td>
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<td>Leibenstein (1950)</td>
<td>Veblen Effect</td>
<td>Snob effect</td>
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<td>Bandwagon effect</td>
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<tr>
<td>Kapferer (1998)</td>
<td>Elitist</td>
<td>Exclusiveness</td>
<td></td>
<td>Craftsman</td>
<td>Its great creativity</td>
<td>Successful</td>
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<td></td>
<td>Extremely expensive</td>
<td>Its uniqueness</td>
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<td>Best quality</td>
<td>Its sensuality</td>
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<td></td>
<td>Its price</td>
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<td>Beauty of object</td>
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<td>Excellence of products</td>
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<td></td>
<td>Conspicuous</td>
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<td></td>
<td>Elitist</td>
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<td>Rather like luxury</td>
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<td>Very high price</td>
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<td>Excellent quality</td>
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<td>Differentiate from others</td>
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<td>Good taste</td>
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<td>Wang, Sun, Song (2010)</td>
<td>Other People’s Impression Feel Successful Increase Self-Confidence I want other people to know that I own expensive luxuries</td>
<td>-</td>
<td>Made of Good Materials High Quality &amp; Worth the Money</td>
<td>Made of Good Materials High Quality &amp; Worth the Money</td>
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<td>Vickers &amp; Renand (2003)</td>
<td>Symbolic Interactive need</td>
<td>Symbolic Interactive need</td>
<td>Functional Need</td>
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<td>Symbolic interactive need</td>
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<td>Kim (2012)</td>
<td>Exclusiveness</td>
<td>Quality</td>
<td>Dominance</td>
<td>Tradition</td>
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Perceived Conspicuousness

The consumer’s desire to exhibit the economic success and wellbeing has been a key area for research interest among researchers (Berthnal, Crockett, and Rose, 2005; Van Kempen, 2003). Extravagant use of products traditionally believed to be associated with the desire for status (Leibenstein, 1950; Veblen, 1899; Vigneron & Johnson, 1999). Lavishness in consuming products exhibits distinction and status to others Veblen (1899). Accordingly, this component of a distinction mark was noted by Mason (1984) who ensured that, to the totally evident client, the satisfaction got from a particular purchase comes not from its motivator being utilized, yet rather from gathering of onlooker’s reaction to the wealth appeared by the purchaser in having the ability to secure the thing for utilization. It is implied that the consumers who want to consume these luxury products need to provide information about them to the society. The conspicuous consumption and consumption for status seem to be defined in the same way. Status consumption is the consumer motivational process that influences the individual to enhance their social standing by using the conspicuous consumption of brands that would symbolize the consumer’s social status for the consumer concerned and the people around (Kilsheimer, 1993).

Perceived conspicuousness can be identified in relation to the reference groups of the consumer. The consumers those who are identified with distinction among the others will help the members of the group to recognize him or her differently. Therefore, the luxury goods have fulfilled the task of giving the customer an opportunity obtain social status and it serves as a symbol.

Perceived uniqueness

Uniqueness is the center of motivation for brand usage (Leibenstein, 1950). According to Brock (1968), the regard or appealing nature of a thing determines for reasons to be uncommon. Lynn (1991) attempted this theory and found that deficiency of thing influenced the esteem empathetically. Consumers regard the product to be esteemed when it is apparently novel (Groth & McDaniel, 1993; Verhallen & Robben, 1994). Berry's (1994) thought with respect to the luxury consumption exhibits that luxury is an enriched satisfaction and fulfillment of major human needs. As explained by (Rao and Monroe, 1989) an element of desire is for high value and it’s frequently preferred. Perceived uniqueness is based on the premise that when the products are manufactured in smaller amounts and the demand from the consumer towards the product increases. They may try to use the product with the expectation of enhancing their social status and social identity differentiating from others (Prendergast & Wong, 2003). Uniqueness insinuates a person's longing to isolate themselves from others (Prendergast & Wong, 2003). People search for uniqueness in an offer to enhance their self and social image by authenticating their own taste or avoiding the use of things like others (Vigneron & Johnson, 2004). Further, uniqueness to be being phenomenal it is one-of-a ruler or exceptional (Giacalone, 2006).

Perceived Hedonism

Hirschman and Holbrook (1982) explained about the shopper’s consumption experience that involves multisensory and emotional activity which is always focused on what is more to be gained. Kapferer, (1997) mentioned joy as an aspect of luxury products. Dubois and Czellar (2002) revealed the solace and magnificence as the qualities of luxury items. Dhar and Wertenbroch, (2000) pointed out luxury consumption as full of feeling as well as tangible stylish experience or an activity that arouse joy, fund and dream as essential features. Perceived hedonism explains the emotional value of consumers.
towards the products. It can be the consumer’s happiness or pleasure with the experience they receive from the consumption. Therefore, the luxury products could be identified with hedonism as the products provide the consumers an emotional experience, the values of fun, aesthetics and pleasure. The luxury goods provide an emotional benefit to the consumers. The emotional benefits could be identified as fun, happiness, excitement and pleasure. Weidman (2009) states that there are some hedonic values that could arise from luxury consumption. They are identified as ‘Pleasure’, ‘gratification’, life enrichment’, self-rewarding’ and ‘extremeness’.

Perceived Extended Self

Belk (1988) proposed the idea of extended-self and recommends that a person’s belonging is a support of an impression in our identities. The things that people have can be used to portray their personality to others through the common ramifications that the things contain (Levy, 1959). Use of prominence brands is routinely animated by the capacity. Distinction concerned buyers tend to adapt the purchase of glory related brands for their characters (Holt, 1995). Various customers yearning to be associated with others seen as prosperous and renowned. Considering that particular esteemed concerned brands are connected with a well-to-do lifestyle (Dittmar, 1994; Hirschman, 1988), individuals' use of distinction brands may be driven by their longing to meet and fit in with their desires (Leibenstein, 1950; McCracken, 1986; Mick & Worobey, 1986; Solomon, 1983). These characteristics were seen as key parts of famous brands and how the estimations are perceived by the Brand Luxury Index (BLI) scale developed by Vigneron and Johnson (2004).

Perceived social value

Perceived social value or the ego of consumers prevails as they tend to consume the luxury goods that they associate with symbols inherently identified with the luxury brands and that will differentiate the consumers from the others. The consumers tend to be identified with a particular prestigious consumer groups and they expect the social acceptance while sometimes they tend to break the relationship with the non-prestigious groups.

Modification of Perceived Luxury Value Dimensions

The concept of consumer-based brand equity (Keller, 1993) provides the rationale to investigate this question since the concept emphasizes individual customers’ reactions to the marketing mix elements.

Kim and Johnson (2012) found in their research that price, distribution intensity, store image, brand personality and innovativeness had a significant impact on all components of perceived luxuriousness: quality, dominance, exclusiveness, and tradition. However, advertising expenditure did not influence perceived luxuriousness. And also price promotions negatively influenced participant’s perceptions of three of the four dimensions of luxuriousness.

Further, Kim and Johnson (2012) summarized the luxury dimensions in terms of quality, dominance, exclusiveness, and tradition. In his research, even though these four luxury dimensions had showed a satisfactory model fit, the reliability of exclusiveness and the tradition had not been to the acceptable level. Except advertising expenditure, other marketing mix variables had an effect on the
perceived luxuriousness. Price, store image, distribution intensity and price promotion had shown significant relationship with the perceived luxuriousness. Innovativeness and brand personality also had significant effects on perceived luxuriousness.

The modification for the Brand Luxury Index (BLI) was carried out by Kim and Johnson (2012) based on the BLI scale developed by Vigneron & Johnson (2004). The four variables identified in the modified BLI scale were quality, dominance, exclusiveness, tradition in comparison to the previous model of five dimensions; conspicuousness, uniqueness, quality, hedonism, extended-self. When compared with the BLI scale originally developed, in the revised scale, exclusiveness dimension was included instead of conspicuousness and uniqueness dimensions. Hedonism was also eliminated in the revised model. However, the items included under the hedonism, have been included under the other luxury dimensions of the revised BLI scale. Further a new dimension had been added as tradition to measure perceived luxuriousness (Kim & Johnson, 2012).

Christodoulides et al. (2009) found that dimensions of conspicuousness and uniqueness to be questionable. The findings here also suggested that these two dimensions were difficult and not effective measures. Various meanings as well as the luxury attributes support the customers to uplift their symbolic image in the world (Kapferer & Florence, 2016). Re-evaluating the Brand Luxury Index (BLI) developed by Vigneron and Johnson in 2004, Kim and Johnson (2015) introduced a Brand Luxury Index (BLI) to measure the luxury dimensions. Therefore, Kim and Johnson (2015) developed a modified BLI scale containing five dimensions such as quality, extended-self, hedonism, accessibility, tradition.

Quality dimension - the brand’s quality aspects and evaluates the product with respect to the material and construction. The dimension of quality is represented by the assessment on quality and the brand’s aesthetic appeal. The consumer’s overall evaluation of the brand’s attributes encompassed by the material design and the construction of the product.

Extended-self - the social status of the brand user and it is the symbolic function which describes the desire for self-enhancement, group membership, role position and the ego identification (Vickers & Renand, 2003).

Hedonism - This is described and identified with respect to the sensory experience which is provided by aesthetic components and sensual pleasures. In other words, it measures the physical appeal as well as the visual appeal of the brand/product.

Accessibility - This measures as to how the brand or product is going to be readily available for the consumers. It includes both expensiveness and exclusiveness. Accessibility includes the exclusiveness and expensiveness of a brand (Kim & Johnson, 2015). Further, it was found that customers combined these two together and indicated that when the products expensive are perceived to be exclusive and vice versa. Even though these two elements are identified as essential attributes of a luxury brand, they do not carry the same characteristics. Some occasions, the products can be highly priced though they are not exclusives as those can be accessed by the internet.

Tradition - This links to the origin or the history of the luxury product/brand. The history of the prestige brand and its attributes connected to the origin or the history is identified as tradition.
According to (Nueno and Quelch, 1998; Dubois et al., 2001) the heritage and the style that could be recognized are identified as the main characteristics of luxury. Therefore, Kim and Johnson (2015) identified tradition as a dimension of perceived luxuriousness in the modified BLI scale.

Hennigs, N., Wiedmann, K. P., Klarmann, C., and Behrens, S. (2015) found the purchasing behavioral outcome as intention to buy, willingness to pay a price premium and willingness to recommend. Purchase behavior of the luxury brand users is assessed by willingness to recommend, buying intention, willingness to pay price premium and willingness to pay price premium.

Individual luxury value dimension is influenced by financial, functional and social value (Hennigs, N., Wiedmann, K. P., Klarmann, C., & Behrens, S., 2015).

Price, Brand personality and Innovativeness were found to be having positive relationship with the luxury dimensions (quality, exclusiveness, dominance and tradition) as proved by Kim & Johnson, (2012).

**Price and Perceived Luxuriousness**

Researchers have found that Price influences the consumer to develop a perception in consumer’s mind. Further, perceptions are developed with respect to the benefits as identified by quality (Dodds, Monroe, & Grewal, 1991; Rao & Monroe, 1989). Price influenced the quality, dominance, exclusiveness, and tradition dimensions of perceived luxuriousness (Kim & Johnson, 2012). (Blattberg & Winniewski, 1989; Dodds et al., 1991; Kamakura & Russell, 1993; Rao & Monro, 1989) have found that price has an extrinsic impact on the judgment of quality of a product or a brand.

**Brand Personality**

Previous scholars have paid attention to the construct of brand personality which refers to the set of human characteristics associated with a brand (Aaker, 1997). Tradition has also been influenced by the brand personality (Kim & Johnson, 2012). Further Kim and Johnson (2012) found that brand personality significantly influenced all the luxury dimensions as identified by quality, dominance, accessibility and tradition. Freling and Forbes (2005) found that the brand personality influences a higher evaluation on the product.

**Innovativeness**

According to Aaker (2004), the firm’s profitability and growth are led by the products which are innovative driven and the having such characteristics. Perceived innovativeness can be identified as a critical factor that would highly differentiate the luxury car brand from the competition. Therefore, it increases the brand equity. Since the impact of brand equity, companies include innovation considering it as a very important cultural value and the strategize based on that (Aaker, 2007). Researchers state that consumers have positive attitude such as liking, admiration, respect and trustworthiness etc. towards a company and they possess a higher level of expertise among such product category (Aaker & Keller, 1990; Abimbola & Kocak, 2007; Keller & Aaker, 1998).
CONCLUSION

The global luxury spending has jumped up significantly and it is expected to reach USD 40 Trillion by the year 2020. Previous research studies conducted have attempted to emphasize the role of a country’s culture and its demographical factors influence on the luxury brand consumption (Hung et al., 2011; Godey et al., 2013). However, as Miller and Mills (2012) suggested the meaning of luxury could vary from country to country with its cultural uniqueness. Further the consumer motivations and their objectives which are behind the purchase could be similar (Hennings et al., 2012). Many research studies have been conducted with the investigation perspective into the luxury branding from the view of the practitioner’s perceptive (Fiondaan & Moore, 2009) and from the conceptual point of view (Miller & Mills, 2012; Ghosh & Varshney, 2013).

The dimensions of luxury have been evolving over in the past from among the researchers such as Veblen (1899) to Leibenstein (1950), Kapferer (1998), Vigneron & Johnson (1999), Dubois, Laurent & Czellar (2001), Wiedman, Hennigs & Siebels, (2009) & Kim & Johnson (2015). The modified Brand Luxury Index (BLI) by Kim and Hohnson (2015) is an important tool for researchers to investigate further into the concept of luxury. Consumer attitude has been a widely discussed topic in many researches and it is highly significant aspect to study the consumer behavior in order to identify the consumer decision making process. The luxury brand attitude towards the product hereby depends on the own consumer perception that he or she holds on the brand.

MANAGERIAL IMPLICATIONS

Knowledge of luxury dimensions will enable the global luxury manufacturers to manage their brands effectively in the identified target markets. It facilitates effective decision making of business organizations and will benefit the consumers meeting and exceeding their expectations. Perception on luxury could vary from country to country and culture to culture. By identifying the consumer attitudes on the luxury dimensions, global luxury car manufacturers will be able to create better value to the segment of luxury car users. Therefore, it is very much important for global luxury manufacturers to identify the cultural differences in various parts of the world and develop their marketing strategies in line with the changes of consumer perceptions, values and attitudes that will affect the purchase intentions of the customer.

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Chapter #--- 27

Predictive Analytics in Human Resources – Applying Artificial Neural Networks to Predict ‘Who’ Quits and ‘Who’ Stays in Indian IT Firms

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ABSTRACT

The present study attempted to build a predictive selection screening system and attrition system for Indian IT firms. A proper screening system would lead to lesser attrition, reduced costs, and reduced time. A predictive attrition model would be able to highlight the employees who are going to leave the organization soon and this can aid the firm in making proactive arrangements such as counseling, indulging in retention strategies or coming up with a plan to fill the vacancy. Descriptive research design has been adopted as it is the preferred design to gauge opinion of the respondents. Survey instrument for the study is Questionnaire which has been constructed using standardised scales for six individual characteristics namely Self-Esteem, Self-Efficacy, Integrity, Resilience, Intellectual Humility and Personality; and four work outcomes – Person Job Fit, Person Organization Fit, Intention to Quit and Job Satisfaction. The data has been extracted from software engineers working in tier 1 IT firms in India (TCS and Infosys). Artificial Neural Networks in SQL Server 2012 have been used to classify the characteristics of each cadre of engineers useful in building predictive models of turnover and selection. The study confirms that there are specific individual traits which impact the work outcome of each cadre.
of engineers. For example, Intellectual Humility has significant impact on turnover intention and job satisfaction.

**Keywords:** Selection, Turnover, Artificial Neural Networks, SQL Server 2012, Indian IT, Predictive models, HR Analytics, HRM

**INTRODUCTION**

Modern form of personnel management also termed as human resource management is very recent, dating back to 1940s. (Flippo, The nature and challenge of personnel management, 1984) Human Resource Management (HRM) is the management of the core assets of a firm which is the “people”. (Bratton & Gold, 1998). They are termed as the resources of a firm, since they, by the virtue of their knowledge, skills and abilities, assume a variety of roles in a firm and provide the firm with a competitive advantage. The present business environment poses a number of challenges to HRM practices of the firm. Firms (Dessler & Varkkey, 2008) today need sophisticated HRM selection practices which focus on acquiring employees who are motivated, fit with their jobs and are committed towards better performance. Research suggests that selection decision should be based on individual differences (Chaudhary, Rangnekar, & Barua, 2012). Several researchers have suggested that individual differences influence individual work behaviour. These differences such as personal dispositional constructs like self-efficacy, experience, resilience, knowledge and intellectual humility etc. are important predictors of several work outcomes. Many leading firms too look for specific individual characteristics when they hire.

India is the world's largest sourcing destination for the information technology (IT) industry, accounting for approximately 67 per cent of the US$ 124-130 billion market. The industry employs about 10 million workforces. Cost competitiveness is the USP (unique selling proposition) of the sector, while the country is also gaining prominence in terms of intellectual capital with several global IT firms setting up their innovation centres in India. The Indian IT sector is expected to grow at a rate of 12-14 per cent for FY2016-17 in constant currency terms. However, it has been seen that when IT professionals in India acquire around four years of experience, they tend to move abroad or switch to other firms for better job opportunities. Turnover is defined as “Individual movement across the membership boundary of an organization”. (Perez, 2008) Turnover rates are expected to rise globally, with India experiencing the highest rate, where one in every four employees will switch jobs. (India in the eye of an employee turnover storm: Survey, 2013) This study was conducted by Hay Group, which predicted that starting from 2012, over a period of next five years, 49 million employees are more likely to leave their jobs. A report on Indian employee turnover suggests that maximum rate of attrition is among the knowledge workers (11% to 20%) because they indulge in job hopping due to high demand of their skills (Yiu & Saner, 2008). When an organization plans strategically and utilizes predictive analytics, it can curb turnover. (Elkjaer & Filmer, 2015) For example, organizational strategy will suggest talent requirement, which can be fulfilled through workforce planning. Post this, talent should be managed through development, borrow or hire options and at the same time, devise ways to retain the candidates. Then suitable action can be taken such as retention, engagement, career development and so on. Internal labor flows and correlation can depict the scenario quite well. Then statistical modelling can yield fruitful results such as which independent variables lead to turnover.

There are largely three classes of factors which cause employee voluntary turnover in a firm – psychological factors, economic factors and demographic factors. (Thite, 2010) Psychological
determinants are seen to have the largest effect on turnover intent. External factors, organizational practices and individual characteristics, each has an influence on employee turnover. (Elkjaer & Filmer, 2015) The most disturbing consequence of turnover is waste of financial investments. Researchers have suggested that there are three major components of financial cost occurring in an organization due to turnover. These have been depicted in the table below:

<table>
<thead>
<tr>
<th>Type of cost</th>
<th>Components involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separation cost</td>
<td>• Cost incurred for interviews&lt;br&gt;• Administrative functions related to termination&lt;br&gt;• Separation/severance pay</td>
</tr>
<tr>
<td>Replacement cost</td>
<td>• Advertising vacancy in various media&lt;br&gt;• Entrance interviews&lt;br&gt;• Meetings to take decision</td>
</tr>
<tr>
<td>Training cost</td>
<td>• Norms of conduct and performance&lt;br&gt;• Disseminating relevant information for organizational socialization&lt;br&gt;• Participation in on-the-job training activities</td>
</tr>
</tbody>
</table>

Source: (A. & Birati, 1996), (Perez, 2008)

With this information in hand, it is imperative to build a predictive model which suggests based on individual differences, who should be hired in the firm and who has intention to leave. This would be lead to longer retention period at the firm and lower the rate of turnover. The key is build predictive models: these will inculcate all the factors under study into a single predictor and deliver decision per individual. Therefore predictive model is defined as - “A mechanism that predicts behavior of an individual such as click, buy, lie or die. It takes characteristics of the individual as input, and provides a predictive score of an output. The higher the score, the more likely it is that the individual will exhibit the predicted behavior.” (Siegel, 2013). The most critical competency for human resources in 21st century form business perspective is to define HR metrics and deploy HR analytics. (Lussier & Hendon, 2015) According to a survey by SHRM, this field of analytics in HRM is going to explode in HR departments of all firms across the world. Many tools are used to apply predictive analytics namely decision trees, association rules, artificial neural networks, regression and so on. Each has its own areas of application and own set of limitations. For the purpose of this research, artificial neural networks has been utilised to predict who leaves and who should be hired for Indian IT firms based on their individual differences.

**LITERATURE REVIEW**

This section discusses recent researches that have been carried out on the aspects which are under research in this paper. The first section of literature review discusses individual characteristics which have been used for prediction in this study. This discussion is followed by work outcomes which form the dependent variables of the study or the deciding factor for prediction of ‘who’ stays and ‘who’ leaves. Thereafter the technique for prediction that is artificial neural networks have been discussed in detail.
1.1. Determinants of Individual Differences

1.1.1. Self-Esteem

Self-esteem has been defined as: “Self-esteem refers to an individual’s overall self-evaluation of his/her competencies. In other words, it is the degree to which an individual sees himself as need satisfying and competent.” (Pierce, Gardner, Cummings, & Dunham, 1989), (Rosenberg, Schooler, Schoenbach, & Rosenberg, 1995) Self-esteem at workplace is built primarily from three sources – reflected appraisals, social comparisons, and self-perceptions. When an individual builds his perception or evaluates self, based on other’s reaction to him/her, which is termed as reflected appraisals. This is like a glass reflection of how others view the individual. Another source of self-image is when an individual compares himself with others at the workplace and identifies similarities or differences. Finally what an individual does for the society or what he contributed, based on these he makes a judgement about his characteristics as an individual. This is termed as self-perception. It has been demonstrated through theory of self-determination that high self-esteem individuals tend to be efficient in making decisions, deciding their goals, are not reluctant to reach out to new people and hence are willing to take risks. (Lin, Wu, & Chen, 2015)(Koch & Shepperd, 2008) Self-esteem is directly impacted by social inclusion and feedback from other people and also competence. However, it should also be borne in mind that under threat, individuals with high self-esteem may become aggressive and unbearable by their colleagues or peers. High self-esteem individuals are secure about their negative and positive qualities and require no further opinion. However, when high self-esteem is fragile, they may become depressed or angry at receiving negative feedback. (Heatherton & Wyland, 2003) Individuals respond to life situations as an outcome of their self-esteem and hence organizational attitude too should be consistent with self-esteem. (Lee J. , 2003) Owing to decentralisation in firms, self-esteem is increasingly becoming a function of organization care which is defined as what organisation does to fulfill needs and interests of employees and valuing their contributions. So fairness at the organization and job authority through organisation care influences employee self-esteem and when this perception is positive, self-esteem is high. (McAllister & Bigley, 2002) Therefore, Self-esteem is not a stable trait, changes in the workplace impact the same.

1.1.2. Self-Efficacy

Self-efficacy is defined as: “Self-efficacy beliefs involve judgements of their capabilities to organize and execute courses of action required to attain designated types of performance.” - (Bandura, 1997), (Moynihan, Roehling, LePine, & Boswell, 2003) It is said that people who are high on self-efficacy take up challenges in their life and persevere to achieve their goals. In this manner, they bring up new ideas in order to attain their goals, no matter what the situation is. This makes them more successful and creative. They are persistent in achieving their tasks despite of obstacles. In most of the studies, creativity is not used as an individual trait, rather self-efficacy is used since it predicts creativity. Self-efficacy has been utilized as a research variable, because it is a vital driver of on the job performance in a variety of task settings. (Gong, Huang, & Farh, 2009). In Indian context, it is yet to be tested whether Self-efficacy is the strongest predictor of work performance or not, since people in India despite of low levels of Self-efficacy have better performance and are motivated. Individuals with low Self-efficacy are more easily influenced, so a poor HRD climate will impact their experiences who can give up quickly in trying times. (Chaudhary, Rangnekar, & Barua, 2012) When Self-efficacy is low in employees, HRD climate has a greater effect on their work related outcomes. Self-efficacy is seen to be a stronger predictor of work engagement. It is worth mentioning that beliefs about self-efficacy change with age, so appropriate workplace design is necessary for aged employees. Self-efficacy is also seen to be an important determinant of job satisfaction. (Schwoerer & May, 1996)
1.1.3. **Integrity**

Integrity can be defined as: “Social responsibility or integrity comprises of two factors – reliability and trustworthiness.” - (Winter & Barenbaum, 1985) Integrity tests (Sackett, 1994) are used to measure counter-productive or dishonest and deviant behavior at the workplace. Integrity tests have long been used in selection setting (Ones, Schmidt, Viswesvaran, & Lykken, 1996) for pre-employment testing. It is used to predict organizational behavior such as overall job performance and counter-productive behavior such as theft etc. In large organizations, it is important to test for integrity since when size of organisation is large, people do not connect to it and hence do not bother about any irrational behaviour they conducted. (Lasson& Bass, 1997) In IT sector, jobs demand content to be secured by the employees such as software codes of the clients cannot be shared irrationally. Therefore testing for integrity would enable placement of honest individuals on jobs with high security and dishonest ones on jobs with less security. (Ones, Schmidt, Viswesvaran, & Lykken, 1996)

1.1.4. **Intellectual Humility**

Humility has been typically defined as: “Humility is a set of abilities related to self-regulation across a variety of contexts.” - (Davis & Hook, 2014) Intellectual humility is being humble about one’s knowledge – neither diffident nor intimidating. (Samuelson, Jarvinen, Paulus, Church, Hardy, & Barrett, 2015) Humble people are seen to develop strong social bonds, enable one to cope with better physical and mental health and cope with personal or professional tragedies. An intellectually humble person does not have dispositional concerns, which is they are not bothered about claiming their merits since they are content with their accomplishments. They are wise and possess factors more than a wise individual possesses such as accepting and apologizing for mistakes. It is also found that IH person pursue knowledge for their own love of learning while intellectually arrogant individual does so for pride and social status. This trait has important implications for selection settings. Although it is believed that if an individual is humble in one domain, he will be humble in other domains as well, this is not true. If an individual is generally humble, he may not be intellectually humble. It is believed that self-report bias exists in the measurement of humility since individuals may brag about being humble, called the modesty effect. (Davis & Hook, 2014) (Hook, et al., 2015) Theories suggest that leaders are influential and hence should have high levels of intellectual humility. Being intellectually humble is also positively linked with the ability to forgive and that Intellectual Humility has predictive ability. (Hook, et al., 2015) Generally, humility can be judged through indicators termed as hallmarks of humility which are personal hallmark, freedom from distortion, and relational hallmarks. These can be used to gauge one’s level and presence of humility. (Chancellor & Lyubomirsky, 2013)

1.1.5. **Resilience**

Resilience has been defined as: “Successful adaptation of life tasks in the face of social disadvantage or highly adverse conditions”. - (Windle, 1999) Individual or ego-resilience has been defined as (Amir & Standen, 2011) the dynamic capacity of individuals to modify their characteristic level of ego control in response to a changing and demanding environment. Resilient individuals are curious, rational and inquisitive. (Narayanan, 2008) Studies also demonstrate positive linkage between resilience and extraversion dimensions of Big Five model of personality. Often resilient individuals are characterized by commitment, viewing change as an opportunity, sense of humor, optimism, faith,
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patience close attachment with others, adaptable, exercise control and set limits. It is important to note that (Naswall, Kuntz, & Malinen, 2015) resilience has been viewed as a development trait, rather than a stable trait. Therefore, if organizations provide a conducive environment, then resilience can be developed. In business, it’s often seen that resilient leaders have a sober and calm approach towards everything, which does not imply however that they are pessimistic. (Coutu, 2002) The essence lies in meaning making that is taking decisions that will significantly affect the whole life of an individual, even when situations seem hopeless. This is further linked with value systems of an organisation. Resilient firms often have a strong value system, which remains largely unchanged over time. Another construct underlying resilience is the ability to do recreate whatever is at hand, put it to some use (using imagination). At the same time, precision and rules and regulations too aid an organisation to bounce back in times of uncertainty.

1.1.6. Personality

Personality is defined as: “The sum total of ways in which an individual reacts to and interacts with others.” - (Robbins, Judge, & Sanghi, 2009) Personality is a reflection of behavior of an individual. In organizational context, if an individual is aware of others’ personality, then they can better deal with each other on interpersonal and professional front. Personality testing is widely used by organizations to recruit and screen the candidates. It is also widely deployed in so many other areas of HRM such as succession planning, career planning, team building and management development. Generally a survey instrument contains statements defining a particular situation and respondent expresses how he feels in context of that situation. Optimism is a construct of positive psychology and is related with life satisfaction, better health and adaptability. (Sharpe, Martin, & Roth, 2011) Optimism was found to be strongly correlated to four factors of Big Five model of personality except Openness.

1.1.7. Demographics

The demographics used in the study were age, tenure with the current firm, marital status, gender and location of posting same as homestate posting or not? Demographics are necessary for analysis to build a profile of respondents used in the study. Education was not included in the study since all the respondents were assumed to possess a basic engineering degree to be employed as software engineer in tier 1 IT firms of India.

1.2. Work Outcomes

Job satisfaction and PO Fit are significant predictors for selection screening process. Job satisfaction is defined as positive feelings about one’s job depending on person’s characteristics. It is also seen as pleasurable to positive emotional state, which impacts the experiences of an individual on job. Job satisfaction is an important indicator of employee success and turnover in an organization. (Lambert & Hogan, 2008)(Gregory, 2011)(Savery, 1996) PO fit was chosen as an outcome variable because it is a significant predictor of extrinsic and intrinsic measures of an individual success. (Bretz Jr. & Judge, 1992) In a study involving 227 IT sector employees such as software engineers, senior software
engineers, project managers and project architects, researchers found that Person-job fit has been associated with selection process while PO fit has been linked with selection and socialisation process. (Mouli, Subbarayudu, & Bharathi, 2013) In another study, researchers found theoretical evidence to suggest that individual will leave the organisation in which they feel they do not fit. Besides this, when individuals perceive their work to be meaningful, it enhances their self-esteem which in turn leads to lowered intention to quit. (Scroggins, 2008) It is also empirically demonstrated that individual and organization benefits from desirable individual characteristics such as proaction, only when individuals have high level of value alignment with organisation. (Erdogan & Bauer, 2005) Therefore individual traits although desirable, become beneficial only when person experiences high PO fit, which will make them act in a manner organisations want them to act; and high PJ fit, so that they have the necessary KSAs to be successful in their careers. PO fit has roots in ASA (Attraction selection attrition) framework proposed by Schneider (Schneider, 1987). It says that organisation is a situation which attracts people, and they become a part of it. Is they are good fit with it, they remain else they leave. Kristof (Kristof, 1996) gave four operationalisations to measure PO fit which is value congruence between individual and organisation, goal congruence between individual and leaders/peers; match between organisation systems and individual needs, and organisation personality which is the match between individual personality and organisational climate. Research (Sekiguchi, 2004) also suggests that PO fit and PJ fit are conceptually distinct constructs. Prescriptive approach says that hiring decisions need to go beyond PJ fit since employees hold multiple jobs during their employment, and job attitudes, which is the basis of PJ fit keeps on changing. As an alternative, PO fit is suggested to be used as selection approach. Descriptive theory suggests that PO fit plays a larger role in later stages of selection process. Also that cultures impact which type of fit is more relevant. Asian cultures being collectivistic in nature, PO fit might be more important that PJ fit in selection. So it is worth researching that at the time of hiring, PO fit is necessary because PJ fit can be increased through long term career development. (Lauver & Kristof-Brown, 2001) Several researches have established positive relation of PE fit and individual’s career involvement, job satisfaction, organisational commitment, and career success and negative relation to turnover intention. An important implication is that if employees fit with the organisation, they are “globally committed”, so if they don’t fit with one type of job, they can switch jobs within that firm. However if they do not then they can find similar job in some other organisation.

Studies suggest (Dharmaraj, 2012) that people who are satisfied with their jobs are happy people. Such people have positive feelings about their jobs and increased quality of work life. They also have increased productivity. In IT sector, challenging nature of job, effective communication between management and employees, clarity on role and content of job, empowerment and supportive management, career advancement opportunities, family friendly policies significantly and positively affect job satisfaction of employees. (Kim, 2009) Personality plays an important role in job satisfaction and these results are consistent globally. In addition to this, job satisfaction is not a static construct, it can be worked upon through adjustments. (Shirivastava, 1978)
1.3. Artificial neural networks

Artificial neural networks have wide range of applications in diverse areas of business management. Sales forecasts are impacted by promotions which traditional techniques or ANN cannot capture. So the study attempts to build a forecasting system which can handle such special cases. It also develops fuzzy neural network to capture vague data, such as expert opinion. ANN is a better tool than traditional ones, when deployed for long term sales forecast. (Kuo & Xue, 1999) ANN has also been found appropriate in all cases of time series data. Here first ANN has been employed to learn sales pattern from previous time series data. Authors suggest that ANN had been previously applied in several areas but had limited application in psychological decision making. (Carson, Bizot, Hendershot, Barton, Garvin, & Kraemer, 1999) It cites studies where researchers have constructed models to predict clinical admissions and exit, predict autism and mental retardation in children from parents’ interview and recommendations to career counsellor which he further made to his clients about career in science. Based from this, author tested whether ANN or discriminant analysis is more successful in modelling career counsellor recommendations based on scores from an aptitude test. Using both discriminant analysis and ANN, all profiles were categorised into occupational clusters. Discriminant analysis was found to not recommend some profiles to any cluster, which yielded a higher hit rate for the same, while ANN made all assignments and had better performance.

Artificial neural networks and fuzzy theory are fast being adopted for use in HRIS. (Huang, Huang, & Jaw, 2004) in a study conducted to develop a selection system for managers applied fuzzy neural networks. To understand individual performance in changing leadership, (Chen, Lin, & Kuo, 2002) modelled different interactions between people and their environment. At the level of organisational learning, individuals who balance themselves achieve better performance in changing leadership. ANN has been frequently used for customer segmentation such as (Lee & Shih, 2009) segmented dental patients into profitable and non-profitable ones based on their demographics, financial
status and frequency of visit. Another work by (Kaefer, Heilman, & Ramenofsky, 2005) segmented the consumers into good or bad based on their demographic profiles and past purchase behaviour. ANN also find immense applications (Paliwal & Kumar, 2009) in finance and accounting for areas such as fraud and theft detection, bankruptcy prediction, country risk classification, predict stock price performance and bond ratings etc., in engineering and manufacturing for cost estimation problems, software development effort estimates such as effort required to develop information system, for prediction such as predicting relationship between parameters of welding process or power produced by wind farms, accuracy of measurement machines, landslide mapping, surface roughness prediction and prediction of wearing rate of machines etc., and also in marketing as cited in above examples.

Studies have also compared ANN with discriminant analysis and logistic regression (West, Brockett, & Golden, 1997) in their power of predicting consumer choice. Further, it examines empirically if there exists a predictive relationship between retail store image and consumer behaviour. Here first logistic regression was used to select the variables whose connection weights in ANN were then analysed to consider which ones to eliminate (those whose weights were lower). Results suggest that for the two types of decision, the best trained ANN always outperformed discriminant analysis and logistic regression both for within samples and out of samples prediction. Findings also indicate that manager’s actions do have an influence on consumer perceptions of store image.

RESEARCH METHODOLOGY

2.1. Data collection and procedures

The current research work was ‘Descriptive’ because survey would be conducted to describe the selection characteristics and attrition characteristics, as they exist in the firm. Descriptive research design is described as: “A research study classified as a descriptive study attempts to describe systematically a situation, problem, phenomenon, service or programme, or provides information about, say, the living conditions of a community, or describes attitudes towards an issue.” (Kumar, 1999) This research design is most appropriate when an opinion or attitude of a population is to be inferred and described. It is the best approach when straight forward description of events is to be provided. (FluidSurveys, 2014)(Creswell & Poth, 2015)(Lambert & Lambert, 2012) In this study, survey administered contained structured questions to assess the personal traits (individual characteristics) of an individual, based on which, models for selection screening and attrition have been designed. Demographic data was collected using close-ended questions while attitudinal data for all scales was collected using 5 point Likert scale. In this study, software engineers working in tier 1 IT organisations make the target population. The study employed both random sampling and snowball sampling. Random sampling was used to select the initial set of respondents who were known to the author. The further referrals were drawn using application of snowball sampling. The survey was electronically forwarded to initial point of contact working in Infosys and TCS through Google forms and a link to the same was also posted on Facebook homepage of the author. Each respondent was then asked to forward the same to at least 10 people working in the same organisation or a point of reference in the other company TCS or Infosys. In this manner snowball sampling was incorporated. A total of 198 accurate responses were received after a period of 3 months.
2.2. Measures

For the purpose of this study, individual characteristics were first identified (as reported in subsequent chapters), which could be used as predictors in selection system and turnover system. These characteristics are the independent variables in this research namely self-esteem, self-efficacy, integrity, intellectual humility, resilience and personality. The dependent variables were the work outcomes viz. job satisfaction, Person-Organization fit, and Intention to quit. The reason behind using job satisfaction and person-organisation fit was to build a selection screening system. From the current working employees, the research attempted to uncover which individual characteristics makes an employee more satisfied with their jobs and feel more fit their organisations. Then these factors can be utilised to screen candidates before hiring in future. Job satisfaction is used as a predictor since it is predictive of several work outcomes such as on job performance, work attitudes like morale, commitment and employee success. (Lambert & Hogan, 2008)(Gregory, 2011)(Savery, 1996) PO fit was chosen as an outcome variable because it is a significant predictor of extrinsic and intrinsic measures of an individual success. (Bretz Jr. & Judge, 1992) PO fit is related with number of positive work related outcomes. Intention to quit was used in modelling attrition since it is a subjective probability or a reflection of individual’s state of mind that he will change his job within specific time span. (Sousa-Poza & Henneberger, 2002) Actual turnover has been linked with turnover intent and as intention to quit rises in a firm, so does actual turnover, since the intention can capture the perceived alternate opportunities for job available to an employee (Mobley, Griffeth, Hand, & Meglino, 1979). Standardised scales were taken for all the work outcomes and individual characteristics under study. The source of the scales for each measure and their Cronbach alpha value to demonstrate their reliability has been specified below. Cronbach’s alpha is a measure of internal consistency reliability which takes average of all possible split-half coefficients by splitting scale items in as many ways as possible. This coefficient can take values from 0 to 1 and a value for a scale less than 0.6 is considered unsatisfactory. (Malhotra, 2004) In this study, Cronbach’s alpha was determined for each scale using SPSS. The values for each scale came out to be more than 0.6 and hence were deemed satisfactory. Content validity is defined as “A type of validity that consists of a subjective but systematic evaluation of the representativeness of the content of a scale for the measuring task at hand.” (Malhotra, 2004) Content validity involves subjective evaluation of the scale either by the researcher or an expert. Although it is limited by subjective bias and difference of opinions of evaluators, it is still widely used. (Kumar, 1999) All the scales being already standardised, were content validated by HR academicians and industry experts.

2.2.1. Intention to Quit: Intention to quit within one year measures turnover. This was measured using three items scale that assesses tendency of an employee to continue with the current organisation. (Chatman, 1991)(Cable & Judge, 1996)(Scruggins, 2008)The items were assessed on a five point Likert scale and average score for all items was used for final analysis in the study. Cronbach’s alpha for this scale was reported to be 0.716.

2.2.2. Person-Organisation Fit: Person organisation fit was measured using four item scale developed and validated in (Saks & Ashforth, 1997). The items were designed to measure specific aspect of organisation fit such as value similarity with the firm and individual personality and organisational image match. The items were assessed on five point Likert scale and average score for all items was included in final analysis. Cronbach’s alpha for this scale was reported to be 0.695.(Cable & Judge, 1996)(Lauver & Kristof-Brown, 2001)
2.2.3. **Job Satisfaction:** Job satisfaction has been measured using five item scale given by Brayfield-Rothe. (Judge, Van Vianen, & DePater, 2004) The scale measures difference between what the job offers and expectations of the employee from the job. (Lauver & Kristof-Brown, 2001) An example item is “I feel fairly satisfied with my present job.” (Erdogan & Mauer, 2005) Cronbach’s alpha value for this scale came out to be 0.750

2.2.4. **Integrity:** IPIP which is International Personality Item Pool was used to derive scale for measuring integrity. This scale has been constructed from responsibility and stability scale from CPI which is California Psychology Inventory. IPIP items are available for open access. This measure is overt in nature in that it doesn’t clearly state the purpose of the test. (Lasson & Bass, 1997) (Martin, Rao, & Sloan, 2009) Cronbach’s alpha value for this scale came out to be 0.841

2.2.5. **Intellectual Humility:** The scale used to assess intellectual humility has been taken from (Elroy, et al., 2014). They developed the scale which has 16 items and can be divided into two constructs – Intellectual openness and intellectual arrogance. The scale relates to agreeableness and openness dimensions of personality implying construct validity. Cronbach’s alpha value for this scale came out to be 0.778

2.2.6. **Resilience:** The scale used in the study has been taken from (Naswall, Malinen, & Kuntz, 2014) consisting of 9 items. Responses were gauged using 5 point Likert scale. The items in the scale are consistent with Connor-Davidson resilience scale. (Connor & Davidson, 2003) Cronbach’s alpha value for this scale came out to be 0.791.

2.2.7. **Self-Esteem:** General self-esteem was measured in this study because selection settings have its basis in general rather task-specific self-esteem. (Saks & Ashforth, 1997) Cronbach’s alpha value for this scale came out to be 0.670

2.2.8. **Self-Efficacy:** Instrument used to assess self-efficacy was taken from IPIP. (Martin, Rao, & Sloan, 2009) The psychometric properties of the scale have been validated by Goldberg and colleagues in different research studies. (Goldberg, Johnson, Eber, Hogan, Ashton, & Cloninger, 2006) Cronbach’s alpha value for this scale came out to be 0.787.

2.2.9. **Personality:** Personality has five underlying dimensions namely Extraversion, Neuroticism, Openness to experience, Conscientiousness and Agreeableness. A shorter version to measure personality ‘TIPI’ which has two items for each construct has been used in this study. Each item contains bipolar scale where respondent marks his preference towards the items using five point Likert scale. An average score is computed for each item. Cronbach’s alpha value for this scale came out to be 0.833

2.3. **SQL Server 2012 Neural Network Mining Algorithm**

When the relationship between independent and dependent variables is complex, tools such as general linear models or artificial neural networks are used. Artificial neural networks are used to model any type of complex functional relationships and do not require to pre-specify the relation between covariates and response variables. A normal human being has $10^{11}$ neurons and there are $10^4$ synapse/neuron.
A typical composition of biological neural network is shown in figure 2. Each neuron receives signals from synapses and for a period of latent summation which is a brief interval, it sums all the inputs it has received at neurons to which it will then respond. There are two sorts of impulses – excitatory and inhibitory. When excitatory impulses exceed inhibitory impulses by threshold value which is 40mV, neuron fires.

![Figure 2. Composition of one biological neuron. (Source.(Zurada, 1992))](image)

A major difference of neural networks from digital processing is that in digital processing signals are synchronised while they are not so in neural networks and transmission in neural networks occur in the form of binary signals. The same processing of a biological neural network is modelled using ANN and general topology of the modelled neural network is depicted in figure 3.

![Figure 3. Topology of Artificial Neural Network (Source: Author)](image)
An artificial neural network has multiple layers – one layer is the input layer, second layer is composed of one or more hidden layers and third layer is that of output or response variables. The input layer can contain one or more covariates while the output layer contains one or more outputs. The hidden layer can have more than one sub-layer. The output in ANN is computed as the weighted average of the inputs. More the weight of an input more is the contribution of that variable towards output. The observed data is used to train the network and ANN learns the functional relationship by adjusting weights for each input in multiple iterations, till least error stage is reached. Many models have been defined to compute the weighted average and decide on the number of iterations, as discussed in chapter on introduction.

ANN in SQL Server 2012 uses multilayer perceptron to model functional relationships. Here the output is a simple nonlinear function of sum of inputs. Weight of input describes its importance in determining output. If weight is negative, it inhibits the output rather than activating it. Multilayer perceptron (Gunther & Fritsch, 2010)(Zurada, 1992) is like a directed graph which has nodes and directed edges. A representation of MLP typology is shown in the figure 4.

Each node represents one neuron and covariates are represented by single neuron each. Similarly in output layer, response variables are represented by one neuron each. The hidden layer is termed so because it cannot be observed in nature, this is also referred to as black box nature of ANN. Another neuron termed as constant neuron represents an intercept similar to intercept in regression, which represents variation not directly arising from any covariate. The connection (directed edge in graph) between two neurons is called synapse. Theoretically any number of covariates and output variables are possible to be included in ANN.

There are two functions operating in this network – integration function and activation function. A weight is attached to each synapse between input and hidden layer and hidden to output layer. The data passes as signals through the networks the weights are adjusted till desired minimum error is reached. Integration function combines all input signals while activation function transforms the aggregated input into output.

Figure 4. ANN with two input neurons, three hidden neuron in one hidden layer and one output neuron. Source. (Gunther & Fritsch, 2010)
The simplest MLP (multi-layer perceptron) has n input variables and one output neuron and no hidden layer. The output is computed as follows:

\[ o(x) = f\left(w_0 + \sum_{i=1}^{n} w_i x_i\right) = f(w_0 + \mathbf{w}^T \mathbf{x}) \]

In the above equation, \(w_0\) depicts the intercept, \(x\) represents set of all covariates and \(w_i\) represents set of all synaptic weights. This is simply an extension of GLM which has link function \(f^{-1}\). It is seen that this is simply equivalent to regression parameters computed by GLM. When hidden layer is included which has J hidden neuron, then the function computed becomes as under:

\[ o(x) = f\left(w_0 + \sum_{j=1}^{J} w_j \cdot f\left(w_{0j} + \sum_{i=1}^{n} w_{ij} x_i\right)\right) = f\left(w_0 + \sum_{j=1}^{J} w_j \cdot f\left(w_{0j} + \mathbf{w}_j^T \mathbf{x}\right)\right) \]

In this case again, \(w_0\) depicts the intercept for output neuron, while \(w_{0j}\) represents intercept of \(j\)th hidden neuron. \(x\) represents set of all covariates and \(w_j\) represents set of all synaptic weights leading to \(j\)th hidden neuron. So the integration function simply computes the weighted average. It is shown in MLP that when piecewise continuous function are to be modelled, one hidden layer is sufficient. (Hornik, Stinchcombe, & White, 1989) The activation is generally a bounded non-decreasing nonlinear and differentiable function. The commonly used functions are logistic function or hyperbolic tangent function. A typical activation is

\[ f(x) = \frac{2}{1 + e^{-\alpha x}} - 1 \]

\[ f(x) = \text{sgn}(x) = \begin{cases} -1, & x < 0 \\ 1, & x \geq 0 \end{cases} \]

The first equation simply represents a squashed signed function with different curves which vary with different values of \(\alpha\). As \(\alpha \to \infty\), function \(f(x)\) becomes \(\text{sgn}(x)\). The first equation is termed as bipolar continuous function while second equation is called as bipolar binary function. They are also said to display sigmoidal characteristics.

An algorithm in neural network assigns weights and then after computing the weighted output compares it to actual output provided in training data. Then corrections are made in weights and comparison is made again till least error state is reached. This process is called supervised learning. The following steps are utilised in neural network for weight training or supervised learning:

- Initially all weights are set to random values which are drawn from a normal population or set to user specified values.
- Now the algorithm in the neural network computes the output from the given set of inputs and these weights. If the training is incomplete, the output will differ from observed output.
- The network therefore computes and error function \(E\) which can be sum of squared errors (SSE) or if the output is binary, then cross-entropy is computed.
Predictive Analytics in Human Resources – Applying Artificial Neural Networks to Predict ‘Who’ Quits and ‘Who’ Stays in Indian IT Firms

The above process specifies traditional back propagation algorithm. Another algorithm resilient back propagation algorithm is a slight variation of back propagation. In this gradient or derivative or error function is computed and attempt is made to reach the local minima of error function. Correction to weights is applied by moving in the opposite direction to that of local minima. If the partial derivative turns out to be negative, the weight is increased else weight is decreased. The quantity which is added or subtracted for weight adjustment is termed as learning rate $\eta_k$. In traditional back propagation algorithms, learning rate is fixed, while in resilient algorithms, learning rate and sign of partial derivative is used for weight adjustment, which ensures balanced learning for whole network. The weight adjustment in traditional back propagation algorithm is done as per rules mentioned below:

$$w_k^{(t+1)} = w_k^{(t)} - \eta \frac{\partial E(t)}{\partial w_k^{(t)}}$$

The weight adjustment in resilient back propagation algorithm is done as per rules mentioned below:

$$w_k^{(t+1)} = w_k^{(t)} - \eta_k^{(t)} \cdot sign \left( \frac{\partial E(t)}{\partial w_k^{(t)}} \right)$$

Here $t$ represents the step of iteration while $k$ represents the weights.

Another variation is resilient back propagation with weight backtracking, which allows the algorithm to move to one previous stage in case a minimum is missed. A pseudocode (Reidmiller & Braun, 1993) for the same is presented below:

```plaintext
for all weights {
    if (grad.old * grad > 0) {
        delta := min (delta * eta.plus, delta.max)
        weights = weights - sign(grad) * delta
        grad.old := grad
    } 
    else if (grad.old * grad < 0) {
        weights = weights + sign(grad.old) * delta
        delta := max (delta * eta.minus, delta.min)
        grad.old := 0
    } 
    else if (grad.old * grad = 0) {
        weights = weights - sign(grad) * delta
        grad.old := grad
    }
}
```
In Microsoft SQL Server 2012, a multilayer perceptron network called a back propagated delta rule network is deployed. Here the output is computed simply as a non-linear function of sum of inputs. The algorithm deployed is conjugate gradient algorithm where weight adjustment is done until minimum of error function is reached. This approach is called adopting a negative gradient descent method that is moving in direction opposite to the direction of gradient. Mathematical description (Xuming, Mingyuan, Qian, Li, Zhongyi, & Lin, 2016) of the ANN model used in the study is as follows: Using initial set of random weights, outputs were computed and chain rule was used to compute the partial derivative of the error function for the difference between computed and observed output. The chain rule therefore basically establishes the relation between changes in independent variable and output variable. Using a training dataset provided to the network, this error function was allowed to drop which is called negative gradient descent method. Each training sample had a set of inputs and outputs. All inputs and outputs were collected on 5 point Likert scale where 1 denotes Strong disagreement and 5 indicates strong agreement. Therefore for each input and output, the data was coded into three discrete values – H, M, L implying High, Medium and Low respectively. This data was used to train and supervise the neural network. The algorithm works as discussed before.

Some of the parameters of the neural network (Technet) in MS SQL Server 2012 can be customised. The maximum input and output attributes can be restricted using the features MAXIMUM_INPUT_ATTRIBUTES and MAXIMUM_OUTPUT_ATTRIBUTES. The maximum value is 255. The number of hidden nodes can be specified using the HIDDEN_NODE_RATIO parameter. However this specifies the ratio and the number of hidden neurons is computed as product of the ratio and square root of product of input and output neurons. By default, this value is set at 4.

To view the data, two views are provided by SQL Server – Microsoft Generic Content Viewer and mining model viewer. The mining model viewer depicts the input attributes, output variable and key influencers and the values that those variables take. The generic content viewer is used to understand the technical aspects of the model. For example, if the model contains some patterns or clusters, it is contained as a node in generic view. So, each node in generic content view represents a network in itself. In this some technical terms which are of importance are: Model_Catalog which specifies the database from which the model is populated. Model_Schema is always null since it is useful only when partial view of the database is used. Attribute_name represents the attribute which corresponds to that node, Node_Type specifies the pattern is occurring at which node that is at hidden, output or input node, Node_Distribution is the table which has probability histogram for the node and Node_Support which implies the number of cases appearing for or supporting that particular pattern.

2.4. Construction of SQL Server 2012 ANN mining model

The structure of the neural network model is used in this study is as shown in figure 5.
The data for software engineers collected on 5 point Likert scale through Google forms was stored in an excel sheet. This sheet was downloaded from Google Drive. For construction of neural network mining model, first the data was exported from excel sheet to a SQL Server 2012 table. For this purpose, a Integration Services project was created in SQL Server 2012 Data Tools (SSDT) which extracted the data from excel sheet and loaded it into the table. A mining model in neural network always requires an identifier field, so it was added anew at the time of table creation. This field is simply a sequence number for each row. After successful completion of Integration services project (successful loading of data into the table), another new project was created to build the mining model. This was created as Analysis Services project in SQL Server 2012 Data Tools. This project used the table as the data source. The input, key and predict columns were specified in the model and finally it was executed.

SQL Server 2012 mining model output displays for a pre-specified target variable, the key influencers (input factors and their value which have maximum impact on target state) with following statistics: ‘Score’ which depicts the overall importance of the variable for discriminating between different outputs, ‘Probability’ of occurrence of given input variable state for different values of the target variables, ‘Lift score’ which depicts the relative importance of the variable if used for prediction of target variable.
RESULTS AND DISCUSSION

The figure 6 depicts the key individual characteristics which impact the level of job satisfaction and perceived person-organization fit of engineers at level-1 in IT firms. These traits have been mined by application of ANN as a data mining tool to the data collected for software engineers. The numbers shown against each trait on the arrow represent the score derived from ANN output. The score signifies the importance of the characteristic in the entire model. Higher the score, higher is its influence on the target variable and better is its predictive power towards the output. Only the factors which have value of scores greater than 50, are included in the model. It is proposed that those traits which are predictive of high levels of Job satisfaction and perceived person-organization fit should be used for selecting candidates during initial screening while the traits which are predictive of low levels of Job satisfaction should be used for rejecting candidates during initial screening.

The most significant predictors of job satisfaction in IT firms are resilience, emotional stability and agreeableness. Resilience has been statistically and significantly linked to job satisfaction. (Lumanlan, 2013). Resilience is the ability of an individual to spring back despite the challenges and pressure in one’s life. Resilience is not a stable trait that is, it can be developed over time, so organizations should seek to recruit and train resilient staff. (Hudgins, 2015) Resilient individuals are effective in problem solving; tend to be happier and therefore successful in professional and personal life. (Diener & Dweck, 1978)

IT firms are full of stressful circumstances. Burnout is a common phenomenon in IT sector owing to heavy schedules and tight workloads. Complexity of technologies and lack of expertise in any given field of an IT professional adds to his burden of proving competence time and again to stay in the market. Only a resilient individual can thrive in such conditions, time and again bouncing back and proving his worth. (Norton, 2011) It has been observed by researchers that environmental factors like relationship with friends and peers, experiences in childhood build up and are predictive of an individuals’ resilience in the later years of life. Sociability too has been linked to resilience, in the sense, that those who are outgoing create more positive emotions paving way for a positive life, better life attitude and hence resilience.

It can be seen from the ANN output that when individuals are married, it significantly affects their job satisfaction levels negatively. However, the reverse cannot be said affirmatively that is it’s not always the case that an unmarried individual will have lower job satisfaction. (Azim, Haque, & Chowdhury, 2013) Marriage brings in additional responsibilities of the family, which requires of a person a steady income. At the same time, role conflict might occur in such situations since now the person needs to manage both at home and at the professional front. (Saner & Eyupoglu, 2013)

Personality traits seem to have significant impact on levels of job satisfaction. (Tesdimir, Asghar, & Saeed) Extraversion and emotional stability have a positive impact on job satisfaction, while other three traits of personality did not have a significant impact. (Furnham & Zacheri, 1986) Studies have established that differences in personality are important in differentiating one’s level of job satisfaction. The highest relating factor is openness to experience, followed by agreeableness and extraversion and finally neuroticism and conscientiousness. (Said, Abukraa, & Rose, 2015) In this research work, job satisfaction is influenced significantly by emotional stability, agreeableness, followed by conscientiousness. When emotional stability is high, job satisfaction is also high (as is seen for all cases). However, when emotional stability is variable (takes low or average values), job satisfaction
levels are not assured. So firms need to look for individuals with high emotional stability. But if this is variable, then other factors of selection should also be taken into account. Emotional stability reversely termed as neuroticism is the ability of an individual to take life positively and stay cheerful. The findings are consistent with previous research works. Although no conclusive statement about the nature of relation between emotional stability and job satisfaction has been proposed, it has been sufficiently established that both are related to one another. (Salgado, 1997) (Judge & Bono, 2001) Conscientiousness and extraversion are positively and moderately correlated with job satisfaction, weakly correlated with openness and agreeableness and negatively correlated with job satisfaction. (Judge, Van Vianen, & DePater, 2004) (Barrick, Mount, & Judge, 2001) Also neuroticism or emotional stability is a stable trait which implies that while hiring organizations should specifically look forward to hiring individuals with positive emotional stability. (Costa & McCrae, 1988) (McCrae, 1993)

![Figure 6. Model depicting key Individual Characteristics useful for building Predictive Selection Screening System for Software engineers in Indian IT firms](Source: Author)

When Intellectual humility is low, it is seen in this work that job satisfaction is also low; but same cannot be said otherwise when intellectual humility is high. Software services are a knowledge
intensive sector. In IT sector, performance is solely dependent on one’s knowledge. (Martinez-Fernandes, Soosay, Krishna, Turpin, & Bjorkli, 2005) Moreover, passing on the knowledge to one’s teammates and being aware of one’s knowledge limitations and admitting the same is extremely crucial in this sector. This implies the importance of intellectual humility in IT services. Besides, when these software engineers will be promoted as team leads in their organizations, their intellectual humility will impact the job satisfaction derived by their team members (subordinates in team). Employee response is positive towards ethical leadership when leaders demonstrate intellectual humility, empower subordinates, and implement reward systems. (Yates, 2014) Probably this is the reason that when intellectual humility is low, one is at conflict with one’s own self and hence experience low job satisfaction.

A rather surprising finding is that when integrity is high, job satisfaction is low. Integrity of employees can be maintained through enforcement of laws, rules, regulations and procedures and cannot be controlled through prevention, monitoring and accountability. So, when integrity is maintained, employee job conduct is smoother and hence job performance and satisfaction are better. (Akir & Malie, 2010) Many other researchers have suggested linkage of leader integrity with job satisfaction. When employees perceive organization and leadership to be integral, job satisfaction of employee automatically goes up. (Harper, 2014)(Awaludin, Adam, & Mahrani, 2016) Probably in the organizations under study, for the engineers who are at first level of their jobs, they are experiencing some conflicting factors which are making them dissatisfied with their jobs despite of high integrity. This perspective requires further investigation.

Two important findings for PO fit are with respect to gender and tenure. Males seem to have low levels of PO fit (80% of male respondents) than females. Also, it is seen that, if service duration of a person exceeds 3 years, his level of fit with the organization decreases. But if the age is between 40 to 50 years and tenure is greater than 5 years, and the person is still at starting level of software engineer services, his PO fit is high. This may be because his age and lack of career growth has restricted the number of avenues available to him to switch jobs and therefore he is comfortable with present organization. The construct ‘PO Fit’ has generally been operationalized as value congruence of the individual and the firm. However values are distinct from personality and hence it is reasonable to assess PO fit from a personality point of view. (Ryan & Kristof-Brown, 2003) This is also because what one values might change over time with age and experience and so would level of PO fit, if assessed from a values perspective. Only agreeableness and conscientiousness seem to play a significant role in the PO fit determination. Individual’s need for achievement shadows organization size, rewards centralization and aids in achievement of better PO Fit. (Hall, Schneider, & Nygren, 1975)(Mortimer & Lorence, 1979) However, if this fit is derived by an individual based on some organizational characteristics, his personality might change over time such that that characteristic is no longer useful, although such a case has an extremely low probability of occurrence. (Turban & Keon, 1993)(Conley, 1984)

Unmarried individuals have higher PO fit than married individuals. The result for intellectual humility is consistent with the findings for job satisfaction that when intellectual humility is low, PO fit is low. This can be due to lack of sufficient knowledge to thrive in the organization. When resilience is high, PO fit is also high. This is because of the adaptability of the resilient individual to stay happy and resilient irrespective of situations. When individuals have high emotional intelligence skills viz. integrity, resilience, it positively affects their value congruence with organizational setup and hence plays a major role in hiring and retaining. (Bates, 2009) Personality traits which seem to impact PO fit
are conscientiousness, openness, and agreeableness. This implies that if an individual is organized and achievement oriented, open to new experiences (even if moderately) and cooperative and trustworthy, his level of fit with the firm would be high and hence should be selected. Highly conscientious individuals have stronger job choice decisions and hence higher PO fit. (Resick, Baltes, & Shantz, 2007) They also had higher chances of job offer acceptance. (Ryan & Kristof-Brown, 2003)

Self-esteem and self-efficacy moderately influence PO fit levels of individuals. Self-efficacy is a belief about one’s ability to perform a task. Therefore, self-efficacy impacts the work performance and related perceptions of the work performance. So if an individual attributes his performance solely to his abilities, then probably the role of fit with organization (PO Fit) does not matter much since now the individual might look at other job alternatives in lieu of his abilities in demand. In light of the same, study also proposes that if abilities of an individual are in demand in the market, his self-esteem would rise, resulting in a lesser PO fit since he might opine that the current firm is limited in its offerings. (Boon & Biron, 2016) Although self-esteem (in what regard an individual holds himself) has been linked to individual performance and success, no causation for the same has been established till date. (Baumeister R., Campbell, Krueger, & Vohs, 2003) High self-esteem is seen to be the breeding ground for initiatives and pleasant feelings, which might be the reason for linkage of high self-esteem to high levels of PO fit in this study.

The factors depicted in the figure 7 below have been extracted from ANN output. Clearly they list the individual characteristics which have significant impact on individual’s intention to quit and hence should be used to build predictive turnover model.

![Figure 7. Model depicting individual characteristics impacting Intention to Quit for software engineers in Indian IT firms](Source: Author)
Of higher concern for turnover intent are the factors: Age, Agreeableness, Openness to Experience, Integrity and tenure with the firm. If an age group is greater than 40 years, then probably being still at starting level of the IT firms at higher age probably causes frustration among the individual and raise his turnover intent. Those who are not agreeable and have high risk taking ability and are open to new avenues, too have higher intentions to quit. Both agreeableness and extraversion have been found to have reverse relation with intention to quit. (Deswani & Dave, 2013) Except emotional stability, all other four dimensions of personality have been positively related with turnover intent and is seen to be a significant predictor of the same. The findings of this study are consistent with earlier ones in saying that agreeable individuals are likeable and get along with others easily and therefore have better interpersonal relations which in turn lowers their turnover intention. Extroverts too seek new information, like to meet new people and adjust to new experiences, so they tend to minimize their intention to leave the firm.

Work in IT sector demands commitment, intellect and originality, which is what an individual open to experiences would do. Therefore, openness to experiences increases their job commitment and lowers turnover intent. (Mayende & Musenze, 2014)(Zimmerman, 2008) Besides, they have been with the firm for more than 3 years and are still due for promotion and have average integrity. Although tenure indicates loyalty to the firm, in IT sector, it is not always the case. This is because higher tenure implies a higher skill set and hence better job alternatives and compensation. This is one of the reasons why longer tenure builds up the intention to quit among employees. (Mayden, 2014)(McNall, Masuda, & Nicklim, 2010)

On the other hand, when individual is married, but has average self-efficacy, then probably he is secure of holding a job at least to bear family costs and therefore his intention to quit is lower. So, largely financial obligations post marriage lowers one’s turnover intentions. (Emiroglu, Akova, & Tanriverdi, 2015) (Carbery, Gravan, O'Brien, & McDonnell, 2003)

LIMITATIONS AND IMPLICATIONS FOR FUTURE RESEARCH

For software engineers, most important parameters for screening candidates at the time of selection should be:

- Personality Traits – Highly emotionally stable, High Agreeableness, High Conscientiousness, More than average Openness to Experience
- Resilience should be High
- Intellectual Humility should be more than Average

Such individual characteristics would ensure high job satisfaction and perceived Person-organization fit in the selected employees. In addition, firms should also lookout for individuals with the following traits in software engineers:

- Low levels of Resilience
- Low levels of Integrity
- Low levels of Intellectual Humility
- Low levels of Self-Efficacy
- Personality – Low Conscientiousness, Low Emotional Stability
- Married individuals
Such individuals have a tendency to have low job satisfaction, low perceived person-organization fit and a higher tendency to leave the firm. Here High, Low and Medium have the same interpretation as in data analysis. It is assumed that these traits are assessed on the same scales as used by the author and which have been attached in the Annexure.

IT firms are full of stressful circumstances. Burnout is a common phenomenon in IT sector owing to heavy schedules and tight workloads. Complexity of technologies and lack of expertise in any given field of an IT professional adds to his burden of proving competence time and again to stay in the market. Only a resilient individual can thrive in such conditions, time and again bouncing back and proving his worth. (Norton, 2011) In this research work, job satisfaction is influenced significantly by emotional stability, agreeableness, followed by conscientiousness. When emotional stability is high, job satisfaction is also high (as is seen for all cases). However, when emotional stability is variable (takes low or average values), job satisfaction levels are not assured. So firms need to look for individuals with high emotional stability. But if this is variable, then other factors of selection should also be taken into account. In this research work, job satisfaction is influenced significantly by emotional stability, agreeableness, followed by conscientiousness. When emotional stability is high, job satisfaction is also high (as is seen for all cases). However, when emotional stability is variable (takes low or average values), job satisfaction levels are not assured. So firms need to look for individuals with high emotional stability. But if this is variable, then other factors of selection should also be taken into account. Probably in the organizations under study, for the engineers who are at first level of their jobs, they are experiencing some conflicting factors which are making them dissatisfied with their jobs despite of high integrity. This perspective requires further investigation. Unmarried individuals have higher PO fit than married individuals. The result for intellectual humility is consistent with the findings for job satisfaction that when intellectual humility is low, PO fit is low. This can be due to lack of sufficient knowledge to thrive in the organization.

General recommendations for the study are that in addition to assessing PO fit, PJ fit too should be measured. It has been cited in research works that for organizations should hire and retain people who have high PO and PJ fit. However, if organization directs attention to increasing PO fit, while their PJ fit is low, then probably retention is aimed at those candidates who have poor on job performance. On the other hand, improving PJ fit for those who have a low PO fit, will result in behavior issues with contextual environment. So this raises the importance of socialization and training all the more for employees' post entry into the firm. (Lauver & Kristof-Brown, 2001) While socialization aims at enhancing the PO fit, training improves knowledge, skills and abilities which in turn improve both PO and PJ fit. This also has implication for employees – they should examine their PO as well as PJ fit and then decide whether they are looking for a change in job or change in firm. In case of job change, job rotation within the current firm might resolve the problem.

Organizations should hire individuals who have creative personality – high self-efficacy, openness to experience and PO fit is also high, during hiring and selection. (Erdogan & Mauer, 2005) This is because such individuals have a tendency to solve problems and are consistent with organization values. They move according to organization directions, are generally satisfied with their job and career and are easy to retain. However, when the personality is not creative and PO fit is low, then despite of new ideas and challenges, they might feel invaluable to the firm and become dissatisfied building up their tendency to leave.
Another construct included in the study ‘intellectual humility’ is important in leader-subordinate relationships as well as in general relations. When a person is perceived as intellectually arrogant, opportunities to others to cooperate become limited, while intellectually humble build trust and add strength to relations. Intellectually humble leaders are perceived as fair and democratic else negative word of mouth may tarnish their reputation and deplete their followers. (Elroy, et al., 2014) Thus, it follows that intellectually humble people should be hired to strengthen relations, especially in team settings and prevent and positively handle conflicts. An intellectually humble person is seen to be both knowledgeable and humble. The main point of difference between wise and intellectually humble person is humility/modesty/intelligence dimensions. An intellectually humble person has desire for knowledge and love of learning. Although wise individuals are also social, they are not generally open minded which intellectually humble are. (Samuelson, Jarvinen, Paulus, Church, Hardy, & Barrett, 2015) They are both good listeners and thoughtful and are also unselfish, kind and considerate. These traits are highly important for IT settings, especially at higher positions. So, organizations should seek to hire intellectually humble people.

It is known that integrity tests can be faked. Therefore, it is important to ascertain the genuineness of self-report integrity behavior by correlating with conscientiousness dimension of personality since they two are similar in construct. (Byle & Holtgraves, 2008) Second, it is important to assess integrity, since it is predictive of counterproductive behavior and workplace deviance. At the same time, firms should seek to hire individuals with high conscientiousness since they are likely to follow rules and procedures and indulge in less non-integral behaviors. Another important consideration is that perception of fairness of treatment of an employee by the organization also affects workplace deviance. (Lasson & Bass, 1997) If the employee perceives injustice, it tampers their integrity and then they display workplace deviant behavior. So even if organizations hire integral employees, it doesn’t guarantee they would not indulge in deviance. Therefore, care should be exercised that they are treated as fair and equal in the firm.

Resilient individuals have less impulsivity, endure more, understand more, are more affiliating, and are rational. Research has shown that resilient children thrive in biological adversities as well. They are also seen to be more sociable, better at reasoning and problem solving, persevering and invest longer time in work and exhibit patience. An important finding is that resilience and personality reinforce each other. This has great consequence for the firm. An individual with a cheerful disposition views lighter side of negative events as well and takes the matter in most right spirits which influences their resilience. (Naranayan, 2008) Also, it is important to note that resilience is a dynamic construct and can be improved by interventions. So organizations should not only hire resilient individuals, but also invest in programs targeted at improving employee resilience.

As in any research work, this study too has its own set of limitations which also pave way for new areas of future research. The current study is limited by the sample size. The number of software engineers working in both the firms is in tens of thousands while the total sample drawn is only 198. This is owing to low response rate and difficulty in reaching out to software engineers. This limits the generalization of the study. In addition to this, geographical diversity of both the firms is not taken into consideration. Although, questionnaire was administered electronically and was not targeted to a specific location; it cannot be said with confidence that all locations of both organizations in India were completely covered by the survey. Also, both the firms have offices outside India in other countries as well. These cross cultural factors too impact intention to quit and work outcomes. These were not
incorporated in this study. Sample size also posed a limitation on the efficiency of artificial neural networks. The efficiency of these techniques is directly proportional to sample size, that is, the larger the sample, more efficient the technique is. The study was conducted using survey where data were collected based on self-report on a five point Likert scale. However, self-reporting is often distorted owing to bias, prejudices, and incomplete responses. Some items were deliberately kept small to reduce the length of the instrument and hence the time required in completion. This has chances of introducing measurement errors and hence constraining some relationships between variables. Scales used to measure different items have their own set of limitations since they are limited in application and scope. Although the scales are validated before incorporation in research implying that they measure accurately what they are intended to measure, it is limited by the timing of observation. That is the trait to be measured could be influenced by a number of factors and measured perception might not reflect the true state of behavior of an individual. Intellectual humility is one such scale which is influenced by identification with certain groups, tend to exhibit negative emotions such as insensitivity which further promotes negative actions like display of arrogant behavior or false superiority. (Elroy, et al., 2014) Another important influence is when an important decision needs to be taken and both individuals are emotionally involved in the same. In the context of relationship with leaders, they need to display intellectual humility, to be perceived as democratic and fair, else negative reputation flows. Thus, it would be more advantageous to assess intellectual humility in situations where individuals are likely to exhibit intellectually arrogant behavior.

ANN is considered to be black box in nature. (Hong & Chao, 2007)(Ladstatter, Garrosa, Badea, & Moreno, 2010) It is because it does not give any explanations or insights into how it reached the classification. This is probably seen as a limitation by researchers since ANN has to be followed by sensitivity analysis or other similar techniques if one wants to gain further insights. Another limitation of these methodologies is that their accuracy is limited by the number of samples in the training dataset. The higher the sample size, the higher is their learning accuracy and hence better would be their classification accuracy and predictive capability.

Many factors in the research work came out to be unrelated with the outcome variables or insignificantly related. Such variables require further investigation, probably in a different context or with different outcome variables, since they are important in the selection and turnover studies. Many demographic factors have an impact on independent variables under consideration with time. For example, self-efficacy which is the belief in one’s ability to do a task changes over time due to age factor and it also differs with gender. So a longitudinal study can be carried out to study the role of time in turnover owing to these factors and demographics. Organizations find individual traits such as integrity and intellectual humility to be very important and expect their employees to be integral and intellectually humble. However in this study they didn’t relate highly to the work outcomes considered. This aspect too requires further investigation, probably with different set of work outcomes which can measure the impact of variables under study. Humility is defined in many different forms such as personal humility, relational humility and so on. In IT sector, relational humility too would play an important role since many tasks here are accomplished in teams or groups and requires coordination between supervisors and subordinates. Relational humility provides an insight into such teamwork. So, this perspective requires further clarification whether relational humility can be a better predictor in selection setting, especially where individuals hired need to work in teams and close coordination with supervisors and subordinates.
Researchers have long been studying the controversy between dispositional and situational approach towards individual and organizational psychology. Dispositional approach suggests that individual traits are stable, especially in adults since they have undergone major changes in their life. Situational approach suggests that in response to settings in the organization, individual traits change and hence they are not stable. Additionally, these changes are hard to measure since the sample of study is generally small and direction of change is not known. In context of core self-evaluation such as integrity or self-esteem, only one study has demonstrated their stability over a 3 month long period. In context of personality, various studies have been able to prove the stability of personality especially in adulthood. Self-esteem is lowest in adolescence, keeps on rising in adulthood and starts declining towards old age. In IT sector which is prone to changes such as technological changes, or short time period of one project and changes in team members and supervisors of an employee every two to three years, stability of constructs should also be taken into consideration. (Judge, Van Vianen, & DePater, 2004) Since each of these constructs is highly related to work outcomes, it is imperative to gain deeper insights into the influence of environmental factors on these constructs and hence the relative changes brought about in them and their impact on work outcomes.

CONCLUSION

The present study attempted to build a predictive selection screening system and attrition system for Indian IT firms. A proper screening system would lead to lesser attrition, reduced costs, and reduced time. A predictive attrition model would be able to highlight the employees who are going to leave the organization soon and this can aid the firm in making proactive arrangements such as counseling, indulging in retention strategies or coming up with a plan to fill the vacancy. Using Descriptive research design, based on six individual characteristics namely Self-Esteem, Self-Efficacy, Integrity, Resilience, Intellectual Humility and Personality; and four work outcomes – Person Job Fit, Person Organization Fit, Intention to Quit and Job Satisfaction, the data was extracted from software engineers working in tier 1 IT firms in India (TCS and Infosys). The system was designed using Artificial Neural Networks in SQL Server 2012. For software engineers, most important parameters for screening candidates at the time of selection should be: Personality Traits – Highly emotionally stable, High Agreeableness, High Conscientiousness, More than average Openness to Experience; Resilience should be High; and Intellectual Humility should be more than Average to ensure high job satisfaction and perceived Person-organization fit in the selected employees. In addition, firms should also lookout for individuals with the following traits in software engineers: Low levels of Resilience, Low levels of Integrity, Low levels of Intellectual Humility, Low levels of Self-Efficacy, Personality – Low Conscientiousness, Low Emotional Stability, Married individuals, implying they have a tendency to have low job satisfaction, low perceived person-organization fit and a higher tendency to leave the firm.

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Chapter #--- 28

A Theoretical Investigation of the Relation between HRM Practices and Firm Performance

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ABSTRACT

Foreign investment, globalisation and international expansions of companies in Thailand demand redrafting of the company’s strategies stressing on change in HRM practices to accommodate digital workplace, workforce diversity and management of expanding talent pool. (Daft, 2010) (Butler and Lee, 2003) (Kayode, 2012) Organizations that view people as important and necessary assets should therefore lay emphasis on HR practices (Subhash, 2011). Only MNCs that are willing to adapt their human resource practices to the changing global labor market conditions will be able to attract, develop and retain the right talent, and will likely succeed in the global competition (Kapoor, 2011). In light of this, present study explores whether there is a relationship between HRM practices and firm performance, the latter being operationalized through three variables namely Employee Attrition, Employee Retention and Employee Performance. Understanding more about the relationship between HRM practices and firm performance, measured by employee retention, employee attrition, and employee performance, will not only be beneficial for managers who seek to achieve higher performance in organizations, it will also allow those organizations to become more competitive, understand the trend of HRM practices, and make improvements that are in line with the results of this study.

Key words: HRM Practices, Firm performance, Foreign investment, Thailand 4.0 policy

INTRODUCTION

Organizations operate through their employees. Human resource management is needed to achieve success for the key indicators of firm performance, which are employee retention, employee
productivity and employee self-development. Foreign direct investment (FDI) is a major factor in an era of globalization that transforms and stimulates the global economy. FDI helps implement human resource management in firms all over the world. At the same time, globalization has a profound impact on all countries, and it is this mechanism that drives the industry under examination. Globalization refers to integration among the people, government and companies of different countries (Rothenberg, 2003). It is a process that leads to greater economic, political, social and cultural integration on a global scale. Combined, these factors affect the free flow of goods, services, technology and capital across national boundaries. For the past two decades, one of the main aspects of the new trends toward globalization has been the increased participation of developing economies/nations in the world economy. They have become attractive and sometimes lucrative options for foreign investors.

In that same time, myriad multinational companies (MNCs) and joint ventures have landed in Southeast Asia and East Asia (Osman, Ho and Galang, 2011). In becoming active global participants and welcoming outside investment and international trade, the Thai economy had shifted from a reliance on agriculture to manufacturing. Due to the promotion policies that encourage continuous, long-term investments, abundant resources and low-cost skilled and unskilled labor, Thailand now attracts more foreign direct investment (FDI) than ever before. With its strategic position in the heart of Asia, Thailand will become even more attractive to investors by 2015, when the ASEAN economic integration will have come into fruition, creating a market of 600 million consumers. In the past, while total values for investment in Thailand were lower in some years, they were still above the average level of growth (Thailand’s Board of Investment, 2011). Furthermore, the total investment in the nine months of 2013 had increased by 50.18% and there were also annual growth for total exports (Hemaraj: Thailand’s Macro View and Annual GDP Growth). In 2017 Thailand government had promotes the Eastern Economic Corridor (EEC). The Eastern Economic Corridor (EEC) Development Plan under scheme of Thailand 4.0 aiming to revitalise and enhancing of the well-known Eastern Seaboard Development Program that had supported Thailand as a powerhouse for industrial production in Thailand for over 30 years. Under this initiative, the Eastern Economic Corridor Office of Thailand (the EECO) has been assigned to drive the country’s investment in up-lifting innovation and advanced technology for the future generation. The EEC Development Plan will lead a significant development and transformation of Thailand’s investment in physical and social infrastructure in the area. The EEC project will, initially, be focused in 3 eastern provinces namely Chachoengsao, Chonburi and Rayong. Regarding this, the EEC Policy committee is the primary Royal Thai Government collective force chaired by Prime Minister of Thailand ( Eastern Economic Corridor Office (EECO, Thailand ). Given that the economy is one of the most important bases for the development of any nation, growth facilitated by strong developmental structure can be viewed as the cost or fertilizer required to allow such developments to flourish. Over the past decades, Thailand has seen little investment in large-scale projects, a situation which has been the case since the “Eastern Seaboard” era, which changed the course of Thailand’s economic strongholds from agriculture to more industry-oriented focuses. Be this as it may, global trends of industry have begun to shift directions and this, importantly, is the spark which prompted Thailand’s necessity to re-envision and enhance the nation. These changes will allow Thailand to better survive and lay the foundation for a new era of prosperity. Today, the Eastern Economic Corridor Development Project (EEC) has risen as a new large-scale investment, which sets its sights on new and unprecedented levels of development under the “Thailand 4.0” initiative. These industries will also place special focus on human resource development and acquisition and development of new technologies, thus providing a more sustainable vision of Thailand.
Foreign investment, globalisation and international expansions of companies in Thailand demand redrafting of the company’s strategies stressing on change in HRM practices to accommodate digital workplace, workforce diversity and management of expanding talent pool. (Daft, 2010) (Butler and Lee, 2003) (Kayode, 2012) Organizations that view people as important and necessary assets should therefore lay emphasis on HR practices (Subhash, 2011). At the same time, companies need to streamline their human resource practices that will enable global leverage and local responsiveness (Ulrich et al., 2005). They must shape some HR practices that ensure consistency across geographic boundaries and have some HR practices that will adapt to local conditions (Ulrich et al., 2005). Only MNCs that are willing to adapt their human resource practices to the changing global labor market conditions will be able to attract, develop and retain the right talent, and will likely succeed in the global competition (Kapoor, 2011). This will, in turn, bring success to the organizations, leading to sustainable growth for the country and then the overall regional/global development.

In light of this, present study explores whether there is a relationship between HRM practices and firm performance, the latter being operationalize through three variables namely Employee Attrition, Employee Retention and Employee Performance. Previous studies had managed to identify variables that mediated the relationship between HRM practices and firm performance. While most studies assessed a single mediating variable (e.g. Morrison, 1996), this study focuses on five variables, which were organizational citizenship behaviors, job satisfaction, employee engagement, employee motivation and HR flexibility. It is important, therefore, to remember that this particular area of HRM and firm performance has become paramount to managing a diversified workforce in an era of globalization (Lo, Mohamad and La, 2009). Understanding more about the relationship between HRM practices and firm performance, measured by employee retention, employee attrition, and employee performance, will not only be beneficial for managers who seek to achieve higher performance in organizations, it will also allow those organizations to become more competitive, understand the trend of HRM practices, and make improvements that are in line with the results of this study. The research therefore answers the research question:

“How do HRM Practices, Job Satisfaction, Employee Engagement, Organizational Citizenship Behaviors, Motivation and HR Flexibility have an effect on Firm Performance of MNCs, in terms of Employee Attrition, Employee Retention, and Employee Performance?”

LITERATURE REVIEW

This section provides a review of the literature from secondary data sources that includes articles, journals, concepts, theories and relevant research paper, as well as literature concerning the relationships between HRM practices, mediating variables, which are Organizational Citizenship Behaviors (OCBs), Job Satisfaction, Employee Engagement, Employee Motivation, HR Flexibility, and Firm Performance in terms of Organizational Effectiveness with three observed variables, which are Employee Attrition, Employee Retention and Employee Performance. Literature will focus mainly on the manufacturing industries and related industries, and how the relationships between these variables can be applied within that sector.

a. Definition of terms used

Firm Performance is defined as the ability of an object to produce results in a dimension determined a priori, in relations to a target. It is measured in this study in terms of Employee Attrition,
Employee Retention and Employee Performance. In line with the systems view of HR (Lado and Wilson, 1994), firm performance serves as a final outcome of an effective HR system. Organizational effectiveness is part of that construct and have been used as measures of productivity, service quality and profitability in Stavrou-Costea (2005). These measures were chosen because they would lead to a full examination of firm performance (Fox et al, 1999; Dessler, 2000). However, researchers have used financial and non-financial metrics to measure organizational performance (Khan, 2010).

To understand more about how firm performance can be determined, particularly in relation to organizational effectiveness, few definitions have been presented in Table 1. Organizational Effectiveness is part of firm performance that defined as the ability of organizations to produce desire results, the notion of how effectual an organization is in accomplishing the results the organization aims to generate.

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Definitions of Organizational Effectiveness</th>
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<tbody>
<tr>
<td>Oguntimehin (2001)</td>
<td>The ability of organizations to produce desire results.</td>
</tr>
<tr>
<td>Pennings and Goodman (1977)</td>
<td>An absolute level of either input acquisition or outcome attainment.</td>
</tr>
<tr>
<td>Malik et al. (2011)</td>
<td>The notion of how effectual an organization is in accomplishing the results the organization aims to generate.</td>
</tr>
<tr>
<td>Thibodeaux and Favilla (1996)</td>
<td>The extent to which an organization, with the use of certain resources, completes its objectives without depleting its resources and without placing undue strain on its members and/or society.</td>
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</tbody>
</table>

In order to measure effectiveness for this research, the following indicators are used: Employee Attrition, Employee Retention and Employee Performance. Over a 35-year period, a survey of four leading management journals has shown that the two concepts are not independent and that until 1978, effectiveness and performance dominated the literature interchangeably. Since then, performance has become the most widely used concept (Henri, 2004). In essence, organizational effectiveness represents the outcome of organizational activities while performance measurement consists of an assessment tool to measure effectiveness (Henri, 2004).

Employee Attrition is defined as the gradual reduction in membership or personnel through retirement, resignation or death. In other words, attrition is the number of employees leaving the organization, which includes both voluntary and involuntary separation. As an indicator of organizational effectiveness, employee attrition has been used interchangeably with employee turnover to describe the leaving of jobs by employees (Sengupta, 2010). Its definitions are provided in Table 2.
Table 2. Definitions of Employee Attrition

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Definitions of Employee Attrition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goswami and Jha (2012)</td>
<td>The number of employees leaving the organization, which includes both voluntary and involuntary separation.</td>
</tr>
<tr>
<td>James and Faisal (2013)</td>
<td>Rate at which people leave an organization.</td>
</tr>
<tr>
<td>Armstrong (2006)</td>
<td>A normal flow of people out of an organization through retirement; career or job change, relocation, illness, etc.</td>
</tr>
</tbody>
</table>

Employee Retention is defined as a systematic effort by employers to create and foster an environment that encourages current employees to remain employed, by having policies and practices in place that address their diverse needs. As an indicator of organizational effectiveness, there are many ways to define employee retention. Some of these are listed in Table 3. Despite efforts to explain what employee retention is, it is clear that the reason such term arose is due to the increasing number of employees leaving the organization for various reasons. Collins and Porras (1994), and Collins (2001) explained that the first key to success for any organizations is people.

Table 3. Definitions of Employee Retention

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Definitions of Employee Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chandiok (2012)</td>
<td>A systematic effort by employers to create and foster an environment that encourages current employees to remain employed, by having policies and practices in place that address their diverse needs.</td>
</tr>
<tr>
<td>Mckeown (2003)</td>
<td>Keeping the right people in the right jobs for every organizations.</td>
</tr>
<tr>
<td>Singh and Dixit (2011)</td>
<td>A process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project.</td>
</tr>
<tr>
<td>Hassan et al. (2011)</td>
<td>Keeping right people on right jobs for every organization.</td>
</tr>
</tbody>
</table>

Employee Performance is defined as a rating system used by organizations to decide on the abilities and output of an employee and the record of outcomes achieved per job function during a certain period of time. It can also mean employee productivity and output as a result of employee development. Performance of employees can be in the form of quantity of output, quality of output, timeliness of output, presence at work and cooperativeness (Güngör, 2011). Macky and Johnson (2000) had stated that improved employee performance could also lead to better firm performance.
Table 4. Definitions of Employee Performance

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Definitions of Employee Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Darden and Babin (1994)</td>
<td>A rating system used by organizations to decide on the abilities and output of an employee.</td>
</tr>
<tr>
<td>Deadrick and Gardner (1997)</td>
<td>The record of outcomes achieved per job function during a certain period of time.</td>
</tr>
<tr>
<td>Hameed and Waheed (2011)</td>
<td>Employee productivity and output as a result of employee development.</td>
</tr>
<tr>
<td>Sultana et al. (2012)</td>
<td>The achievement of specified task measured against predetermined or identified standards of accuracy, completeness, cost and speed.</td>
</tr>
</tbody>
</table>

Guided by the literature, Ferguson (2006) had developed a model, shown in Figure 1, where various components of the human resource management system model (human resource inputs, processes/practices, and outcomes) are presented and how each is linked to important organizational outputs. The model is based on Barney’s (1991) resource-based view of the firm, and is a compilation of the variables that individuals bring to the firm like skills and motivation (Askov, 2000), and the firm’s human resource processes, such as recruitment, selection, training, reward systems and performance management (Huselid, 1995; Den Hartog and Verburg, 2004). The resource-based view theory conceptualizes the firm as a bundle of resources. (Barney, 1991) These variables are then used to create and deliver products and services that eventually lead to sustained competitive advantage. In other words, the system converts the inputs through a set of distinct, yet interrelated activities, functions, and processes to achieve the outputs of job and firm performance (Lado and Wilson, 1994).

Using the system’s notion of HR (Figure 1), this study will examine human resource practices, which act as processes used to transform existing human resource inputs within the human resource system (Lado and Wilson, 1994). Human resource practices have been defined in the following Table 5.

Table 5. Definitions of HRM Practices

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Definitions of HRM Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lado and Wilson (1994)</td>
<td>A set of distinct yet interrelated activities, functions, and processes aimed at attracting, developing, and maintaining a firm’s human resources.</td>
</tr>
<tr>
<td>Robbins and Judge (2007)</td>
<td>Organizational practices implemented to motivate, discipline, hire, and train employees.</td>
</tr>
</tbody>
</table>
HR Practices is defined as a set of distinct yet interrelated activities, functions, and processes aimed at attracting, developing, and maintaining a firm’s human resources. Several attempts have been made by different researchers to identify the type of HRM practices in different sectors. For the purpose of this research, these practices include Training and Development, Employee Participation, Compensation and Benefits Management and Reward System, Career Planning System and Employee Empowerment. Human resource practices have been viewed by Barney’s (1991) RBV – resource based view of the firm as intangible sources of competitive advantage.

Employee Participation is a process whereby influence is shared among individuals who are otherwise unequal, employee participation allows employees to be involved in the decision making and management of organizations. This definition has followed from the following literature review in Table 6. In other words, employee participation allows employees to be involved in the decision making and management of organizations. In doing so, Kim (2002) maintained that participative management practices balance the involvement of managers and their subordinates in information-processing, decision-making, or problem solving endeavors.
Table 6. Definitions of Employee Participation

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Definitions of Employee Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wagner (1994)</td>
<td>A process whereby influence is shared among individuals who are otherwise unequal in terms of hierarchy.</td>
</tr>
<tr>
<td>Knoop (1991)</td>
<td>The act of sharing decision making with others to achieve organizational objectives</td>
</tr>
</tbody>
</table>

Compensation and Benefits Management and Reward System is a human resource practice that act as incentives to employees. Compensation refers to all forms of financial returns and tangible benefits that employee receives as part of the employment relationship. Benefits are indirect financial and non-financial payments employees receive for continuing their employment with an organization, and Reward system is anything that is extrinsically or intrinsically reinforced, maintain and improve the employees’ behavior in an organization. Compensation management is considered to be one of the central pillars of human resource management. (Armstrong, 2005). There are several definitions of compensation and benefits and reward system, presented in Table 7.

Table 7. Definitions of Compensation and Benefits Management and Reward System

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Definitions of Compensation and Benefits Management and Reward System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bernadin (2007)</td>
<td>Compensation refers to all forms of financial returns and tangible benefits that employee receives as part of the employment relationship.</td>
</tr>
<tr>
<td>Odunlade (2012)</td>
<td>Benefits are indirect financial and non-financial payments employees receive for continuing their employment with an organization.</td>
</tr>
<tr>
<td>Goodale et al. (1997)</td>
<td>Reward system is anything that is extrinsically or intrinsically reinforced, maintain and improve the employees’ behavior in an organization.</td>
</tr>
</tbody>
</table>

Career Planning System is a deliberate process of becoming aware of one’s self, opportunities, constraints, choice and consequences; identifying career-related goals; and programming work, education and related developmental experiences to provide the direction, timing and sequence of steps to attain a specific career goal. To sum up, career planning is viewed as an initiative where an individual exerts personal control over their career and engages in informed choices as to his occupation, organization, job assignment and self-development (Hall and Associates, 1986) (Leibowitz et al., 1986))

Table 8. Definitions of Career Planning System

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Definitions of Career Planning System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hall (1986); Aryee (1992)</td>
<td>A deliberate process of becoming aware of one’s self, opportunities, constraints, choice and consequences; identifying career-related goals; and programming work, education and related developmental experiences to provide the direction, timing and sequence of steps to attain a specific career goal.</td>
</tr>
</tbody>
</table>
Training and Development is a human resource practice that refers to a systematic development of the knowledge, skills and attitudes required by employees to perform adequately a given task or job. There are different ways to define training and development, presented in Table 9.

**Table 9. Definitions of Training and Development**

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Definitions of Training and Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abiodun (1999)</td>
<td>A human resource practice that refers to a systematic development of the knowledge, skills and attitudes required by employees to perform adequately a given task or job.</td>
</tr>
<tr>
<td>Betcherman (1992)</td>
<td>A type of activity which is planned, systematic and it results in enhanced level of skill, knowledge and competency that are necessary to perform work effectively.</td>
</tr>
</tbody>
</table>

Training is considered to be an important part of the HR process in a sense that it makes a significant contribution to the overall effectiveness and profitability of the organization (Adeniyi, 1995). Organizations spend an enormous amount of time and money to train and assist employees on the learning of their job-related competencies (Cascio, 2000; Noe, 2006).

Employee Empowerment is giving the power to employees to make decisions. Its process entails providing workers with the skills and authority to make decisions that would traditionally be made by managers. Employee empowerment can be defined in various ways, as shown in Table 10.

**Table 10. Definitions of Employee Empowerment**

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Definitions of Employee Empowerment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akbar et al. (2011)</td>
<td>Giving the power to employees to make decisions.</td>
</tr>
<tr>
<td>Hand (1993)</td>
<td>Empowerment itself means encouraging people to make decisions with the least intervention from higher management.</td>
</tr>
</tbody>
</table>

The empowerment process entails providing workers with the skills and authority to make decisions that would traditionally be made by managers (Ivancevich, 2001). Empowerment itself means encouraging people to make decisions with the least intervention from higher management (Hand, 1993). Employees are, therefore, affected by empowerment using it as a tool through which businesses goals could be achieved (Akbar et al., 2011).

Organizational Citizenship Behaviors are the extra work-related behaviors of employees which go above and beyond the routine duties prescribed by their job descriptions or measured in formal evaluations and also defined it as “individual behaviour that is discretionary, not directly or explicitly recognised by the formal reward system, and that in the aggregate promotes the effective functioning of the organization”.

Job Satisfaction is in regard to one's feelings or state-of-mind regarding the nature of their work and is “a positive emotional feeling, a result of one’s evaluation towards his job and his job experience by comparing between what he expects from his job and what he actually gets from it as well as a
function of the range of specific satisfactions and dissatisfactions that he/she experiences with respect to the various dimensions of work”

*Employee Engagement* defined as he harnessing of organization members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances. Another definition is employees feel positive emotions toward their work, find their work to be personally meaningful, consider their workload to be manageable, and have hope about the future of their work and employee engagement as the involvement with and enthusiasm for work.

*Employee Motivation* is one of the policies managers used to increase effectual job management amongst employees in organizations and defined as “something a need or desire that causes a person to act as a psychological process that gives behavior purpose and direction, include as an internal drives to satisfy an unsatisfied need and the will to accomplish.

*HR Flexibility* is a dynamic capability of the firm in a sense that it is focused on adapting employee attributes, for instance knowledge, skills, and behaviors, to changing environmental conditions as well as referred the term to the extent to which employees possess skills and behavioral repertoires that can provide a firm with options to pursue strategic alternatives.

*Globalization* refers to integration among the people, government and companies of different countries. It is a process that leads to greater economic, political, social and cultural integration on a global scale.

*Foreign Direct Investment (FDI)* has been defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate).

*Multinational Corporation (MNC)* has been defined as a business enterprise that maintains direct investments overseas and that upholds value-added holdings in more than one country, and views MNC as an enterprise that engages in foreign direct investment (FDI) and owns or, in some way, controls value added holdings in more than one country.

b. **HRM Practices and Employee Attrition, Employee Retention, and Employee Performance**

The relationship between HRM practices and firm performance, as shown in previous studies, and how they are relevant to this research will now be explained in Table 11.
Table 11. Relevant Studies on the Relationship Between HRM Practices and Employee Attrition, Employee Retention, and Employee Performance

<table>
<thead>
<tr>
<th>Relationship Between Variables</th>
<th>Dependent Variable</th>
<th>Researcher</th>
<th>Industrial Sector</th>
<th>Abbreviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRMP ➔ TI</td>
<td>TI</td>
<td>Dhiman and Mohanty (2010)</td>
<td>Oil and Gas Exploration, and Production</td>
<td>HRMP = HRM Practices TI = Turnover Intent</td>
</tr>
<tr>
<td>HRMP ➔ FP</td>
<td>FP</td>
<td>Osman et al. (2011)</td>
<td>Manufacturing</td>
<td>HRMP = HRM Practices FP = Firm Performance</td>
</tr>
<tr>
<td>HRMP ➔ LP</td>
<td>LP</td>
<td>Banker et al. (1996)</td>
<td>Electromechanical Assembly Plant</td>
<td>HRMP = HRM Practices LP = Labor Productivity</td>
</tr>
<tr>
<td>HRMP ➔ OE</td>
<td>OE</td>
<td>Dizgah et al. (2011)</td>
<td>Manufacturing</td>
<td>HRMP = HRM Practices OE = Organizational Effectiveness</td>
</tr>
</tbody>
</table>
There have been many literatures explaining how Employee Participation is able to increase Firm Performance. Some have suggested that employees generally have more complete knowledge and information about their work tasks and processes than the managers (Levine and Tyson, 1990; Miller and Monge, 1986) and are in a better position than managers to plan and schedule work, to organize work tasks and work flow, and to identify and resolve obstacles to achieve optimal performance (Hammer, 1988). Others believed that Employee Participation provides employees with greater intrinsic rewards from work than the traditional forms of management. These rewards will increase job satisfaction, leading to increased employee motivation to achieve new production goals (Miller and Monge, 1986; Hammer, 1988). There are also those who believed that by giving workers access to management information, it will increase mutual trust and commitment to organizational goals (Hammer, 1988). As relations between employee and supervisor improve (Cooke, 1990), employees are willing to be more flexible regarding changes in human resource policies (Delaney et al., 1993), and inclined to channel their energy in positive ways than they otherwise would be (Strauss, 1990).

By the 1990s, interest in quantifying the impact of HR practices on financial performance has led to a number of studies linking the impact of HR practices to specific firm outcomes (Ulrich, 1997). For example, turnover has been linked to job security, presence of a union, compensation level, culture, and demographics (Arnold and Feldman, 1982; Baysinger and Mobley, 1983). Productivity has been linked to HR practices of “transformational” labor relations (those emphasizing cooperation), quality of work life programs, quality circles, training, extensive recruiting efforts, and incentive compensation systems (Cutcher-Gershenfeld, 1991; Katz et al., 1987; Weitzman and Kruse, 1990). In today’s competitive market, for organizations to succeed will depend on advantages associated with speed and adaptability, patents and access to capital and innovation, technology, and economies of scale (Quresh et al., 2010). HRM can help companies achieve organizational effectiveness and thereby have a determining effect on whether or not these companies are good enough, fast enough, and competitive enough not only to survive but also to perform well (Schuler and Jackson, 2000). Thus, it would be difficult to imagine organization achieving and sustaining effectiveness without efficient HRM programs and activities (Schuler, 2000).

In Osman et al. (2011), Regression analysis showed the three main HR practices that seem to have the highest influence on organizational performance, one of them being Career Planning. Thus, from the results, it was concluded that the effectiveness of implementing HR practices, including career planning, in a company did indeed have a major impact towards a firm’s performance. Dizgah et al. (2011) examined the relationship between empowerment and effectiveness in the executive organizations in Guilan province. Results have shown that there is a direct relationship between employee empowerment and organizational effectiveness in the Guilan executive organizations.

c. HRM Practices and Organizational Citizenship Behaviors

To better understand the relationship between HRM practices and OCBs, it is useful to consider the overall philosophy guiding those practices. An organization’s human resource philosophy refers to its beliefs and values with respect to how employees should be treated (Schuler, 1992). This philosophy will have a significant impact on the type of relationship that is established between an organization and its employees, and thus an important impact on the level of OCB that employees display. To support this argument, research has found that employees form generalized beliefs about the extent that their organization values their contributions and cares about their well-being, and thus these beliefs would
lead to higher OCB (Eisenberger et al., 1986; Witt, 1991). There are many ways for organizations to show that they value their employees as long term assets, including the following HRM practices discussed below. The relationship between HRM practices and organizational citizenship behaviors, as shown in previous studies, and how they are relevant to this research will now be explained in Table 12.

Table 12. Relevant Studies on the Relationship Between HRM Practices and Organizational Citizenship Behaviors

<table>
<thead>
<tr>
<th>Relationship Between Variables</th>
<th>Mediating Variable</th>
<th>Researcher</th>
<th>Industrial Sector</th>
<th>Abbreviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRMP → OCB</td>
<td>OCB</td>
<td>Babaei et al. (2012)</td>
<td>Banking</td>
<td>HRMP = HRM Practices OCB = Organizational Citizenship Behaviors</td>
</tr>
<tr>
<td>HRMP → OCB</td>
<td>OCB</td>
<td>Gong et al. (2010)</td>
<td>Manufacturing</td>
<td>HRMP = HRM Practices OCB = Organizational Citizenship Behaviors</td>
</tr>
<tr>
<td>HRMP → OCB</td>
<td>OCB</td>
<td>Cushman (2000)</td>
<td>Food</td>
<td>HRMP = HRM Practices OCB = Organizational Citizenship Behaviors</td>
</tr>
</tbody>
</table>

Organizations may also facilitate citizenship to the extent that they directly acknowledge or reward such behaviors. A long line of research suggests that employees are likely to engage in those behaviors for which they believe that they will be rewarded. Reward systems that directly recognize good citizenship make it clear to employees that the organization truly values such behaviors. (Meet Asda’s Happy Family Pack, 2002; Levering and Moskowitz, 2003). Morrison (1996) found empowered employees have the ability to invent and express organizational citizenship behavior. Empowerment increases self-efficiency feeling among members of organization and results in organizational citizenship behavior. Furthermore, Batson (1991) stated that expecting bonuses, avoiding punishment, and sensing nervous pressures would cause self-orientated motivation for individuals to help each other. The impact means that individual influences official, operational and strategic outcomes of his/her working unit. Individuals with such feelings are also more likely to go beyond their job requirements (Watt and Schaffer, 2003).

d. HRM Practices and Job Satisfaction

The relationship between HRM practices and job satisfaction, as shown in previous studies, and how they are relevant to this research will now be explained in Table 13.
Table 13. Relevant Studies on the Relationship Between HRM Practices and Job Satisfaction

<table>
<thead>
<tr>
<th>Relationship Between Variables</th>
<th>Mediating Variable</th>
<th>Researcher</th>
<th>Industrial Sector</th>
<th>Abbreviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRMP → JS</td>
<td>JS</td>
<td>Bhatti and Qureshi (2007)</td>
<td>Oil, Gas, Banking and Telecommunication</td>
<td>HRMP = HRM Practices JS = Job Satisfaction</td>
</tr>
<tr>
<td>HRMP → JS</td>
<td>JS</td>
<td>Rehman et al. (2010)</td>
<td>Electric Supply</td>
<td>HRMP = HRM Practices JS = Job Satisfaction</td>
</tr>
<tr>
<td>HRMP → JS</td>
<td>JS</td>
<td>Absar et al. (2010)</td>
<td>Manufacturing</td>
<td>HRMP = HRM Practices JS = Job Satisfaction</td>
</tr>
</tbody>
</table>

Employee Participation in decision making leads to harmony in the organization (Ward and Pascarelli, 1987) and improves staff morale and support (Pashiardis, 1994). Employees who participate in making decisions for the company feel like they are a part of a team with a common goal, and find their sense of self-esteem and creative fulfilment heightened (Helms, 2006). Evidence has shown that when employees are engaged in decision making, staff absenteeism is decreased. There is greater organizational commitment, improved performance, diminished turnover and greater job satisfaction (Luthans, 2005; Moorhead and Griffin, 1989). Sashkin and Burke (1987) also found that participation provides the satisfaction of the need for achievement and closure, as well as for work-relevant interpersonal contacts.

Khojasteh (1993) found pay and security to be greater motivators and salary packages are of great importance to create Job Satisfaction. Other researchers added that the main factors that create greater Job Satisfaction includes financial rewards, faculty workload (Miller et al., 2001), and compensation (Boy et al., 2001). It is said that the root cause for employees’ job dissatisfaction is due to the lack of happiness in their career. Career happiness is the main source of job satisfaction (Henderson, 2000). People who perform jobs which are aligned with their career plans experience a greater sense of self-esteem from doing what one is able to do and wants to do (Priyanath, 2005). Job Satisfaction is just one of the benefits provided by Training and Development. Organizations that are committed to employee training are realizing the rewards of increased skill-sets, motivation, higher productivity and knowledge transfer of their employees (Oosterbeek, 1998; Pate and Martin, 2000).
e. HRM Practices and Employee Engagement

The need for organizations to have engaged employees leads to studies being done to find out whether HR practices can contribute to effective employee engagement. High involvement work practices are the techniques used by the management to efficiently involve their employees in their works and receive high performance among employees. If there is no career progression or limited career advancement opportunities, then employees will definitely be disengaged at certain level and shall not remain committed with an organization (Paradise, 2008). The relationship between HRM practices and employee engagement, as shown in previous studies, and how they are relevant to this research will now be explained in Table 14.

<table>
<thead>
<tr>
<th>Relationship Between Variables</th>
<th>Mediating Variable</th>
<th>Researcher</th>
<th>Industrial Sector</th>
<th>Abbreviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRMP → EE</td>
<td>EE</td>
<td>Ram and Prabhakar (2011)</td>
<td>Hotel</td>
<td>HRMP = HRM Practices EE = Employee Engagement</td>
</tr>
<tr>
<td>HRMP → EE</td>
<td>EE</td>
<td>Shafer (2010)</td>
<td>Hotel</td>
<td>HRMP = HRM Practices EE = Employee Engagement</td>
</tr>
</tbody>
</table>

It was reported that organizations, in which employees were involved in decision-making practices at higher levels, have shown more employee engagement and their financial performance relative to their opponents gradually increased (Denison, 1990). As organizations cannot control external environment in the period of recession, more emphasis has been put on management of internal environment in decision making and coordination at all levels of hierarchy (Huselid, 1995). This not only increases the employee’s value, but also employee’s engagement. Therefore, HR should be managed with equal importance with other functions of the business (Ganzach, 2002). Nxumalo (2010) tried to prove that employee involvement could be used as tool to increase levels of engagement within actively disengaged employees at Ngwane Mills in the Kingdom of Swaziland in Africa.

f. HRM Practices and Employee Motivation

The relationship between HRM practices and employee motivation, as shown in previous studies, and how they are relevant to this research will be explained in Table 15.

Participation in decision-making is an important psychological element that can help improve the motivation of employees towards work, and allowing them to fulfill their basic needs of clarity and social relations, thereby improving their performance (Hussein, 2007). With technology becoming more
advanced, so does the complexity in the role of managers, forcing them to cooperate with subordinates and their employees in the management functions, particularly in decision-making (Kanaan, 2007).

Table 15. Relevant Studies on the Relationship Between HRM Practices and Employee Motivation

<table>
<thead>
<tr>
<th>Relationship Between Variables</th>
<th>Mediating Variable</th>
<th>Researcher</th>
<th>Industrial Sector</th>
<th>Abbreviation</th>
</tr>
</thead>
</table>

Ali and Ahmed (2009) stated that all businesses use pay, promotion, bonuses or other types of rewards to motivate and encourage high level performances of employees. Career planning system is an important part of employee motivation. Employees should be encouraged under the guidance of their employers or supervisors to set their own goals (Elrod, 2009). This will help them think about their strengths and weaknesses, and what goals are realistic. This way, employees will be more motivated to meet the goals that they set for themselves (Elrod, 2009), especially if these goals lead to career advancement, such as the prospect of getting a promotion.

In Mwanje (2010), one of the objectives the study aim to assess is the effect that career advancement has on motivation. Results have shown that career advancement has a highly positive effect on motivation. Lester (1999) concluded that if employees perform well on training, and subsequent to the training if they perceive that they have learnt something new which would be an enhancement in their CVs as well as beneficial for them to capture future opportunities, then their motivation and involvement towards their jobs will increase. Stephenson (1999) concluded that there are two basic factors - ability to learn, adapt and understand new corporate environment, which are very crucial for the employees in this new changing economy. Gawali (2009) reported on the effectiveness of employee Cross-Training as a motivational technique. HRM practices, such as employee empowerment, the balanced scorecard concept, which has been advocated by many management accountants, stresses the importance of empowering employees to increase their motivation, learning and growth (Kaplan and Norton, 1992, 1996). Similarly, management studies have shown empowered employees have higher levels of task motivation, which in turn, has been linked to greater organizational effectiveness and performance (Thomas and Velthouse, 1990; Koberg et al., 1999).
g. HRM Practices and HR Flexibility

The benefits that HR flexibility provides for firm performance have encouraged researchers to analyze the mechanisms through which the firm can promote the flexibility of its workforce. The relationship between HRM practices and HR flexibility as shown in previous studies, and how they are relevant to this research will be explained in Table 16.

Table 16. Relevant Studies on the Relationship Between HRM Practices and HR Flexibility

<table>
<thead>
<tr>
<th>Relationship Between Variables</th>
<th>Mediating Variable</th>
<th>Researcher</th>
<th>Industrial Sector</th>
<th>Abbreviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRMP → HRF</td>
<td>HRF</td>
<td>Beltrán-Martín et al. (2008)</td>
<td>Manufacturing and Service</td>
<td>HRMP = HRM Practices HRF = HR Flexibility</td>
</tr>
</tbody>
</table>

Some authors highlighted the relevance of equitable rewards to encourage employees’ willingness to move and reallocate as the need arises. In other words, it is a way for employees to demonstrate functional flexibility. Fluid assignments implicit in the notion of functional flexibility require high inputs from the workforce and organizations should provide commensurate returns in an effort to motivate desired employee movements across tasks and jobs (Dyer and Shafer, 2002; Noe, 1996). Furthermore, the provision of equitable rewards is an instrument that helps to attract versatile employees because employees with high qualifications, varied knowledge, and multiple abilities may expect to receive appropriate rewards for their competences. (MacDuffie, 1995; Wright and Snell, 1998). In fact, authors like Morris (1993) indicated that one of the components of equitable rewards, which is performance-related pay, is used as a signal to express organizational intentions and create a flexible and self-motivated workforce. According to Unsworth and Parker (2003), higher initiative and flexibility at work can involve greater workload, which may produce stress and anxiety in employees if these efforts are not reinforced by equitable rewards. Therefore, a fair and balanced exchange relationship with the organization enhances the feelings of certainty about gaining fair rewards for substantial innovative efforts (Williams et al., 2002).

In Beltrán-Martín et al. (2008), research was done to examine the impact that High Performance Work Systems (HPWS) have on performance through the firm’s human resource (HR) Flexibility. Results have confirmed the mediating role of HR Flexibility in the HPWS – performance relationship, meaning there is a link between HPWS, which includes Reward, and firm performance. Furthermore, the results confirm the ideas provided by earlier proponents of HPWS in that one of the consequences of HPWS in terms of employees’ performance at work is an improvement in their flexibility (Guest, 1987). Training is orientated towards the promotion of a climate of personal growth in the firm, enabling employees to prepare for whatever the future might bring in terms of abilities or behaviors needed in the workplace (Shafer et al., 2001). Due to the rapid process of knowledge being outdated in the current environments, the importance of being “ahead on the learning curve” is crucial to create flexible employees (Dyer and Shafer, 2002). Thus, these developmental efforts on the part of organization are also beneficial in promoting the workforce’s skill flexibility because employees are keen to increase
their current pool of skills and abilities when they possess a valid educational basis, since proficiency in certain areas gives them the confidence to master and apply new skills (Wright and Snell, 1998).

**h. OCB and Employee Attrition, Employee Retention, and Employee Performance**

With managers becoming increasingly involved in analyzing employee performance, OCB has been included in performance evaluations (Werner, 1994). The problem, however, is that by having managers identify which employees or groups of employees are the best performers, it would create a bias, particularly by managers who are highly engaged in OCB. Furthermore, some employees may use impression management style in order to create a favorable impression of themselves (Bolino and Turnley, 2003). In Appelbaum et al. (2005), a survey was done at the Rodbec plant in Canada concerning the production of copper rod to measure the impact of employee satisfaction and organizational citizenship on productivity. This is due to the fact that there were evidence for declining corporate citizenship from plant employees and low attachment to the organization for supervisors, since this effects productivity.

**i. Job Satisfaction and Employee Attrition, Employee Retention, and Employee Performance**

For an organization to be successful they must continuously ensure the satisfaction of their employees (Bataineh, 2011). This is due to the fact that when employees feel satisfied with the job their morale will be elevated, and this will ultimately lead the organization towards prosperity and growth (Chaudhary and Banerjee, 2004). Halkos and Bousinakis (2010) investigated the effects of stress and job satisfaction on the functioning of a company. Findings show increased satisfaction leads to increased productivity.

**j. Employee Engagement and Employee Attrition, Employee Retention, and Employee Performance**

Engagement goes beyond satisfaction and commitment. To become fully engaged is to be involved in and enthusiastic about the work (Falcone, 2006). Schaufeli and Bakker (2003), and Schaufeli et al. (2001) defined work engagement as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption. Rather than a momentary and specific state, engagement refers to a more persistent and pervasive affective cognitive state that is not focused on any particular object, event, individual, or behavior. This may, however, be distinguished from workaholism in that the former also brings the association of positive attitudes at work, positive mental health and good performance (Schaufeli and Bakker, 2003). Employee Engagement is also said to be a measure of Job Involvement (Harter et al, 2002). According to Wellins and Concelman (2005), engagement is an amalgamation of commitment, loyalty, productivity, and ownership. To be engaged is to be emotionally and intellectually committed to one’s organization (Bhatnagar, 2007). Employee engagement has also been conceptualized as having two dimensions - Cognitive Engagement and Emotional Engagement / Physical Engagement (Kahn, 1990; 1992; Luthans and Peterson, 2002). Therefore, high engagement for each dimension is predictive of the overall high engagement for an employee (Kahn, 1990; Bhatnagar, 2007). Gibbons (2006) also indicated that employee engagement is strongly correlated to several performance outcomes, such as retention, turnover, individual productivity, customer service and growth in operating margin.
k. Employee Motivation and Employee Attrition, Employee Retention, and Employee Performance

A motivated employee is responsive of the definite goals and objectives they must achieve, and therefore they direct its efforts in that direction. Kovach (1987), for instance, suggested that if a company knows why its employees come to work on time, stay with the company for their full working lives, and are productive, then the company may be able to ensure that all of their employees behave in that way. Moreover, Wiley (1997) also suggested that to ensure the success of a company, employers must understand what motivates their employees, and such understanding is essential to improving productivity. These suggestions imply that organizational success depends heavily on employee motivation. Solomon et al. (2012) investigated the effectiveness of employee motivation for enhanced organizational performance in multinational companies in Nigeria, especially the manufacturing sector. Findings show a positive correlation between motivation and employee productivity.

l. HR Flexibility and Employee Attrition, Employee Retention, and Employee Performance

Studies within the framework of human capital theory argue that the pool of skills and abilities that underlies employees’ functional flexibility determines their capacity to be responsible for several activities in the organization (Rönnmar, 2004). Furthermore, employees who show functional flexibility maintain profitable relationships with customers, contributing to satisfying their needs and enhancing their satisfaction (Youndt and Snell, 2004). In Beltrán-Martin et al. (2008), research was done to examine the impact that High Performance Work Systems (HPWS) have on performance through the firm’s human resource (HR) Flexibility. Results of the study were affirmative of the relationship.

BUSINESS IMPLICATIONS

This research is an attempt to theoretically explore the direct relationship between HRM practices and firm performance in Thailand’s manufacturing industry. This study may prove useful to firms that aim to keep employees and avoid high turnover in their organizations. By employing the five specified HRM practices, which are Employee Participation, Compensation and Benefits and Reward System, Career Planning System, Training and Development and Employee Empowerment, managers can ensure that their employees will remain loyal to their organizations and work there for as long as possible. But there needs to be full employee participation in the organization, where information concerning policy issues is shared with employees. What is more, employees should be allowed to make suggestions concerning policies and procedures through a command structure that welcomes employee/employer interaction, and activities should be aimed at encouraging employees to express their views. Managers should construct a system of compensation, benefits and rewards in which employees are given positive recognition and rewards for good performance. Furthermore, there should be a competitive benchmark that considers the amount and quality of work that employees do. Within this system, the benefits should be equitable. Organizations should institute a career planning system to help employees map out their visions of the future; it should be long-term and focused on individual development. Career planning in organizations must be both vertical and horizontal, allowing employees to not only grow within the scope of their jobs but also to function and succeed in other roles. It is the duty of the organization to create the opportunity for employees to advance in their careers. This can be done through effective and timely training and development. Once training is complete, organizations should track employee
progress both to ensure proper development and to monitor workforce satisfaction. In that sense, organizations must empower employees, giving them autonomy over their jobs. While the review clearly shows a strong direct and positive relationship between HRM practices, and employee attrition and employee retention — both good indicators of firm performance—there is a possibility of indirect relationship between HRM practices and the other indicator of employee performance, which can be explored as well.

**SUMMARY AND FUTURE SCOPE**

This conceptual research can be used to develop a framework for empirical investigation and can be expanded to countries and regions other than Thailand. Research design may include other industries, and may apply the framework for investigation with different set of variables. A research model can be developed using this study and then robustness of the same can be tested in manufacturing industries. The robustness of the model can be tested utilising variety of model testing techniques and tools. In short, the study can be further carried into a quantitative research design. Researcher suggests that top management, HR leader and line managers realize the importance of HRM practices within organizations by strongly supporting activities of human resource management practices with five key factors through HRM policies, programs, and activities.

In addition, organizations should initiate another specific program of HR Flexibility to create job rotation, multi-tasking for employees in their career opportunity, and programs to create an environment for job engagement, which will lead to Organizational Citizenship Behaviors, Job Satisfaction, Employee Engagement, Employee Motivation, and finally have an effect on Employee Retention, Employee Performance, and Employee Attrition.

Whenever any organizations can keep their employees, there will be retention, meaning they are able to stop employees from leaving their firms. This will allow organizations to be successful in businesses by maintaining their knowledge base. There will be no brain drain, and firm performance will continue to improve, allowing for a competitive advantage and long-term sustainable growth. Furthermore, the fact that globalization now has a huge impact on the world with MNCs crossing borders into other countries, those who intend to do further research on the topic should include other countries, particularly those in Southeast Asia that are going to be involved in the AEC (ASEAN Economic Community). Doing this will bolster studies on HRM practices by adding diverse and cross-cultural contexts.

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A Theoretical Investigation of the Relation between HRM Practices and Firm Performance


Chapter #--- 29

Conceptualising Parental Behavior Influence in Provision of Food to Children

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ABSTRACT

Unhealthy food consumption among primary school children and childhood obesity is an issue in Malaysia’s urban area. As far as children concerned, parent holds a major responsibility in fostering healthy eating with the role of food provider. Parental feeding practices were shown associated with childhood obesity; however, there is a lack of theoretical model linking behavioral theory with parental dietary provision for children. Building on the literature of theory of planned behavior and the extended theories, this study suggests an integrated behavioral theory to examine the motivational
decision factors and processes that influence parental behaviors in providing healthy food and limiting unhealthy food for their children. This study aims to investigate the effects of parent’s prefactual attitudes, subjective norms, resistance to temptation of providing unhealthy food and frequency of past healthy food provision behavior on intention, that leads to trying effort, which in turn influences parent’s behaviors in the provision of healthy and unhealthy food. This study also examines the direct effects of resistance to temptation, frequency and recency of past healthy food provision behaviors on parent’s behaviors in the provision of food. By identifying the key factors and processes that drive healthy food provision behavior among parents, various policies and activities concerning dietary guidelines, food labeling, food marketing, food services and nutrition education could be suggested to different stakeholders include policy makers, food retailers and marketers. Collective effort of promoting healthy eating is essential and has substantial impact on improving business, economic, social, cultural and ecological sustainability of society.

**Keyword**: Parent, food, children, theory of planned behavior

**INTRODUCTION**

Globally the prevalence of overweight and obese children elevated by 47.1% between year 1980 and 2013 (Ng et al., 2014). In developing country such as Malaysia, the children have undergone the transition from under-nutrition to over nutrition (Poh et al., 2013). One-in-five Malaysian children are diagnosed as overweight or obese (Poh et al., 2013). Based on South East Asian Nutrition Survey, the prevalence of overweight (14.4%) and obesity (20.1%) for the age group of 7 to 12 years old in urban areas were found to be the highest obesity rate among the population of children aged 6 months to 12 years old (Poh et al., 2013). Whilst nutrition authorities emphasize that children in the age range of 2 to 11 years should attain a healthy weight because this is a essential growth phase (American Dietetic Association, 2008). Obesity during childhood has serious health implications (Daniels et al., 2005; Must & Strauss, 1999) Studies have found that 70% of obese children grow up to be obese adults (Nicklas, Baranowski, Cullen, & Berenson, 2001; Parsons, Power, Logan, & Summerbell, 1999; Whitaker, Wright, Pepe, Seidel, & Dietz, 1997). In general, child obesity epidemic affects the economic, social, cultural and ecological sustainability of society.

Unhealthy food intake is one of the key contributing factors to substantial rise of child obesity (Dehghan, Akhtar-Danesh, & Merchant, 2005; Du, Lu, Zhai, & Popkin, 2002). Parental feeding practices are reported to shape children’s dietary habits and are connected to a child weight (Birch, 2006; Clark, Goyder, Bissell, Blank, & Peters, 2007; Faith et al., 2004; Johannsen, Johannsen, & Specker, 2006). Parents shall encourage healthy eating habits at home by making healthy foods available. Cullen, Baranowski, Owens, Marsh, Rittenberry and Moor (2003) discovered that accessibility to fruits, fruit juices and vegetables in the home correlated with school children’s consumption of these food. Parents could nurture the children’s eating behavior through three roles which are food providers, models of food consumption and controllers of the eating environment (American Dietetic Association, 2008; Birch & Fisher, 1998). To our awareness, there is a lack of the theory and data to examine the influence of parental behavior in the provision of healthy and unhealthy food for their children. Previous behavioral studies have concentrated on adult’s self-regulation of their weight or self-control of food consumption decisions (Bagozzi & Edwards, 1998, 2000; Bagozzi, Moore, & Leone, 2009; Perugini & Bagozzi, 2001).

In the absence of any tested theoretical model linking behavioral theory with parental dietary
provision for children, this study suggests an integrated behavioral theory to investigate the cognitive and motivational decision predictors and processes that influence parental behavior in providing healthy food and limiting unhealthy food for their children. Specifically, the urban parent’s with children aged 7 to 11 years old are the study subject in light of the childhood obesity in Malaysia’s urban area. Two research questions are raised in this study. First, which are the factors from the integrated behavioral theory that influence parental behavior in the provision of healthy food and restriction of unhealthy food for their children? Second, how do cognitive and motivational decision processes influence parental behavior in the provision of healthy food and restriction of unhealthy food for their children? To answer these research questions, we scrutinize the effects of three parent’s prefactual attitudes which are attitudes toward success in the provision of healthy food for children, attitudes toward failure in the provision of healthy food for children, subjective norms, resistance to temptation of providing unhealthy food to children and frequency of past healthy food provision behavior on parent’s intention to provide healthy food to their children. We further examine the parent’s intention in provision of healthy food that leads to their trying effort, which in turn influences their actual behavior of providing healthy food and limiting unhealthy food for their children. This study also attempts to investigate the direct effects of parent’s resistance to temptation of providing unhealthy food to children, frequency and recency of past healthy food provision behavior on parent’s behavior of providing healthy food and limiting unhealthy food for their children. This paper provides a brief on the relevant consumer consumption behavioral theories and then introduces the research conceptual theory.

BACKGROUND

Ajzen and Fishbein’s (1980) theory of reasoned action and Ajzen’s (1991) theory of planned behavior are the two prominent theoretical models in the consumer behavior discipline. There have been numerous adaptations for theory of reasoned action and theory of planned behavior models in food consumption research (Ajzen & Timko, 1986; Berg, Jonsson, & Conner, 2000; Choo, Chung, & Thorndike Pysarchik, 2004; Padgett, Kim, Goh, & Huffman, 2013; Saba & Di Natale, 1998; Towler & Shepherd, 1991; Tuorila & Pangborn, 1988). Despite of their wide adaptations in literature, these two theories have received criticisms on their limited ability to explain the various types of behavior (Manstead, 2011; Sarver, 1983). Thus, theory of trying (Bagozzi et al., 2009; Bagozzi & Warshaw, 1990), the model for self-regulation of body weight (Bagozzi & Edwards, 1998), and the model of goal-directed behavior (Perugini & Bagozzi, 2001) emerged in order to address various limitations of the theory of reasoned action and theory of planned behavior models.

Theory of reasoned action suggests that an individual’s behavior is related to their intention, and intention is influenced by their attitude toward the behavior or attitude toward the act and subjective norm (Ajzen & Fishbein, 1980). According to Ajzen and Fishbein (1980), attitude toward the behavior refers to the person’s judgment on the outcomes of performing certain behavior, while subjective norm indicates the person’s evaluation of the social pressures on performing particular behavior. An individual will intend to perform the particular behavior when they hold favorably attitude toward the behavior and when they think that significant others support them to perform the behavior. A main principal underlying theory of reasoned action is that individual has almost full control over their behavior (Ajzen & Fishbein, 1980).

Theory of reasoned action evolved into the theory of planned behavior to address circumstances in
which an individual has only partial control over their behavior (Ajzen, 1991). Within this model, perceived behavioral control is the additional antecedent factor on intention and subsequent behavior. A person’s behavior is determined by one’s intention and behavioral control; and intention is predisposed by attitude toward the behavior, subjective norm and perceived behavioral control (Ajzen, 1991). There are two essential aspects of perceived behavioral control in theory of planned behavior. Perceived behavioral control includes consideration of the motivational implications for intention. For example, an individual is unlikely to engage in a positive behavioral intention when they think they do not have the resources and opportunities to do so, even though they perceive positively on the attitude toward the behavior and there is social pressure to perform the behavior. Secondly, perceived behavioral control reflects the perceived control that someone has over performing the behavior. The construct of perceived behavioral control in the theory of planned behavior model has been empirically examined by several researchers and developed into the concept of self-efficacy (Bandura, 1997; Terry & O’Leary, 1995).

Theory of reasoned action (Ajzen & Fishbein, 1980) and theory of planned behavior (Ajzen, 1991) analyze a small segment of the larger phenomenon of purposive behavior. Bagozzi and Edwards (1998) developed a broader model of goal setting and goal pursuit with respect to the regulation of body weight. This model builds on concept of self-regulation (Bagozzi, 1992) and model of action phases (Gollwitzer, 1990; 1996). Goal intention is proposed to be a direct function of desire and an indirect function of subjective norm, goal efficacy and attitudes toward success, failure and the process of goal pursuit (Bagozzi & Edwards, 1998). Goal intention initiates the motivation of trying to reach one’s goals. Instrumental acts, which are goal-directed behaviors, then determine the level of goal attainment. This model incorporates four decision stages include the predecisional phase, preactional phase and action initiation, actional phase, and action outcome. The predecisional phase is initiated by desires to lose or maintain one’s weight and consist of integration of considerations concerning goal efficacy, subjective norm and one’s appraisals toward the goal achievement, failure and process of goal attainment. The culmination of the predecisional stage is the construction of a goal intention, the decision to pursue a goal. The goal intention leads to the preactional phase. The person is trying to figure out how, where and when to act on it, and the preactional phase ends with action initiation. The next phase is the actional phase, where the decision maker pursues the goal by executing and controlling instrumental acts. Finally, the action outcome is an assessment of goal achievement or failure.

The model of goal-directed behavior (Perugini & Bagozzi, 2001) broadens and deepens the theory of planned behavior by presenting new paradigms that are essential in decision-making. Model of goal-directed behavior broadens the theory of planned behavior by introducing the antecedents of desires, which are the anticipated emotions for the goal attainment and goal failure. The model of goal-directed behavior deepens the theory of planned behavior with the addition of a new independent variable that is desires, proximal causes of intentions. The inclusion of frequency and recency of past behavior are relevant to food behaviors. Frequency of past behavior is a predictor of desires, intentions and behavior, while recency of past behavior predicts only behavior.

Bagozzi, Moore and Leone (2009) reformulated the theory of planned behavior to explain three determinants of decision making that lead to self-regulatory judgments: prefactual attitudes that comprise of attitude toward success, attitude toward failure and attitude toward the process of goal striving; subjective norm; and perceived behavioral control that translated into resistance to temptation. The central activity in the theory of trying (Bagozzi & Warshaw, 1990) is self-regulation, which can be described as the mental and physical processes that an individual strives to accomplish a goal (Bagozzi,
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Prefactual Attitudes

Classical attitudes (attitude toward the act or behavior) stated in the theory of reasoned action and theory of planned behavior refer to an individual’s judgment that whether performing an act is good or bad, and he or she is in supportive of or against performing the behavior (Ajzen & Fishbein, 1980; Ajzen, 1991). For instance, some people might have favorable attitude toward buying a snack food, while others might have unfavorable attitude toward this behavior. The beliefs underlying a person’s attitude toward the behavior is called behavioral beliefs. Some people more likely to buy the snack food if they think the snack food would make their children happy. In contrast, if the person considers the snack food is not healthy and assesses negatively toward the act of buying a snack food, then he or she probably will not purchase the snack food. Prefactual attitudes are the conceptualized attitudes that address the weakness of the classical attitudes for theory of reasoned action and theory of planned behavior by explaining how the activation of attitudes produces the intention to act (Bagozzi et al., 2009; Bagozzi & Warshaw, 1990). There are differences between the classical attitudes under the theory of reasoned action and theory of planned behavior, and prefactual attitudes in the theory of trying (Ajzen & Fishbein, 1980; Ajzen, 1991; Bagozzi et al., 2009). The first difference deals with general targets. Classical attitudes concern actions while prefactual attitudes address goals (Ajzen & Fishbein, 1980; Ajzen, 1991; Bagozzi et al., 2009). The goals for prefactual attitudes involve outcomes and processes (Bagozzi et al., 2009). The second dissimilarity is regarding dimensionality. Attitude toward the act is one-dimensional whereas prefactual attitudes are three-dimensional (Ajzen & Fishbein, 1980; Ajzen, 1991; Bagozzi et al., 2009). The third discrepancy lies in the aspect of formation and activation of attitudes. Attitude toward the act is a passive response retrieved from memory, opposed to prefactual attitudes that are dynamic reactions arising from the thinking and evaluation processes that occur simultaneously at the point of decision-making (Ajzen & Fishbein, 1980; Ajzen, 1991; Bagozzi et al., 2009). Fourthly, attitude toward the act focuses on behavior but not obviously related to pursue a goal, while prefactual attitudes approach pertain to a goal intention (Ajzen & Fishbein, 1980; Ajzen, 1991; Bagozzi et al., 2009). In this research model, we adopt the prefactual attitudes toward the goal of providing healthy food for children. Based on the past evidences (Bagozzi & Kimmel, 1995; Bagozzi et al., 2009), the effects of attitude toward success, attitude toward failure and attitude toward process are shown to be additive in their influence upon intentions. In this study, we propose that attitude toward success in the provision of healthy food, attitude toward failure in the provision of healthy food, and attitude toward the process of preparing healthy food have an additive effect on parental intention to provide healthy food for their children.

Proposition 1: Parent’s attitude toward success in the provision of healthy food has a positive influence on their intention to provide healthy food for their children.

Proposition 2: Parent’s attitude toward failure in the provision of healthy food has a negative influence on their intention to provide healthy food for their children.

Proposition 3: Parent’s attitude toward the process of preparing healthy food has a positive influence on their intention to provide healthy food for their children.
Subjective Norms

Subjective norms are the person’s assessment of the social pressures put on him or her to perform or not to perform certain behavior (Ajzen & Fishbein, 1980; Ajzen, 1991). The beliefs dealing with an individual’s social influence are defined as normative beliefs (Ajzen & Fishbein, 1980). For example, a person is motivated to buy a snack food if it conforms with the wishes of their surrounding people who are important to them. Conversely, a person will avoid purchase a snack food if he or she believes that the significant others perceived negatively on this behavior. A subjective norm-intention correlation is reported in several studies to be one of the least significant influential relationships (Armitage & Conner, 2001; Godin & Kok, 1996). Other study suggested that the effect of subjective norms on intention is not linear but moderated by the strength of perceived behavioral control (Bagozzi et al., 2009). However in food-related research, numerous studies indicated a significant positive relation between consumer’s subjective norms and their intention to purchase organic food (Chen 2007; Dean, Raats, and Shepherd 2008; Thogersen 2009). Fila and Smith (2006) found that subjective norms is associated with intention and is an important predictor for boy’s healthy eating behavior. Vermeir and Verbeke (2006) discovered that the desire to comply with other people explained strong intentions to purchase sustainable dairy products. In our study, we expect the closed family members such as spouse, parent and parent in laws have significant influence on what parents provide their children to eat. Therefore, we suggest that subjective norms would have a positive influence on parental intention to provide healthy food for their children.

Proposition 4: Parent’s subjective norms have a positive influence on their intention to provide healthy food for their children.

Perceived Behavioral Control in the Form of Resistance to Temptation

Literature indicates that perceived behavioral control influences both intention and behavior (Ajzen, 1991; Perugini & Bagozzi, 2001). Perceived behavioral control can be used to envisage behavior directly because it may be considered a substitution for a measure of actual control (Ajzen, 1991; Perugini & Bagozzi, 2001). Bagozzi, Moore and Leone (2009) constructed perceived behavioral control as an element of resistance to temptation with a concrete aspect of control in specific situations related to dieting. In food related choice behaviors, the problems encountered are not the difficulties in performing particular behaviors but the problems faced in refraining from temptation (Bagozzi et al., 2009; Sparks, Hedderley, & Shepherd, 1992). Sparks, Hedderley and Shepherd (1992) investigated consumers’ attitudes toward consumption of two common foods. Their findings show that perceived behavioral control was a function of the problem of resisting eating biscuits which is an internal control and not regulated by external factors such as cost, availability and others’ preference (Sparks et al., 1992). This suggests people are likely to face ‘resisting’ or internal desire control problems when making food behavioral decisions. While Bagozzi, Moore and Leone (2009) explored resistance to temptation across a range of everyday inducements and embrace self-efficacy judgments with respect to dieting. It was found that perceived behavioral control that is resistance to temptation acts as a moderating variable that regulates the influence of subjective norms on intentions (Bagozzi et al., 2009). In our study, we adopt the construct of perceived behavioral control as resistance to temptation from Bagozzi, Moore and Leone (2009), however we foresee resistance to temptation affects goal intention and behavior directly in a linear model. Also, resistance to temptation that is explored in our study is
situations specific, for example when unhealthy foods are accessible, when social pressure to provide unhealthy food exists, when positive or negative emotions arise, and when during life activities (Clark, Abrams, Niaura, Eaton, & Rossi, 1991). Thus, we anticipate that resistance to temptation of providing unhealthy food to children has a positive influence on parent’s intention to provide healthy food for their children, as well as parent’s behaviors of providing healthy food and limiting unhealthy food for their children.

Proposition 5: Parent’s resistance to the temptation of providing unhealthy food to children has a positive influence on parent’s intention to provide healthy food for their children.

Proposition 10: Parent’s resistance to the temptation of providing unhealthy food to children has a positive influence on parent’s behavior of providing healthy food for their children.

Proposition 14: Parent’s resistance to the temptation of providing unhealthy food to children has a positive influence on parent’s behavior of limiting unhealthy food for their children.

Goal Intention, Trying to Act and Behaviors

Ajzen and Fishbein’s (1980) theory of reasoned action and Ajzen’s (1991) theory of planned behavior advocated that a goal intention leads to behavior directly. However the extant literature supported the contention that goal intention significantly affects activities related to trying to achieve one’s goal and commencement of instrumental acts that is goal-directed behaviors (Bagozzi & Edwards, 1998). It was reported that the stronger the goal intention, the greater the will power and self discipline and the more time dedicated to planning goal pursuit (Bagozzi & Edwards, 1998). It may be argue that intention influences behavior directly is true in occasion such as spontaneous purchase in the store, whereas pursuing healthy food goal in this study is purposive and involves trying effort. In the model of action phases that elucidate purposive behavior, the goal intention transits to the preactional phase, where the goal pursuer ‘trying to act’ and initiates the action (Gollwitzer, 1990, 1996; Heckhausen, 1991). In our study, we postulate that the stronger the goal intention, the greater the determination to activate trying act towards achievement of the stated goal, that is in this instance provision of healthy food for children. When the parent have the intention to provide healthy food to children, they will try to execute their will power, self discipline, commit more time to planning of healthy food goal and disburse physical energy.

Proposition 7: Parent’s intention to provide healthy food for their children has a positive influence on the trying act.

It is evident that ‘trying’ is a set of motivational, volitional and conative processes required to convert a goal intention into action (Bagozzi & Edwards, 1998). Bagozzi and Edwards (1998) reported that behavior is a function of mental trying for the case on regulation of body weight. In this study, we predict that the greater the trying act, the more frequently parental behavior of providing healthy food and limiting unhealthy food for their children would be seen.

Proposition 9: A parent’s trying act has a positive influence on their behavior of providing healthy food for children.
Proposition 13: A parent’s trying act has a positive influence on their behavior of limiting unhealthy food for children.

**Frequency and Recency of Past Behavior**

The effects of past behavior has been studied in terms of the frequency and recency of effects (Bagozzi & Warshaw, 1990). Former empirical work substantiated that past behavior predicts intention and behavior in the assessments of theory of planned behavior (Bagozzi & Kimmel, 1995). A meta-analysis scrutinized 64 studies and reported strong support for the impact of frequency of past behavior on both intention and behavior (Ouellette & Wood, 1998). In this study, we propose that the frequency of past healthy food provision behavior has a direct effect on parent’s intention to provide healthy food their children, trying act and subsequent behaviors of engaging in a healthy diet and restraining of unhealthy food for children. This is in prediction of frequency of past behavior affects intention and ‘trying to act’ when behaviors are not well learned and acted in an unsteady setting. However when behaviors are well performed in a stable context, frequency of past behavior affects future behaviors directly and reveals habits strength (Ouellette & Wood, 1998). This study might be the first to our knowledge to examine the effect of frequency of past behavior on ‘trying act’.

Proposition 6: Frequency of past healthy food provision behavior has a positive influence on parent’s intention to provide healthy food for their children.

Proposition 8: Frequency of past healthy food provision behavior has a positive influence on parent’s trying act.

Proposition 11: Frequency of past healthy food provision behavior has a positive influence on parent’s behavior of providing healthy food to their children.

Proposition 15: Frequency of past healthy food provision behavior has a positive influence on parent’s behavior of limiting unhealthy food for their children.

Frequency and recency of past behaviors are apparently related but conceptually different (Bagozzi & Warshaw, 1990). A person may perform an activity long time ago but not perform it recently. Vice versa, a person may perform a behavior recently with no historical experience. The recent implementation of a behavior implies intention has been triggered, thus positively linked with future performance of behavior (Perugini & Bagozzi, 2001; Tversky & Kahneman, 1974). In this study, we predict that recency of past behavior influence on parent’s behavior of providing healthy food and limiting unhealthy food for their children.

Proposition 12: Recency of past healthy food provision behavior has a positive influence on parent’s behavior of providing healthy food to their children.

Proposition 16: Recency of past healthy food provision behavior has a positive influence on parent’s behavior of limiting unhealthy food for their children.
CONCEPTUAL THEORY

Constructing on the theory of planned behavior (Ajzen, 1991) and the three extended theories of the theory of planned behavior include theory of trying (Bagozzi et al., 2009; Bagozzi & Warshaw, 1990), the model for self-regulation of body weight (Bagozzi & Edwards, 1998) and the model of goal-directed behavior (Perugini & Bagozzi, 2001), we proposed an integrated behavioral theory to investigate parental behavior in the provision of food. To recap, we integrated the prefactual attitudes and resistance to temptation from theory of trying, one mediating variable comprises ‘trying to act’ from model for self-regulation of body weight, and two antecedents include frequency and recency of past behavior from model of goal-directed behavior, as modifications to the theory of planned behavior. Figure 1 shows the proposed research model comprises 16 propositions in examining urban parent’s behavior in the provision of healthy food and restriction of unhealthy food for their children. Following Malaysian dietary guidelines for children and adolescent, the provision of healthy and balanced food to children is based on the recommended serving size for the variety of foods and the daily caloric needs (National Coordinating Committee on Food and Nutrition, 2013).

Figure 1: Conceptual model for investigating the influence on parental behaviors in the provision of food

Proposition 1: Parent’s attitude toward success in the provision of healthy food has a positive influence on their intention to provide healthy food for their children.
Proposition 2: Parent’s attitude toward failure in the provision of healthy food has a negative influence on their intention to provide healthy food for their children.

Proposition 3: Parent’s attitude toward the process of preparing healthy food has a positive influence on their intention to provide healthy food for their children.

Proposition 4: Parent’s subjective norms have a positive influence on their intention to provide healthy food for their children.

Proposition 5: Parent’s resistance to the temptation of providing unhealthy food to children has a positive influence on parent’s intention to provide healthy food for their children.

Proposition 6: Frequency of past healthy food provision behavior has a positive influence on parent’s intention to provide healthy food for their children.

Proposition 7: Parent’s intention to provide healthy food for their children has a positive influence on the trying act.

Proposition 8: Frequency of past healthy food provision behavior has a positive influence on parent’s trying act.

Proposition 9: A parent’s trying act has a positive influence on their behavior of providing healthy food for children.

Proposition 10: Parent’s resistance to the temptation of providing unhealthy food to children has a positive influence on parent’s behavior of providing healthy food for their children.

Proposition 11: Frequency of past healthy food provision behavior has a positive influence on parent’s behavior of providing healthy food to their children.

Proposition 12: Recency of past healthy food provision behavior has a positive influence on parent’s behavior of providing healthy food to their children.

Proposition 13: A parent’s trying act has a positive influence on their behavior of limiting unhealthy food for children.

Proposition 14: Parent’s resistance to the temptation of providing unhealthy food to children has a positive influence on parent’s behavior of limiting unhealthy food for their children.

Proposition 15: Frequency of past healthy food provision behavior has a positive influence on parent’s behavior of limiting unhealthy food for their children.

Proposition 16: Recency of past healthy food provision behavior has a positive influence on parent’s behavior of limiting unhealthy food for their children.
SIGNIFICANCE OF STUDY AND CONCLUSION

This paper represents a conceptual paper in which the theory could be tested through a survey instrument. This study may be the first, to the researcher’s knowledge, that conceptualizes the influence on parental food-provision behavior. This study could provide valuable theoretical and practical implications. Theoretically, this study contributes towards knowledge building and provides new empirical findings with an integrated behavioral model built on the theory of planned behavior, theory of trying, model of goal-directed behavior and model for self-regulation of body weight. This study could increase our understanding on the key factors influencing parent’s intention of providing healthy food to their children that initiates their trying to act, which in turn leads to their behavior of providing healthy food and limiting unhealthy food for children. From a practical perspective, the findings of this study could be beneficial to the managers, policy makers and community on how to motivate urban parents as healthy food providers. For the managers, marketers, food retailers and food industry, various stimuli could be suggested to inspire parent’s motivational decision processes in the pursuit of healthy food goals. With the insights, we could then suggest policies and activities that shape dietary guidelines, food labeling, food services and nutrition education to promote healthy food provision behaviors among parents. Implementation of effective policies to cultivate parental behavior in giving healthy and balanced meal and limiting unhealthy food is important at the macro level include Ministry of Health and Ministry of Education, as well as at the micro level involves school setting. For the community, intervention programs could be introduced to transform parent’s attitudes, support positive behavioral change and increase provision of healthy food. Collective effort of cultivating healthy eating is necessary and has considerable impact on improving business, economic, social, cultural and ecological sustainability of society.

REFERENCES


Chapter #--- 30

Knowledge Management Infrastructure Capability Effects on Higher Educational Institutions’ Performance and the Moderating Role of Religiosity: The Case of Malaysia

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ABSTRACT

This paper reports the findings of a study on the effects of knowledge management infrastructure capability (KMIC) on the performance of seven private higher education institutions (HEI). The KMIC studied had three components namely technological, organizational structure and cultural infrastructure. Religiosity was introduced as a new variable into the research framework to investigate whether it has any moderating role on the said relationship. A total of 105 academicians from seven HEIs were selected through cross-sectional sampling. Four hypotheses were generated to test the causal and moderating effects. The study is a quantitative research and Smart PLS was employed as the analytical tool. The findings indicate that all three KMIC variables do have an effect on the perceived HEI performance and the mediating role of religiosity (with no specific reference to any religion) also showed strong links and deliberated fully in the analysis. The findings also imply that religiosity being a new factor may be an important variable to be included in future research.

Keywords: knowledge management, KM infrastructure capabilities, technology, culture, organizational structure, higher education institution, performance, religiosity

INTRODUCTION

Many new emerging countries struggled when the first phase of the knowledge management era was first triggered. Names like P Senge, P Drucker and P Strassmann in the 70s and 80s had their names carved in their respective books. Shortly later in the 90s, articles in Harvard and Sloan journals began to appear and the KM train journey soon took off on a rail track that never seems to end until today. But countries in Africa and Asia were slow at the beginning wondering what animal is being born but before long the more progressing and alert countries in these two continents scrambled into their own KM train too and began their own journey whose rail track and terrain are definitely different than the west. Many are already keeping up with their western contemporaries as by the early 2000, internet and...
communication technology were opened to anybody and anywhere and the knowledge management development wave were easily shared and utilized.

But today, research on KM has been on constant flux crating new dimensions and platform for the betterment of society. Knowledge-based economy (KBE) has changed the way businesses perceive their processes in managing intellectual activities (Clarke, 2001). Wealth and value creation derived from intangible assets have become important driving forces behind competitive advantage and economic growth (Beijerse, 2000; Dixon, 2005; Massingham, 2014).

In Malaysia, the service sector has maintained as being the highest contributor to the nation’s GDP. Among its components is the private higher education institution (PHEI). Since early 1990s, Malaysia has taken steps to liberalize its higher education resulting in the establishment of several PHEIs. The “supplementary and complementary” roles of PHEIs to public universities have proven to be successful when the number rose to 521 in 2007.

As knowledge-based organizations; PHEIs in general, are involved in the creation, transfer, dissemination of knowledge and imparting learning to their clients and community (Wiig, 1997). They need to be active and relevant and thus be sustainable in the KBE’s competitive environment to continuously produce high quality graduates that will fit in the challenging knowledge workforce (Rowley, J., 2000; Song S.Y., 2012; N. Ali et al., 2014).

However, the issue of sustainability among PHEIs in Malaysia has been of growing concern (Rusli Harun, 2015). In 2017, the number of registered PHEIs is 483 (MOHE, 2017), signaling a decline of 7% in a decade. Among the identified problem contributing to this is the liberalization of higher education industry itself that resulted in more establishment of international PHEIs. According to the resource-based view followers, organizations that owned valuable resources are more capable of achieving their objectives and performance as expected (Wernerfelt, 1984). Therefore, local PHEIs should be focused on establishing and developing their capabilities that will assist in competing with international PHEIs.

Among the growing interest is the effectiveness of the application of knowledge management (KM) and how it influences the performance of the PHEIs. Thus its practices in PHEIs are crucial as it has become a source of competitive advantage, but its effectiveness has been debated (Grant, 1996). Wei Chong, Yen Yuen, & Chew Gan (2014) opine that “a supportive education infrastructure and R&D activities” are prerequisite to achieve a propitious knowledge-sharing environment in the education sector. Instead, these activities are still lacking in supporting the KBE in Malaysia (Ramlee Mustapha & Abu Abdullah, 2004). It is also pertinent to explore the KM practice especially in the education industry where knowledge exchange with the practitioners has been used to enhance firms’ capabilities and lead to knowledge creation (Lai, Hsu, Lin, Chen, & Lin, 2014).

Effective KM has been recognized as a tool to assist in solving issues related to factors affecting organizational success (A.F. Ragab & Arisha, 2013). Jantunen (2005) stressed that literatures on KM have focused on firm-specific internal factors in determining varied performance between organizations. This study attempts to examine further the impact of KM, specifically its Infrastructure Capabilities on PHEIs performance. Gold, Malhotra, & Segars (2001) are among the early scholars to initiate researches on organizational capability in managing knowledge, or known as KM Capability. According to them, such capability will enhance performance as new knowledge acquisition, internally or externally, are...
crucial in enhancing performance through increased sharing (Abuazoum, Azizan, & Ahmad, 2013; Eftekharzade & Mohammadi, 2011).

Recent reports have also shown an increasing need to integrate moral dimension into studies related to handling business and economic issues. The term capitalism was born since the industrial revolution a few centuries ago, to represent the crucial aspect of capital invested. It resulted in separation of work values from the spiritual component amongst Western management practices (Ali, 2010; Rice, 1999). As an extension, this study introduces religiosity as the spiritual component of an organizational capability that could contribute to PHEI’s competitive advantage. It is said to influence the individual capability (A. J. Ali, 2010), which can be pooled together and increase PHEIs capability. It contributes in developing employees’ characteristics based on the values inculcated in the particular religion (Faizal, Ridhwan, & Kalsom, 2013).

Undoubtedly, a large amount of effort has been put on linking religiosity to individual human behavior that is related to the study of social science. Unfortunately, there is still a gap in the literature of the impact of religiosity on whole organization such as its overall performance. Thus this is an additional dimension to be researched. Specifically, three research objectives (RO) identified are:

<table>
<thead>
<tr>
<th>RO 1</th>
<th>To assess the impact of KM Infrastructure Capability on PHEI performance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>RO 2</td>
<td>To examine the moderating impact of religiosity on PHEI performance.</td>
</tr>
<tr>
<td>RO 3</td>
<td>To test and validate the model of PHEI performance.</td>
</tr>
</tbody>
</table>

**LITERATURE REVIEW**

PHEIs in Malaysia have played significant role in providing access to tertiary education for the public but at the same time are facing sustainability issues as the industry is very competitive too (Lee, 1998). Comparing their performance is not easily done as methods of measuring them are not standardized (Soon & Zainol, 2011).

**1.1 PHEI performance**

This study focuses on two critical issues of PHEI performance dimensions, the choice of financial or non-financial measures. This requires different research approaches and elements of measurement as each PHEI has its own goals and directions to pursue. Table 1 provides insight on how previous literatures differ in measuring PHEI performance.

**Table 1: Summary of dimensions in measuring PHEI performance**

<table>
<thead>
<tr>
<th>No.</th>
<th>Author(s)/ Year</th>
<th>Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Rivlin (1973)</td>
<td>Financial ✓</td>
</tr>
<tr>
<td>2.</td>
<td>Kidwell et al. (2000)</td>
<td>✓</td>
</tr>
<tr>
<td>5.</td>
<td>Tee (2016)</td>
<td>✓</td>
</tr>
<tr>
<td>6.</td>
<td>Alcaíne, J (2016)</td>
<td>✓</td>
</tr>
<tr>
<td>7.</td>
<td>Sahney &amp; Thakkar (2016)</td>
<td>✓</td>
</tr>
<tr>
<td>8.</td>
<td>Chinta, Kebritchi, &amp; Ellias (2016)</td>
<td>✓</td>
</tr>
</tbody>
</table>

*Source: Developed for this study*
Financial performance measures, such as ROI, ROC, cash flow, profitability, is paramount in measuring performance (Hamid, 2015) and will reflect some form of organizational standing (Harlow, 2008). However, the table indicates that it is quite rarely used. Possible reasons could be many PHEIs are not-for-profit ventures and the elements to be measured are quite subjective and can be quite complex.

On the contrary, non-financial measures are more common. Albekov, Romanova, Vovchenko, & Epifanova (2017) conclude that the effectiveness of university education is quite closely related to management of its human capital as well as equality in quantity and quality of university education. Chinta, Kebrichti, & Ellias (2016) used input-process-output approach to produce a matrix which uses benchmark from internal, external and aspirational parties to measure university performance. Using the same input-process-output approach, Sahney & Thakkar (2016) measured four HEI in India using research, academic, teaching and consulting efficiencies. Meanwhile, the research component is considered as the most extensive measure of them all (Alcaine, 2016; Kidwell, Linde, & Johnson, 2000; Tee, 2016).

This research will apply both financial and non-financial measures to indicate the PHEI performance. This is crucial as it relates to the problem in measuring HEI performance, especially in understanding how teaching and research contribute to achieving organizational and strategic goals. Financial measure alone is not adequate (Zangouinezhad & Moshabaki, 2011). The four measures used to evaluate PHEI performance are; a) academic effectiveness, b) rating scores, c) research capacity, and d) financial performance.

a) Academic effectiveness

The essence of PHEI performance lies in its academic effectiveness. PHEIs should continuously enhance the quality of their academic programs and services to achieve sustainable competitive advantage (Caruana, Ramaseshan, & Ewing, 1998). According to Ramachandran, Chong, & Wong (2013), the quality in PHEI can be achieved by successful implementation of KM. Criteria used (i.e. management of academic programs and academicians) in measuring academic effectiveness were adapted from Delaney & Huselid (1996).

b) Rating scores

It is noted that most of the non-financial measurements of PHEI performance in Malaysia were introduced by Malaysian Ministry of Higher Education (MOHE) and also that they comply with the Private Higher Educational Institutions Act 1996, which has been subjugated to the Department of Higher Education (JPT) under the Ministry.

This study values the ratings as they attract enrolment of students and some of these measures have been chosen in determining the performance of PHEIs. The chosen measures includes: i) students (quality, participation with external organization, number of international students); ii) resources (physical infrastructure, financial sustainability, support services, staff ratio); iii) quality management system (certification, good management system, external participation, student satisfaction index); iv) program recognition (accredited programs, active programs); and v) graduate success (employability,
employer satisfaction, recognition and awards to graduate). These criteria were used and adapted as a measurement of PHEI performance.

c) **Research capacity**

Additional non-financial performance measurements of HEI are related to research activities based on the input-output relationship. Sahney & Thakkar (2016) proposed that research can have three different efficiency components namely the research itself, its link with the academics and with the outputs or deliverables. Each efficiency component has different input-process-output that contribute to HEI performance. For example, Sahney’s model demonstrated that grants are the input for research efficiency, done by the academics delivering the outputs as conference papers and journal article(s).

Tee (2016) asserts that research is a performance indicator for universities in UK. This point is also supported by Alcaine, J. (2016), who emphasized the importance of research capabilities as a university’s performance measurement. According to him, research capabilities are manifested in the form of revenues through 1) grants and contracts and 2) licensing. Although both studies stressed on the research grant, it is not depicted in dollars and cents, thus considered as non-financial performance measurements for HEI.

d) **Financial performance**

Using financial measures as a performance indicator is quite rare (as many are not-for-profit ventures) but can be a crucial indicator of PHEI sustainability and academic performance (Montanaro, M. K. F., 2013). Reported financial measures are still quite ambiguous. Montanaro, M. K. F. (2013) had used financial data and ratios such as total operating revenues and viability ratio to measure universities performance in his PhD dissertation. These measures however are not suitable as this study obtains information from individual academicians (unit of analysis) who have limited access on such financial data.

Amongst the few financial analysis study done on HEIs, the one introduced by Tseng (2014) is considered relevant and thus adapted. She provided the items for financial performance within the context of KM Capability. In addition, the items were constructed from a perception perspective which makes them directly applicable to this study. Such perception measures of the financial performance can also be related to efficiency and effective management of resources (Sahney & Thakkar, 2016).

1.2 **Knowledge Management Infrastructure Capability (KMIC)**

KM infrastructure capability refers to the state whether a firm is ready with its set of roles, organizational structures and skills to successfully initiate a KM program (Davenport & Prusak, 2000). Alaajr, Zainal A.M., & Bustamam (2016) defined KM Infrastructure Capability as the enabling circumstances that assist the organization in the process to manage organizational knowledge. Pandey & Dutta (2013) justify that components of KM infrastructure had synergistic impact in ensuring a successful KM program. Imran (2014) concluded that technological and cultural aspects too have significant positive impact on banking performance in Pakistan.
According to Gold et al. (2001), technical, structural and cultural are three key infrastructures that enable the maximization of social capital. Most of the recent literatures adapt Gold’s work with additional factors, such as “common knowledge” and “physical environment” (Becerra-Fernandez & Sabherwal, 2010), “human resources” (Chang & Chuang, 2011; Nasser H. Zaied, Soliman Hussein, & M. Hassan, 2012); and “budget” and “strategy” (Makvandi, Zangeneh, Fakhrodin, & Sadr, 2015). Albeit the differences, this study select three components of KM Infrastructure Capability provided by Gold et al (2001), namely: a) technology, b) structure, and c) culture.

a. Technology

Technology is an important aspect of KM infrastructure as it promotes the effective transmission of knowledge within and outside of firm. It is regarded as applied knowledge that helps to fulfill market expectations or needs (Mohamed, Stankosky, & Murray, 2006). Allameh et al. (2011) defines technology as “information infrastructure and its capabilities in supporting the knowledge management architecture”.

Previous studies have indicated that technology correlates with KM (Supar, 2012) and N. Ali et al. (2014) asserted that ICT assist each of the knowledge creation process in HEI. However, these needs to be continually improved and top management must escalate the use of ICT in terms of “technological, pedagogical and content” support in various aspects of academic staff teaching and learning (Lye, 2013). Therefore, it can be hypothesized that:

**H1: Technological infrastructure has a positive effect on PHEI performance.**

b. Structure

Organizational structure is a salient function of management to assist in the achievement of a firm’s objectives (Wen, 2009). It can be defined by how work is divided into different tasks and the process of coordinating those works so it can be done in effective and efficient manner (Claver-Cortés, Zaragoza-Sáez, & Pertusa-Ortega, 2007). It also defines the functions or units and their relationship, explains the line of authority and maps the knowledge flows within the firm. Wen (2009) emphasized that structure.

A good organizational structure can provide an environment conducive for knowledge sharing through the collaboration and support of the members of various teams. Walczak (2005) explains that structure encourages the exchange of tacit knowledge, enable learning and growth among employees. It is thus the top management responsibility to create such a structure to promote the knowledge sharing environment and behavior that will benefit both the employees and firm (Mohayidin, Azirawani, Kamaruddin, & Margono, 2007).

However, HEI structure is not directly comparable to that of a private corporation. It is unique in the sense that academicians tend to work in silo and cross-functional tasks are not common (Basu, Sengupta, & Lake, 2007). This is also endorsed by Bhusry & Ranjan (2011), and thus become one of the challenges to KM as it prefers a fluid and organic structure.
In a study in an Iranian refinery, Allameh et al. (2011) reported that structure has little effect on KM processes as compared to the effect of culture and technology. And this is in contrast to another finding in the same country but on an academic institution that organizational structure is perceived to be moderately important in implementing KM (Eftekharzade & Mohammadi, 2011). A second hypothesis is

**H2. Organizational structural infrastructure has a positive effect on PHEI performance.**

c. **Culture**

Many scholars hold the view that culture is essential in shaping a firm’s ability in managing knowledge effectively (Gold et al., 2001; Rašula et al., 2012). Culture is defined as “shared beliefs, norms, ethics and practices within an organization” which can be observed despite being intangible (Meso & Smith, 2000; Imran, 2014). Gold et al. (2001) further explained that corporate vision and corporate values are important in creating the culture of effective KM. Culture is also perceived as being made up of different dimensions as Gupta and Govindarajan (2000) identified six of them such as IS, people, process, leadership, reward system and organization structure. Later, Al-Alawi et al. (2007) identified five dimensions namely trust, communication between staff, IS, reward system, and organizational structure and these affected knowledge sharing among employees in public and private sectors researched in Bahrain. Generally though it has been established that good communication channel enables corporate vision and values to be inculcated throughout the organization. The e third hypothesis is then proposed:

**H3. Culture infrastructure has a positive effect on PHEI performance.**

1.3 **Religiosity**

There is a rising interest in the study of religiosity and it concerns with beliefs and values. In addition, it is also dynamic in nature, personal in scope and influence how people formulate (cognitively) and make their living with full of purpose (Mokhlis, 2008).

The impact of religiosity within the business context is still understudied. A number of literatures tried to relate religiosity with organization success. Zulkifli & Rosli (2013) found that religiosity moderates the relationship between entrepreneurial orientation and business success, while Osman et al (2013), identified religiosity as positively influenced employee performance. Both studies had implied that religiosity do have impacts on enhancing performance.

This study adopted Worthington’s definition of religiosity as “the degree to which a person adheres to his or her religious values, beliefs and practices and uses them in daily living” (Worthington, Everett L. et al., 2003). As the study of religiosity in relation with KM is still rare, there are opportunities to discover new possible outcomes that can be added to the related body of knowledge. As shown in table 2, there are no studies reported of any direct influence of religiosity on job performance. However, it can be understood that religiosity had influenced employees’ performance positively (Osman-Gani et al., 2013) and bring about business success (Zulkifli & Rosli, 2013). Collectively, this will eventually lead to enhanced overall performance. Therefore, the following hypothesis is proposed:
**H4. Religiosity has a positive effect on PHEI performance**

From the literatures, a research framework is derived and shown in Figure 1.

![Figure 1: Proposed research framework](image)

The study of religiosity as extracted from the available literature (Table placed as attachment at the end of this paper) are small in number and lacks depth although attempts had been made to relate it with students’ campus life (Mayrl & Oeur, 2009) and universities academic program (Assegaf, 2012). No reports have been identified that link religiosity to neither KM nor strategic management. Therefore, this study attempts to connect religiosity with KM and find whether it has a moderating role when measuring PHEI performance. Therefore, the following hypotheses are proposed:

**H4a. Religiosity moderates the relationship between technology infrastructure and PHEI performance.**

**H4b. Religiosity moderates the relationship between organizational structural infrastructure and PHEI performance.**

**H4c. Religiosity moderates the relationship between culture infrastructure and PHEI performance.**

**METHODOLOGY**

A structured questionnaire was used to obtain data from 175 academicians in seven PHEIs in Malaysia through convenience sampling. The sampled respondents targeted were individuals at management levels who are aware of and able to describe the KM Capability in their respective PHEI. Subsequently, 117 questionnaires were received and only 105 responses were considered for data analysis after the screening process.
This study employed an online questionnaire as the instrument of data collection. Likert scale was used (ranges from 1-strongly disagree to 7-strongly agree) to analyze the questions. The sources of the measurement instruments and number of items are shown in Table 2.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Number of items</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>KM Infrastructure Capability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Technology</td>
<td>4</td>
<td>Yang &amp; Chen (2007)</td>
</tr>
<tr>
<td>b) Structure</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>c) Culture</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Religiosity</td>
<td>10</td>
<td>Worthington, Everett L. et al. (2003)</td>
</tr>
</tbody>
</table>

**DATA ANALYSIS & FINDINGS**

Demographic information is shown in Table 3.

<table>
<thead>
<tr>
<th>Demographic variable</th>
<th>Category</th>
<th>Frequency</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>45</td>
<td>42.9</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>60</td>
<td>57.1</td>
</tr>
<tr>
<td>Age</td>
<td>25-34</td>
<td>43</td>
<td>41.0</td>
</tr>
<tr>
<td></td>
<td>35-44</td>
<td>48</td>
<td>45.7</td>
</tr>
<tr>
<td></td>
<td>45-54</td>
<td>14</td>
<td>13.3</td>
</tr>
<tr>
<td>Education level</td>
<td>Bachelor’s degree</td>
<td>12</td>
<td>11.4</td>
</tr>
<tr>
<td></td>
<td>Master’s degree</td>
<td>81</td>
<td>77.1</td>
</tr>
<tr>
<td></td>
<td>PhD degree</td>
<td>12</td>
<td>11.4</td>
</tr>
<tr>
<td>Years of working</td>
<td>3-5 years</td>
<td>53</td>
<td>50.5</td>
</tr>
<tr>
<td></td>
<td>6-10 years</td>
<td>24</td>
<td>22.9</td>
</tr>
<tr>
<td></td>
<td>11-20 years</td>
<td>28</td>
<td>26.7</td>
</tr>
</tbody>
</table>

Using Smart PLS 3.0, the measurement is assessed by four criteria, namely: internal consistency, indicator reliability, convergent and discriminant validity (Hair et al, 2014).

Cronbach alpha and composite reliability (CR) tests were performed in order to verify internal consistency (Wang & Yang, 2016). First, each construct in this study was measured in terms of each factor, according to Cronbach’s alpha values. As shown in Table 4, all the Cronbach’s alpha values range from 0.865 (Technology Infrastructure) to 0.964 (PHEI performance). According to Nunnally (1978), the lowest limit for Cronbach’s alpha values should be 0.7. The Cronbach’s alpha value of each construct was above 0.7, which indicated high internal consistency. Secondly, CR values range from 0.914 to 0.968, which above the threshold of 0.8. Therefore, the constructs used in this study have high internal consistency.
Indicator reliability is then checked by examining the factor loadings of the measures with their respective constructs. According to Hair et al. (2014), indicators with loadings above 0.7 should be retained, and below 0.4 should be dropped. The result shows that all indicators range from 0.623 to 0.948. The Average Variance Extracted (AVE) values are checked for convergent validity. The AVE values for the variable ranged from 0.601 (Religiosity) to 0.848 (Structure Infrastructure). As the AVE values are all above 0.50, all indicators are said to achieve convergent validity.

Table 4: Summary of internal consistency analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>No. of items</th>
<th>No. of items deleted</th>
<th>Cronbach’s α</th>
<th>Composite Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>4</td>
<td>None</td>
<td>0.865</td>
<td>0.907</td>
<td>0.709</td>
</tr>
<tr>
<td>Structure</td>
<td>4</td>
<td>None</td>
<td>0.940</td>
<td>0.957</td>
<td>0.848</td>
</tr>
<tr>
<td>Culture</td>
<td>4</td>
<td>None</td>
<td>0.875</td>
<td>0.914</td>
<td>0.727</td>
</tr>
<tr>
<td>Religiosity</td>
<td>10</td>
<td>None</td>
<td>0.923</td>
<td>0.935</td>
<td>0.601</td>
</tr>
<tr>
<td>PHEI Performance</td>
<td>22</td>
<td>None</td>
<td>0.964</td>
<td>0.968</td>
<td>0.645</td>
</tr>
</tbody>
</table>

This study further evaluates discriminant validity to ensure that a reflective construct has the strongest relationships with its own indicators in the PLS path model (Hair et al., 2014). It can be measured when the square root of each factor's AVE was larger than its correlation with other factors (Fornell & Larcker, 1981; Chin, 1998). Table 5 indicates the results of the analysis and the discriminate validity assessed by using the correlation of latent variables, wherein the square roots of the average variances were calculated for each of the constructs along the diagonal. It is found that all square roots of AVE were larger than their corresponding coefficients of correlation with other factors.

Table 5: Correlations among study variables

<table>
<thead>
<tr>
<th>Cul-Rel</th>
<th>Cult-Rel</th>
<th>PHEI Performance</th>
<th>Religiosity</th>
<th>Str-Rel</th>
<th>Structur-Rel</th>
<th>Tech-Rel</th>
<th>Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>0.853</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td>0.117</td>
<td>0.592</td>
<td>0.803</td>
<td>0.776</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Religiosity</td>
<td>-0.22</td>
<td>0.33</td>
<td>0.421</td>
<td>0.776</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Str-Rel</td>
<td>0.478</td>
<td>0.112</td>
<td>0.323</td>
<td>-0.311</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structure</td>
<td>0.146</td>
<td>0.63</td>
<td>0.501</td>
<td>0.181</td>
<td>0.054</td>
<td>0.921</td>
<td></td>
</tr>
<tr>
<td>Tech-Rel</td>
<td>0.519</td>
<td>-0.082</td>
<td>-0.027</td>
<td>-0.154</td>
<td>0.061</td>
<td>0.176</td>
<td>1</td>
</tr>
<tr>
<td>Technology</td>
<td>0.117</td>
<td>0.505</td>
<td>0.541</td>
<td>0.312</td>
<td>0.193</td>
<td>0.384</td>
<td>-0.238</td>
</tr>
</tbody>
</table>
Overall, the analyses demonstrated that the study scales possessed discriminant validity. Moreover, a hetero trait-mono trait (HTMT) criterion (Henseler et al., 2015) was conducted to assess discriminant validity. Table 6 shows that all HTMT ratios (bolded) in absolute value were below the 0.80 limit. After bootstrapping procedure, HTMT values with confidence level 90% were obtained and expressed in the bracket under the HTMT ratio in Table 6. The left values show the lower limit and the right values show the upper limit. As all the values are not or over 1.00, then the discriminant analysis is established.

SmartPLS 3.0 was also used to examine the path analysis and to test the structural model of this research. Table 7 shows the results of regression analysis. It can be concluded that religiosity has the strongest influence on perceived PHEI performance ($\beta=0.383$). This is followed by structure ($\beta=0.215$), technology ($\beta=-0.21$) and culture ($\beta=0.165$). It is also shown that the moderating effects of religiosity on the relation between structure and perceived PHEI performance is the strongest with $\beta$ of 0.266. However, religiosity seems not to moderate on the relation between technology and perceived PHEI performance ($\beta=-0.056$).

Bootstrapping procedure was further executed in order to test the hypotheses. From Table 7, it is shown that H3 ($p=0.165$), H4a ($p=0.296$) and H4c ($p=0.113$) have been rejected. Next, the coefficient of

Table 6: HTMT ratio

<table>
<thead>
<tr>
<th></th>
<th>Cul-Rel</th>
<th>Culture</th>
<th>PHEI Performance</th>
<th>Religiosity</th>
<th>Str-Rel</th>
<th>Structure</th>
<th>Tech-Rel</th>
<th>Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cul-Rel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td>0.121 (0.046, 0.453)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PHEI Performance</td>
<td>0.262 (0.097, 0.515)</td>
<td>0.628 (0.398, 0.824)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Religiosity</td>
<td>0.233 (0.076, 0.467)</td>
<td></td>
<td>0.361 (0.209, 0.554)</td>
<td>0.442 (0.264, 0.677)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Str-Rel</td>
<td>0.478 (0.331, 0.634)</td>
<td></td>
<td>0.114 (0.056, 0.295)</td>
<td>0.336 (0.129, 0.50)</td>
<td>0.326 (0.138, 0.479)</td>
<td></td>
<td>0.062 (0.036, 0.283)</td>
<td></td>
</tr>
<tr>
<td>Structure</td>
<td>0.149 (0.042, 0.378)</td>
<td></td>
<td>0.701 (0.573, 0.798)</td>
<td>0.516 (0.358, 0.662)</td>
<td>0.214 (0.146, 0.377)</td>
<td></td>
<td>0.061 (0.006, 0.442)</td>
<td>0.179 (0.025, 0.454)</td>
</tr>
<tr>
<td>Tech-Rel</td>
<td>0.519 (0.205, 0.714)</td>
<td></td>
<td>0.095 (0.041, 0.374)</td>
<td>0.08 (0.068, 0.302)</td>
<td>0.225 (0.177, 0.424)</td>
<td></td>
<td>0.061 (0.006, 0.442)</td>
<td>0.179 (0.025, 0.454)</td>
</tr>
<tr>
<td>Technology</td>
<td>0.144 (0.077, 0.508)</td>
<td></td>
<td>0.564 (0.36, 0.754)</td>
<td>0.57 (0.382, 0.716)</td>
<td>0.345 (0.232, 0.544)</td>
<td>0.21 (0.041, 0.431)</td>
<td>0.416 (0.222, 0.583)</td>
<td>0.253 (0.062, 0.532)</td>
</tr>
</tbody>
</table>
determination, or $R^2$ value, is obtained to examine how well the research model is performing. The $R^2$ value for this model is 0.621. It indicates that 62.1% of the DV (perceived PHEI performance) is explained by various IV in this study.

### Table 7: Regression summary

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Variable</th>
<th>$\beta$</th>
<th>Significance</th>
<th>Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Technology -&gt; PHEI performance</td>
<td>0.21</td>
<td>0.031</td>
<td>Yes</td>
</tr>
<tr>
<td>H2</td>
<td>Structure -&gt; PHEI performance</td>
<td>0.215</td>
<td>0.028</td>
<td>Yes</td>
</tr>
<tr>
<td>H3</td>
<td>Culture -&gt; PHEI performance</td>
<td>0.165</td>
<td>0.165</td>
<td>No</td>
</tr>
<tr>
<td>H4</td>
<td>Religiosity -&gt; PHEI performance</td>
<td>0.383</td>
<td>0.001</td>
<td>Yes</td>
</tr>
<tr>
<td>H4a</td>
<td>Moderating effect 1: Tech-Rel</td>
<td>-0.056</td>
<td>0.296</td>
<td>No</td>
</tr>
<tr>
<td>H4b</td>
<td>Moderating effect 2: Str-Rel</td>
<td>0.266</td>
<td>0.007</td>
<td>Yes</td>
</tr>
<tr>
<td>H4c</td>
<td>Moderating effect 3: Cul-Rel</td>
<td>0.25</td>
<td>0.113</td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>$N$</th>
<th>$R^2$ (without moderation)</th>
<th>$R^2$ (with moderation)</th>
<th>Adj. $R^2$</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>105</td>
<td>0.488</td>
<td>0.621</td>
<td>0.593</td>
<td>0.000</td>
</tr>
</tbody>
</table>

This study also conduct a comparison of proportion of variance explained by the model (as shown by the coefficient of determination $R^2$) of the main effect model (i.e. without moderating effect). This also underlies the effect size as stated by Henseler et al. (2009). Therefore, by aligning to Cohen (1988), in calculating the effect size $f^2$, the following formula is used:

$$f^2 = \frac{R^2_{\text{model with moderator}} - R^2_{\text{model without moderator}}}{1 - R^2_{\text{model with moderator}}}$$

$$f^2 = \frac{0.621 - 0.488}{1 - 0.621}$$

$$f^2 = 0.3509$$

According to Cohen (1988), effect of sizes of 0.02, 0.15 and 0.35 are designated as small, medium and large size. This model showed moderating effects with effect size, $f^2$ of 0.3509. This is strong indicator that predictor latent variables have large effects at the structural level.

**DISCUSSION**

This study attempts to extend the understanding of the relationship between Knowledge Management Infrastructure Capabilities (KMIC) and PHEI performance by adding religiosity as a moderator in their relationship. An integrated framework was proposed and tested where the main construct KMIC, are broken down to three sub-constructs, namely technology, organizational structure and culture and these are treated as factors that influence academicians’ perception on PHEI performance. Religiosity is brought in as it is expected to moderate such relationship.

This study reveals that all sub-constructs of KM Infrastructure Capability are key enablers of PHEI performance. The findings are consistent with prior KM research that found a positive link between KM Infrastructure Capability and organizational performance (Gold, Malhotra, & Segars, 2001;
Tseng, 2014; Alaarj, Zainal A.M. & Bustamam, 2016). Furthermore, the findings provide a link between religiosity and perceived PHEI performance – a link that has not been identified in prior research. A perfect explanation is that religiosity is proven to positively improve human well-being (Achour, Grine, Mohd Nor, & MohdYusoff, 2015) and thus can be a driving force for people’s commitment in achieving positive organizational output (Logan, 2013; Wening & Choerudin, 2015).

According to previous studies, religiosity was identified as a crucial prediction to many psychological and consumer behaviors. Albeit has been recognized to play moderator role in employee performance relationship (Osman-Gani et al., 2013) and this study concludes that religiosity does not moderate the relationship of technology and culture on perceived PHEI performance. The insignificant moderating role of religiosity confirms that academicians accepted their usage of technology and application of KM culture to influence their perception on higher PHEI performance, even with the absence of religiosity. However, the relationship between organizational structure in supporting KM and academicians’ perception on PHEI performance was moderated by religiosity. Although there are limited literatures to explain this, it should be understood that PHEI is an organization equalizes to a social structure, which composed of “cultural-cognitive, normative and regulative element” (Scott, 2005). Tlaiss (2014) explained that the survival and stability within an organization had become crucial and thus the members will promote rules and systems through normative pillars (i.e. religion) that focus on appropriateness of behavior. In connecting the links, this study asserts that a KM-supportive organizational structure influences higher perceived PHEI performance.

However, it also depends on how religiosity shapes behaviors that will affect that relationship. Therefore, religiosity is seemed to play the role as moderating variable. Perhaps the most interesting result from this study is the highest coefficient of religiosity in explaining the criterion variable, PHEI performance. Previous literatures on religiosity seems to be lacking in expansion (Osman-Gani et al., 2013), especially in the field of strategic management, even though there is an increasing trend in studying the influence of religiosity in Malaysia in the field of marketing (A. R. Kamaruddin, 2007; Abdul Razak Kamaruddin, Kamaruddin, & Abdul Razak Kamaruddin & Kamarulzaman Kamaruddin, 2009; Mokhlis, 2008, 2009a, 2009b; Nooh et al., 2014). The study of religiosity is also lacking in education industry. A few studies of religiosity are concentrating on the role of religion with regards to students’ campus life (Mayrl & Oeur, 2009), academic programs (Assegaf, 2012) and employees’ well-being (Achour, Mohd Nor, et al., 2015). There is also a lack of literatures linking religiosity with KM (particularly KM Capability). This study offers an opportunity to explore more of religiosity dimensions in influencing business strategic decisions.

This paper makes several contributions to the literature. First, we contribute to the conceptualization of the religiosity as an important aspect of organizational performance. While many studies have focused on the importance KM and performance without the elements of value, this paper brings them together to explain their linkage and quantify the relationship. Second, this study is an attempt to explore religiosity as moderating variable in the relationship of technology, structure and culture on PHEI performance. Hence, the paper goes beyond the conventional finding to provide new insights. Although the paper does not develop a new theory, it will motivate scholars and practitioners to engage with the issues in different ways than they have in the past. Third, this paper also expands the application of strategic management in higher education industry. It is expected to enhance the sustainability of PHEI in Malaysia within the turbulence of competition and liberalization of this industry.
LIMITATIONS AND FUTURE WORK

It is important to understand that this research has been interpreted within the context of its limitations. It requires additional researches that help in filling the study gap. First, the result of this study was analyzed based on a pilot study sample of 105 academicians from seven PHEI. A larger sample size might be able to contribute to higher generalizability as it will allow more statistical power and sophisticated analysis. Second, this study only uses KM Infrastructure Capability as a prediction of perceived PHEI performance. The notion of “organizational capabilities” also requires researches to measure organizational KM Process Capability. Therefore, further researches should try to include KM Process Capability and tested with religiosity as moderator.

CONCLUSION

The higher education industry in Malaysia today is facing challenges and intense competition. Liberalization of higher education by the Ministry has attracted international PHEIs to invest in Malaysia. Therefore, local PHEIs must continue to strive for an advantage competitive posture to ensure sustainability. Knowledge is a vital resource to be managed in creating this competitive posture. The current study explains the role of KMIC (whose components are organizational technology, structure and culture) on perceived PHEI performance, with the moderating effect of religiosity.

This study provides insights and awareness to leaders in PHEI on how to manage its knowledge management infrastructure. According to the result, organizational technology and structure that supports KM must be nurtured. Since PHEI is a place where knowledge is highly traded, it is possible to balance the focus on establishing the culture of knowledge management (acquiring, generating, storing and sharing) with inculcating high moral values within the heart of academicians because it is shown that religiosity plays a crucial role that will drive towards higher organizational performance.

It is hoped that this study will help managers of PHEIs to better understand the need to create competitive advantage and reformulate their KM sharing strategies for further enhancement.

REFERENCES


Defining the Frontiers of Global Business Research Across Emerging Countries


ATTACHMENT A: Table of Selected related studies from the literature on religiosity

<table>
<thead>
<tr>
<th>Authors (Year)/Country</th>
<th>Type of paper/study</th>
<th>Sample</th>
<th>Theory/model and statistical analysis</th>
<th>Variables</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worthington, Everett L. et al. (2003)/USA</td>
<td>Research paper</td>
<td>Students, Christian colleges, adults consist of various religions.</td>
<td>Theory of religious values/ Factor analysis, Coefficient correlations</td>
<td>RCI–10 Rokeach’s Value Survey Spirituality and morality Participation in organized religion events</td>
<td>This study produced high validity and reliability on its RCI-10 measurement. Factor analysis indicates two categories of religiosity measurement: intrapersonal and interpersonal.</td>
</tr>
<tr>
<td>Mokhlis (2008)/Malaysia</td>
<td>Research paper</td>
<td>419 Malay undergraduate students</td>
<td>Factor analysis, MANOVA</td>
<td>DV: Store attributes IV: Religiosity</td>
<td>Customers with both intrapersonal and interpersonal religiosity were related to attractiveness and reputation of the store.</td>
</tr>
<tr>
<td>Kamaruddin &amp; Kamaruddin (2009)/Malaysia</td>
<td>Research paper</td>
<td>419 undergraduate students</td>
<td>Theory: n/a Factor analysis, t-tests</td>
<td>IV: Culture (religiosity and ethnic) DV: Decision making styles</td>
<td>Malays consumers are tedious, quality conscious, practice impulse buying and find information overload hardened the decision-making.</td>
</tr>
<tr>
<td>Abolfathi Momtaz et al. (2011)/Malaysia</td>
<td>Research paper</td>
<td>1415 elderly Malay Muslims</td>
<td>Theory: n/a Moderated hierarchical regression analysis</td>
<td>IV: Chronic medical conditions MODV: Religiosity DV: Psychological well-being</td>
<td>High religiosity contributes to higher level of psychological well-being. Personal and social religiosity will reduce the negative effect of chronic medical conditions on psychological well-being.</td>
</tr>
<tr>
<td>Haidernaqvi, Bilal, Yusuf, &amp; Simm (2012)/Pakistan &amp; UK</td>
<td>Conceptual paper</td>
<td>n/a</td>
<td>KBV Theory Review and synthesis of relevant literatures</td>
<td>n/a</td>
<td>A review of Grant’s KBV and concludes that religious guidelines will assist firm to achieve a rational, productive and constructive use and applications of knowledge firms.</td>
</tr>
<tr>
<td>Shukor (2013)/UK</td>
<td>Research paper</td>
<td>Members from interest group in</td>
<td>Theory: n/a Pearson correlation</td>
<td>DV: Religiosity IV: Ethnic identification,</td>
<td>There is no relation between ethnic identification and religiosity. Furthermore,</td>
</tr>
<tr>
<td>Authors</td>
<td>Country</td>
<td>Journal Type</td>
<td>Sample Size</td>
<td>Methodology</td>
<td>IV</td>
</tr>
<tr>
<td>---------</td>
<td>---------</td>
<td>--------------</td>
<td>-------------</td>
<td>-------------</td>
<td>----</td>
</tr>
<tr>
<td>Yaakub et al. (2013)/Malaysia</td>
<td>Malaysia</td>
<td>Conceptual paper</td>
<td>n/a</td>
<td>Theory: n/a Review and synthesis of relevant literatures</td>
<td>n/a</td>
</tr>
<tr>
<td>Zulkifli &amp; Rosli (2013)/Malaysia</td>
<td>Malaysia</td>
<td>Conceptual paper</td>
<td>n/a</td>
<td>Theory: n/a Review and synthesis of relevant literatures</td>
<td>IV: entrepreneurial orientation (EO) MODV: Religiosity DV: Business success</td>
</tr>
<tr>
<td>Osman-Gani, Hashim, &amp; Ismail (2013)/Malaysia</td>
<td>Malaysia</td>
<td>Research paper</td>
<td>435 employees from various industries in Malaysia</td>
<td>Theory: n/a SEM</td>
<td>IV: Religiosity, Spirituality MODV: Religion DV: Employee performance</td>
</tr>
<tr>
<td>Nooh, Shukor, Aziz, Khairi, &amp; Abdullah (2014)/Malaysia</td>
<td>Malaysia</td>
<td>Research paper</td>
<td>278 students from a Malaysian university</td>
<td>Theory: n/a Descriptive statistics, correlation and t-tests</td>
<td>Religiosity Controversial products Offensive advertising</td>
</tr>
<tr>
<td>Achour, Mohd Nor, &amp; Mohd Yusoff (2015)/Malaysia</td>
<td>Malaysia</td>
<td>Research paper</td>
<td>117 Muslim staffs in Malaysian public universities</td>
<td>Hierarchical regression analysis</td>
<td>DV: Employees’ well being IV: Job strain MODV: Religiosity</td>
</tr>
</tbody>
</table>
ABOUT THE EDITORS

Prof. Dr. Zafar U. Ahmed has been serving American University of Ras Al Khaimah (United Arab Emirates) as a Professor of Marketing and International Business since January 1, 2017. He earned his BBA in International Business from the University of the State of New York’s Regents College at Albany (USA), an MBA in International Business from the Texas A&M International University (USA), and a Ph.D., with specialization in Branding from the Utah State University (USA) in 1988. He has well over 10-year industry experience earned across Africa as an exporter and global entrepreneur, and 30 years academic experience accumulated at six different American universities (e.g., Texas A&M University at Commerce (Texas); Fort Hays State University (Kansas); Sacred Heart University (Connecticut); Minot State University (North Dakota); and State University of New York at Fredonia (New York). He has published over 200 scholarly papers in Thomas Reuters (ISI) and Scopus indexed journals and has a Google Scholar Citation Index of over 4,500, an “h-index of 31”, and an “i-10 index of 72” to his credit. He has organized and presided over 15 global conferences across the world, serves on the editorial boards of more than 10 world-class journals, and serves as the Founder, President and CEO, US based Academy for Global Business Advancement (www.agba.us), Founder and Editor-in-Chief, UK based Journal for Global Business Advancement (www.inderscience.com/jgba), and Founder and Honorary Chief Editor, UK based Journal for International Business and Entrepreneurship Development (www.inderscience.com/jibed). He has been invited to guest edit a special issue of the Journal of Business Research with a focus on Africa. He could be reached via his email: zafar.ahmed@gmail.com

Prof. Dr. Mohd Shukri Ab. Yajid is a passionate proponent for excellence in education. Prof. Shukri has set a new benchmark on excellence and quality in private education in Malaysia as the Founder and President of the Management and Science University (MSU), Malaysia and the PTPL Group of Colleges. MSU has twice been awarded the Excellent University rating, a Tier 5 Status under the Rating System for Malaysian Higher Education. The MSU College Group of Colleges was the first private college to receive accreditation from the Malaysian Qualification Agency. Prof. Shukri has authored and co-authored over 100 scholarly papers published in international and local journals. He has been appointed to several high powered national committees related to development of education by the Malaysian government over the years. Many of these consultative committees were geared towards uplifting local and national education standards to a level that has gained global recognition. Among these committees are the National Implementation Task Force (NITF) Committee, and the Human Resource Cluster Working Group (CWG), both established under the auspices of the Malaysian Prime Minister’s department.

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Prof. Dr. Ali Khatibi is currently serving Management and Science University (MSU), Malaysia as its Vice President of Business and Social Sciences Cluster, Dean: Graduate School of Management and Professor of Digital Marketing. Prof. Ali is honored as a “Senior Research Fellow” and has served as an Adjunct Professor across China, Singapore, Australia and Germany. In a career spanning 30 years in academia and industry, Prof. Ali has held many senior academic and administrative positions and has been instrumental in providing high level of leadership in research and teaching at MSU. Prof. Ali has won the Gold and Silver Medals (2009/2011/2012) for the invention and innovation research in Malaysia. He is currently working with ABEST-Japan to develop "Asia' Management Games". Prof. Ali has successfully supervised 36 PhD, 46 Masters and more than 200 MBA students. He has obtained external and internal competitive research grants from funding agencies based in Malaysia, Japan, South Korea and UK, and has served as a reviewer for national and international research grant applications. Prof. Ali also serves as a consultant to over 24 local and international companies as well as a reviewer for John Wiley and McGraw Hill. Prof. Ali has over 250 scholarly publications to his credit, which include 200-refereed journal and conference papers. He is the Deputy Editor, UK based and Scopus indexed journal (Journal for Global Business Management).

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